Saudi Pak Industrial & Agricultural Investment Company Limited

Saudi Pak

Inspiring with Achievement

ANNUAL REPORT **2014**

Saudi Pak Industrial & Agricultural
Investment Company Limited

33rd ANNUAL REPORT

www.saudipak.com

Unprecedented Growth

We consider 2014 as the YEAR OF UNPRECEDENTED GROWTH. During this year our company notched new **milestone of success** by earning **highest ever profit**.

The Winning Team

Saudi Pak has achieved historic performance due to untiring efforts and dedication of our team. We believe this is just the begining of a new journey of soaring to new heights of glory.

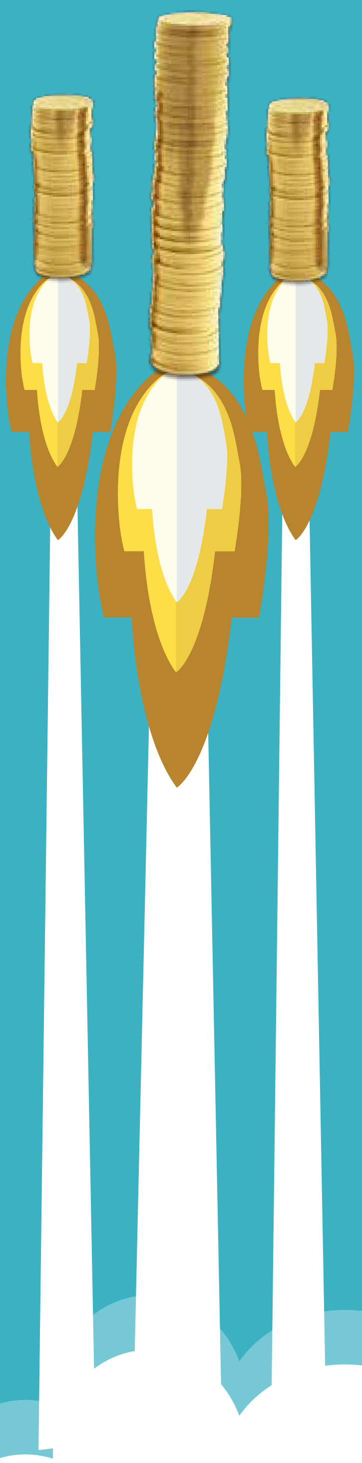

SAUDI PAK
ISLAMABAD

Humbled with Gratitude

We bow to Allah in gratitude as Saudi Pak

embarks onto a **new journey of achievements**

with excellence



Key Financial Indicators

222.61 % ▲ Profit Before Tax

Profit After Tax ▲ 51.56 %

31.31 % ▲ Net Interest Margin

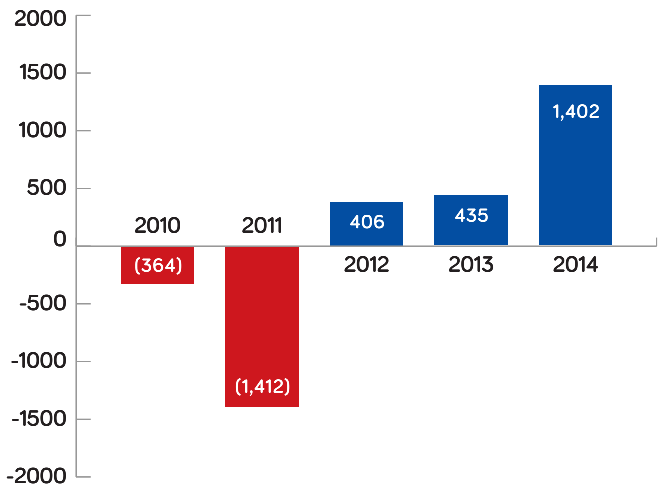
Total Assets ▲ 50.08%

16.70 % ▲ Sharesholders' Equity

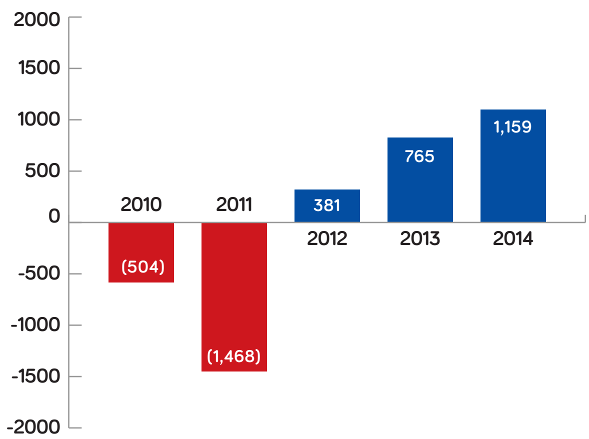
Saudi Pak

Where excellence is
not exception but a norm

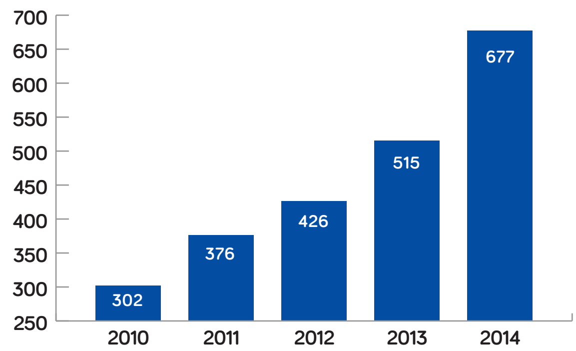
Profit/(Loss) Before Tax (Million, Rs.)



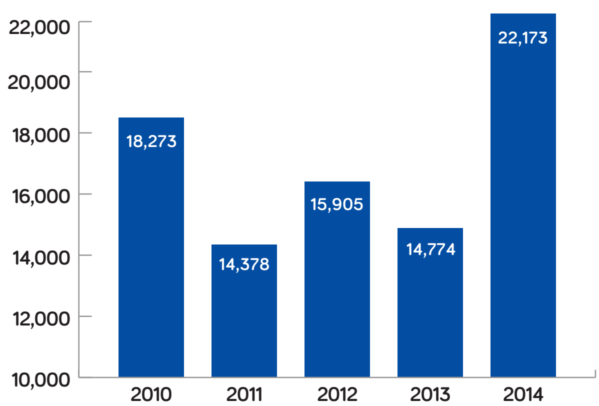
Profit/(Loss) After Tax (Million, Rs.)



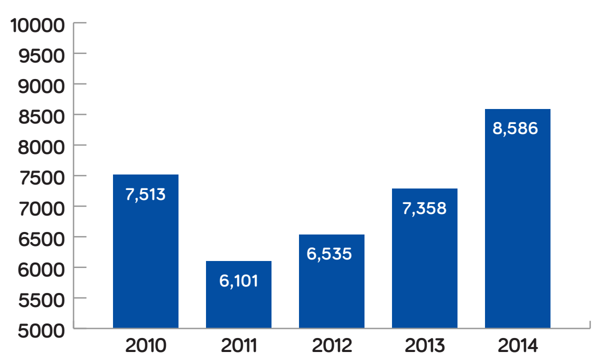
Net Interest Margin (Million, Rs.)



Total Assets (Million, Rs.)



Sharesholders` Equity (Million, Rs.)



Performance Speaks

RECORDS UNPRECEDENTED FINANCIAL RESULTS

The company shows over rupee one billion profit – the highest ever!

2014

2013 SUCCESS STORY CONTINUES

The profit soars to 765 million rupees.

2012 BEGINNING OF SUCCESS

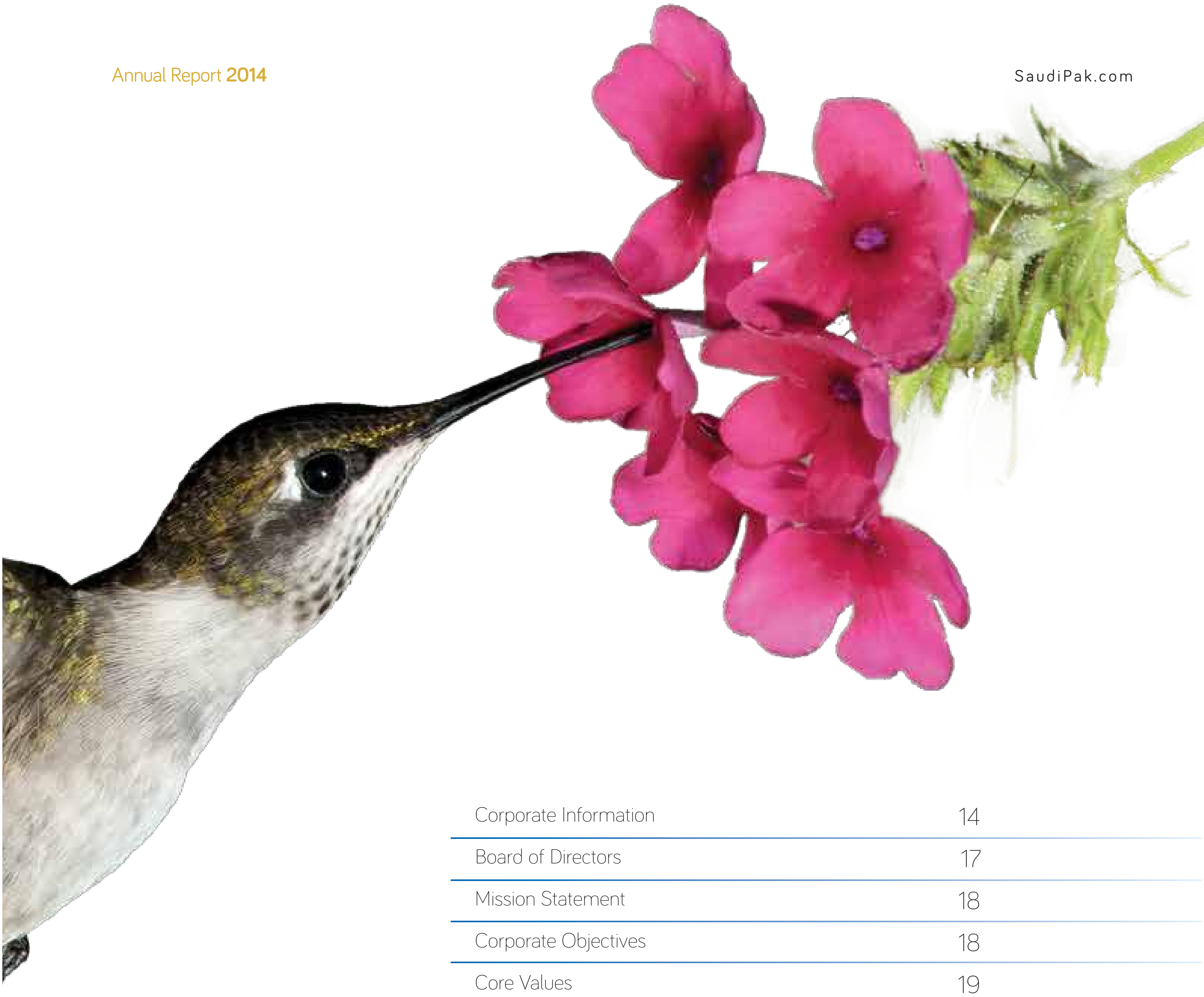
The Company is pulled out of losses, and declares profit of 381 million rupees

2011 FACING DAUNTING CHALLENGES

The Company declares over rupee one billion loss

Contents

As a nation of immense potential, we believe there is substantial growth opportunities for Saudi Pak in years to come...



Corporate Information

Saudi Pak Industrial & Agricultural Investment Company Limited

Chief Executive

- Mr. Kamal Uddin Khan

HR & Remuneration Committee

- Mr. Mohammed W. Al-Harby
  Chairman
- Mr. Manzoor Ali Khan
  Member
- Dr. Shujat Ali
  Member
- Mr. Kamal Uddin Khan
  Member
- Mr. Mohammad Nayeem Akhtar
  Secretary

Audit Committee

- Mr. Mohammed Al-Jarbou
  Chairman
- Mr. Manzoor Ali Khan
  Member
- Dr. Shujat Ali
  Member
- Mr. Atif Islam
  Secretary

Board of Directors

- Mr. Mohammed W. Al-Harby
  Chairman
- Mr. Manzoor Ali Khan
  Deputy Chairman
- Mr. Musaad A. Al-Fakhri
  Director
- Mr. Mohammed Al-Jarbou
  Director
- Dr. Shujat Ali
  Director

Risk Management Committee

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

Company Secretary

- Mr. Mohammad Nayeem Akhtar

Chief Financial Officer

- Mr. Rohail Ajmal

Auditors

- KMPG Taseer Hadi & Co.
  Chartered Accountants

Legal Advisors

- Hassan Kaunain Nafees

Saudi Pak is pro-actively engaged in addressing Pakistan's economic challenges of today, with a committment to convert them into opportunities for tomorrow.

Board of Directors

Mr. Mohammed W. Al-Harby
Chairman

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

Mr. Manzoor Ali Khan
Deputy Chairman

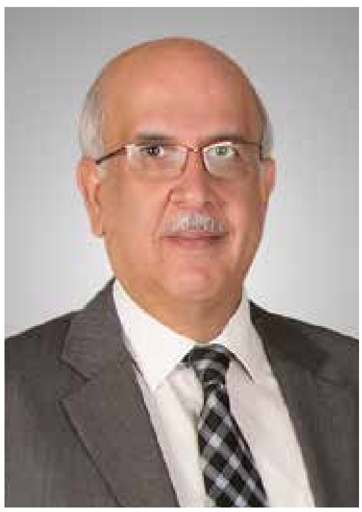
Secretary Parliamentary Affairs Division
Ministry of Parliamentary Affairs
Government of Pakistan

Mr. Musaad A. Al-Fakhri
Director

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

Mr. Mohammed Al-Jarbou
Director

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



Dr. Shujat Ali
Director

Additional Finance Secretary (Budget)
Ministry of Finance
Government of Pakistan

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 Objectives

- Promote investment in industrial and agro-based 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

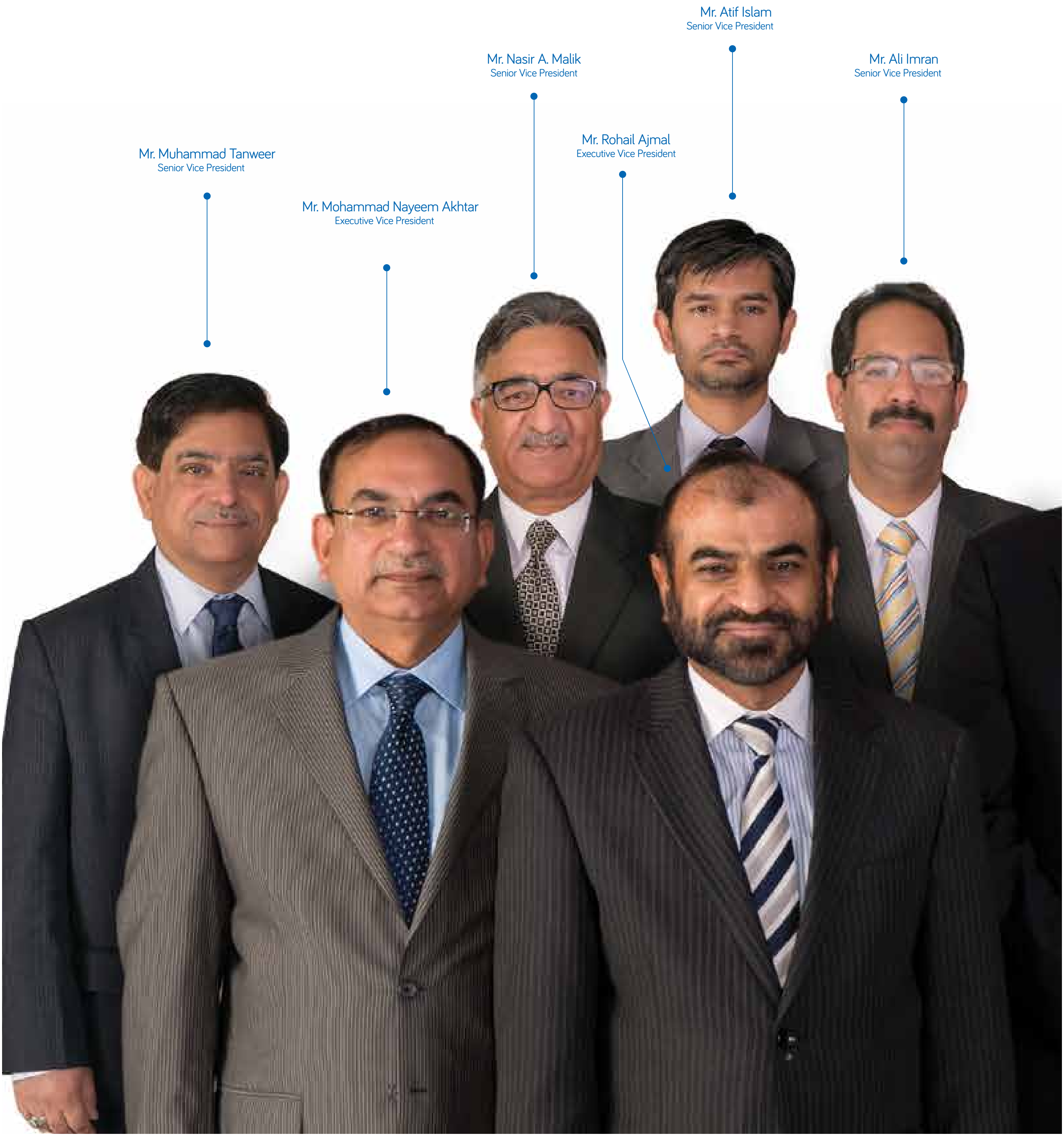
Core Values

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

Corporate Vision

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

Management


Mr. Atif Islam
Senior Vice President
Mr. Nasir A. Malik
Senior Vice President
Mr. Ali Imran
Senior Vice President
Mr. Rohail Ajmal
Executive Vice President
Mr. Muhammad Tanweer
Senior Vice President
Mr. Mohammad Nayeem Akhtar
Executive Vice President

Mr. Kamal Uddin Khan
Chief Executive

Sheikh Aftab Ahmad
Senior Vice President

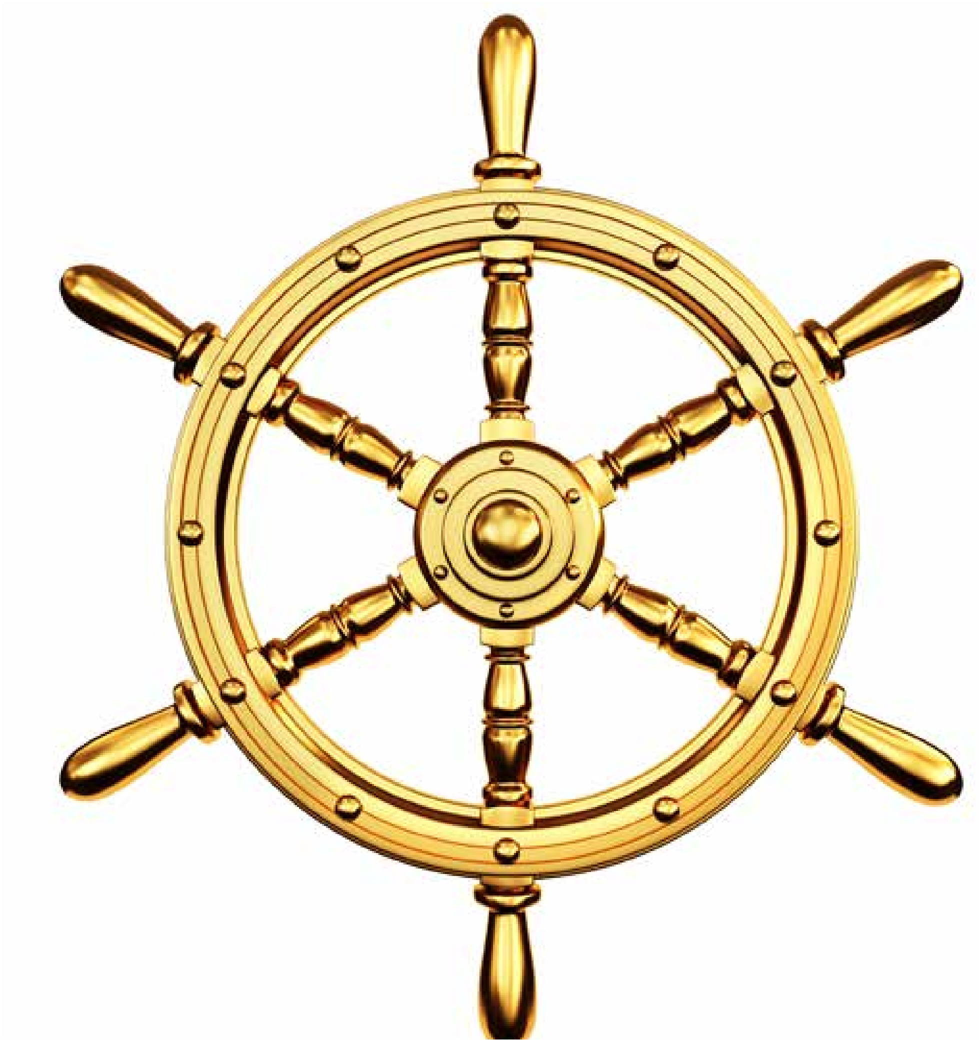
Mr. Sæed Aziz Khan
Head Treasury/ROK

Mr. Arif Majeed Butt
Vice President/Head

Ms. Parveen A. Malik
Executive Vice President

Mr. Azhar Ahmad Khan
Vice President/Head

Mr. Arshed Ahmed Khan
Executive Vice President



We aspire to excel and play a leading role in the financial sector in Pakistan

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, 2014 paid up capital of the Company is Rs.6,000 million. It is held as under:

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

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

- **Project Finance**
  - Medium to long term loans
  - Lease financing
  - Term Finance Certificates (TFCs)
  - Long Term Finance for Export Oriented Projects (LTF-EOP)
- **Short term loans to meet the working capital requirements**
- **Direct equity investments**
- **Underwriting of public issues of shares and Term Finance Certificates**
- **Non-funded commitments in the form of Letter of Comfort etc.**
- **Syndication, Trusteeship, Consultancy services and Acting as Financial Arranger/ Advisor.**

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

Credit Rating | By JCR-VIS

Long Term AA+ **Short Term A1+** **Outlook Stable**

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

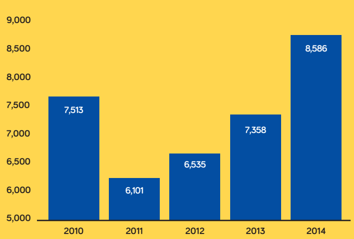
A1+
Highest certainty of timely payments. Short Term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's Short Term obligations.

Operational Highlights

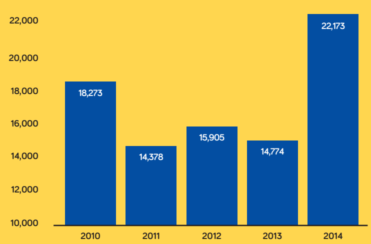
(Million, Rs.)

	2010	2011	2012	2013	2014
Approval of Financing and Investment					
Long Term Finance/TFCs	1,724.1	389.9	980.0	1,200.0	3,150.0
Lease Finance	-	80.0	-	-	70.0
Equity Investment	-	-	-	250.0	-
Short Term Finance	970.0	601.1	979.8	382.7	550.4
Guarantees and Underwriting	10.8	35.1	200.0	-	1,150.0
Gross Approvals	**2,704.9**	**1,106.1**	**2,159.8**	**1,832.7**	**4,920.4**
Withdrawals	361.8	576.6	680.0	500.0	200.0
Net Approvals	**2,343.1**	**529.5**	**1,479.8**	**1,332.7**	**4,720.4**
Gross Cumulative Approvals	51,901.3	53,007.4	55,167.2	56,999.9	61,920.3
Cumulative Withdrawals	536.8	1,113.4	1,793.4	2,293.4	2,493.4
Net Cumulative Approvals	**51,364.5**	**51,894.0**	**53,373.8**	**54,706.5**	**59,426.9**
Disbursement of Funds					
Long Term Finance/TFCs	1,980.3	208.2	609.0	791.0	2,309.0
Lease Finance	92.0	-	-	-	70.0
Short Term Finance	605.5	448.0	624.9	267.6	452.5
Direct Equity & Underwriting Take-ups	19.3	-	-	250.0	-
Total Disbursements	**2,697.1**	**656.2**	**1,233.9**	**1,308.6**	**2,831.5**
Cumulative Disbursements	**46,229.4**	**46,885.6**	**48,119.5**	**49,428.1**	**52,259.6**
Recoveries					
Total Amount	2,992.9	2,625.2	2,432.4	2,902.4	2,316.6
Current Dues Collection Ratio	83.12	80.67	81.40	92.40	90.83

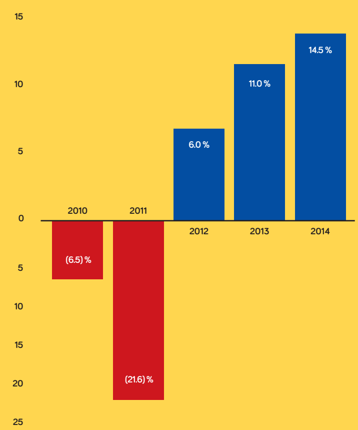
Sharesholders` Equity (Million, Rs.)



Total Assets (Million, Rs.)



Return on Average Equity

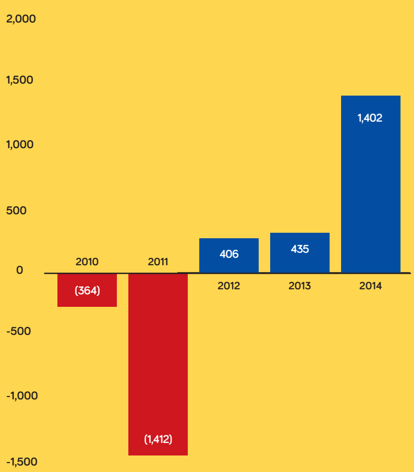


Financial Highlights

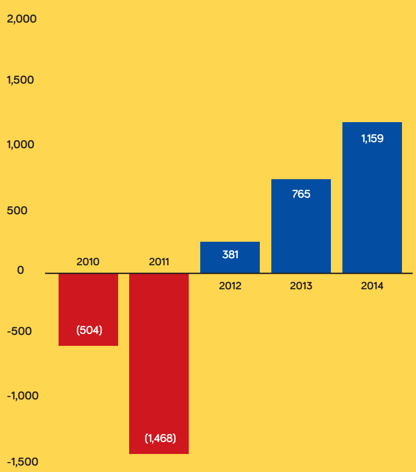
(Million, Rs.)

	2010	2011	2012	2013	2014
Income Statement					
Total Income	1,356.6	1,217.7	1,629.7	1,277.1	**2,105.2**
Net Income	242.3	267.0	961.1	838.2	**1,438.3**
Profit/(loss) before Tax	(363.7)	(1,411.7)	405.5	434.7	**1,402.4**
Profit/(loss) after Tax	(503.8)	(1,468.1)	380.6	764.6	**1,158.8**
Balance Sheet at year end					
Total Shareholders' Equity	7,513.2	6,100.5	6,535.2	7,357.6	**8,586.2**
Total Assets	18,273.1	14,377.7	15,904.5	14,774.3	**22,172.9**
Selected Ratios					
Return on Average Equity(%)	(6.5)	(21.6)	6.0	11.0	**14.5**
Return on Average Assets(%)	(2.5)	(9.0)	2.5	5.0	**6.3**
Assets/Equity(times)	2.4	2.4	2.4	2.0	**2.6**

Profit/(Loss) Before Tax (Million, Rs.)



Profit/(Loss) After Tax (Million, Rs.)



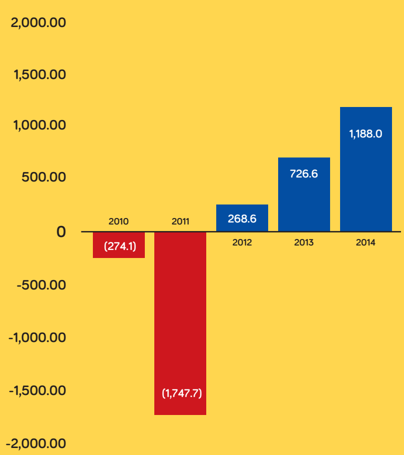
Contributing • serving • excelling

Summary of Consolidated Accounts

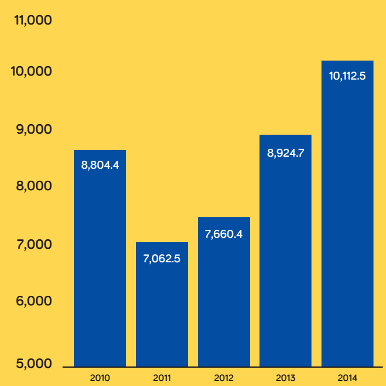
(Million, Rs.)

	2010	2011	2012	2013	**2014**
Income Statement					
Total Income	1,707.8	1,616.7	1,892.7	1,665.4	**2,223.2**
Interest/Markup Income	1,728.2	1,479.9	1,246.9	1,007.7	**1,370.1**
Profit/(Loss) before Tax	(274.1)	(1,747.7)	268.6	726.6	**1,188.0**
Profit/(Loss) after Tax	(434.0)	(2,042.6)	247.0	1,051.8	**943.4**
Balance Sheet at year end					
Total Shareholders' Equity	8,804.4	7,062.5	7,660.4	8,924.7	**10,112.5**
Total Assets	21,982.9	17,324.7	17,708.6	16,387.9	**23,414.0**

Profit/(Loss) before Tax



Total Shareholders' Equity



Chairman's Message

Net Interest Margin
31.31%

On behalf of the Board of Directors, I would like to present the 33rd audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts together with Auditors' Report to Members and the Directors' Report for the year ended December 31, 2014.

During the period under review there was an improvement in overall economic environment. Even though macroeconomics and security challenges remain. Growth recovery is underway with the projected GDP growth approaching 4.1 percent driven by dynamic manufacturing and service sectors, better energy availability, and early revival of investors' confidence. Inflation during the first six months remained steady at 8.6 percent and then declined to its lowest level in 11 years i.e. 4.3 percent in December 2014. The decline was mainly due to sharp drop in International Oil prices and its consequent effects. As expected SBP responded by reducing the policy rate by 50 basis points to 9.5 percent in November 2014. External position is slowly improving since monetary and exchange rate policies switched gear towards rebuilding reserves last November. Credit to private sector picked up and posted growth of 4.1 percent y-o-y as of June 2014. Stock market remained buoyant at the back of improved investors' confidence and declining interest rate environment.

As per the business plan Company enhanced its focus on business expansion during the year while maintaining concerted efforts on recoveries and process improvements. Consequently Balance sheet footing increased by 50.1 percent, led by 65.3 percent increase in investments, primarily Govt. Instruments and 43.8 percent increase in advances. This strategy proved to be extremely successful enabling the

Economic recovery is underway with the projected GDP growth approaching 4.1 percent driven by dynamic manufacturing and service sectors, better energy availability, and gradual revival of investors' confidence. Inflation during the first six months remained steady at 8.6 percent and then declined to its lowest level in 11 years i.e. 4.3 percent in December 2014.

Company to reduce its risk profile, improve financial flexibility and achieve record profits in 2014.

All business segments performed extremely well. Net Interest Margin increased by 31 percent to Rs 676.6 million due to balance sheet re-profiling, recoveries and volumetric growth in business. At the same time an effective trading strategy in Govt. Instruments and Capital markets enabled the company to book income of Rs 405.4 million and Rs 269.1 million respectively from Treasury and Capital market operations. Gain from capital market represents annualized return on investments of 46.1 percent, beating the KSE 100 Index. Fee income increased by 189.5 percent to Rs 16.3 million over the corresponding period, while rental income jumped to Rs 218.9 million from Rs 191.8 million in 2013 due to better occupancy achieved during the year (92 percent). Recovery efforts also bore handsome results.

Absolute NPLs reduced by Rs 650.4 million due to recoveries and reclassification resulting i n net reversal in provisions of Rs 210.9 million. Further coverage ratio against NPLs improved from 88.9 percent in 2013 to 94.6 percent in 2014. Shareholder's equity increased by 16.7 percent to Rs 8,586.1 million over the preceding year reflecting substantially improved balance sheet health.

Overall as a result of the above Company achieved a record pre-tax profit of Rs 1,402.4 million and post tax profit of Rs 1,158.8 million which represents an increase of 222.6 percent and 51.5 percent respectively over the corresponding period.

Turnaround in Company's overall risk profile including operating results and financial flexibility were recognized by the Credit Rating Agency JCR-VIS through an upgrade of Company's Long Term entity rating from AA to AA+ with stable outlook.

Going forward Company plans to remain focused on the core business activities while developing new revenue generating sources including private equity and fee income. Concerted efforts on recoveries, strengthening risk management framework, process improvements, resolving issues relating to strategic investments i.e. Saudi Pak Leasing Company Limited and Saudi Pak Real Estate Limited will continue. The board firmly supports management to pursue its plans.

In the end I would like to express on my behalf and on behalf of the Board our sincere gratitude to the joint venture partners, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan for their unwavering support and State Bank of Pakistan as well as Securities Exchange Commission of Pakistan for their professional guidance. I am also thankful to the Board Members for their valuable contributions. Further, I congratulate and express my deep pride in the Saudi Pak's team for this excellent performance.

Mohammed W. Al-Harby
Chairman

Profit Before Tax

222.61%

Reforms initiated by the government helped improve economic conditions during the year.
Renewed support from development partners and a $2 billion Eurobond issue, the first in 7 years, helped stabilize the currency and rebuild foreign exchange reserves from very low levels.

Directors' Report

ECONOMIC OVERVIEW

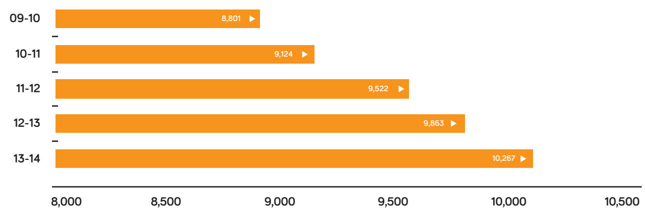
Growth in the gross domestic product (GDP) of Pakistan reached an estimated 4.1% in Fiscal Year 2014 (ended 30 June 2014), accelerating from 3.7% in FY2013. Upturn came from improved industrial performance: a pickup in construction by 11.3%, continued growth in large-scale manufacturing at 4.0%, and electricity supply improved by 3.7% owing largely to the government's clearance of intra-industry debt. Growth in large-scale manufacturing reflected higher production of fertilizer, electronics, chemicals, and leather, while textile production marginally declined. Agriculture growth slipped to 2.1% from 2.9%, reflecting bad weather in areas that produce minor crops as pulses and potatoes, as well as weaker growth in livestock, the latter of which accounts for 56% of agricultural production.

These developments outweighed strong expansion of 3.7% in major crops underlined by bumper harvests of rice, sugarcane, wheat, and maize-but not cotton, which suffered a small decline.

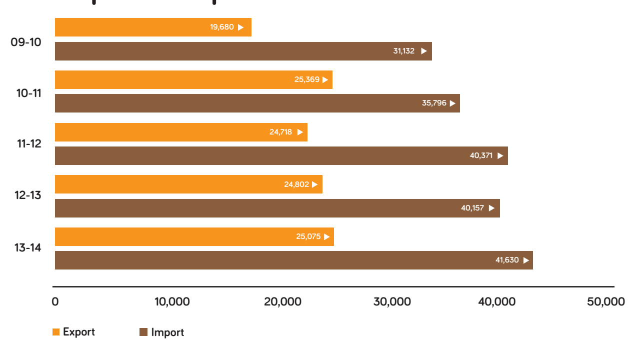
Private consumption remained the largest contributor to growth in FY2014 at 4.6 percentage points, helped by stronger remittances and improved rural incomes from major crops. The contribution of investment was a low 0.2 percentage points. A 0.5% increase in gross fixed capital formation came from a 17.3% expansion in general government investment, as private and public enterprise investment fell by 2.6%.

Gross Domestic Product

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



Import – Export



Directors' Report

ECONOMIC OVERVIEW

Credit growth, mainly in the manufacturing, power and utility, and transportation sectors, reached 13.4 percent, reflecting declining SBP fiscal financing, easing structural bottlenecks, and NFA growth. Banks' profitability improved due to higher net interest income, lower provision charges, and higher noninterest income. The nonperforming loan (NPL) ratio increased marginally to 13 percent and the capital adequacy ratio (CAR) increased to 15.5 percent, well-above the minimum requirement of 10 percent.

Reforms initiated by the government helped improve economic conditions during the year. Renewed support from development partners and a $2 billion Eurobond issue, the first in 7 years, helped stabilize the currency and rebuild foreign exchange reserves from very low levels.

Headline inflation increased to an average of 8.6 percent in FY2014 (July 2013-June 2014) from 7.4 percent in the previous year. Consumer price inflation was volatile through the year because of food price spikes in the first half of 2014. In response, the central bank kept monetary policy tight in FY2014, increasing the policy rate by a cumulative 100 basis points to 10 percent. However, since July 2014 various other factors continued to pull the headline CPI inflation on YoY basis down to 4.3 percent in December 2014. This disinflation was broad based as both food and non-food inflation have been declining. The deceleration in the former was mainly the result of better supply conditions, while the latter is explained by a combination of factors. These include declining in international oil price; lagged impact of earlier conservative monetary policy stance by SBP and moderating aggregate demand; and stable exchange rate. Keeping in view significant reduction in inflation figures, the policy rate was reduced by 50 basis points during November 2014 which was further reduced by 100 basis points in January 2015.

At the same time, given the reduction in domestic oil prices and its second round impact, such as on transport services, inflation is likely to decrease further going forward. Accordingly, SBP has revised downwards its forecast range for average CPI inflation to 4.5 – 5.5 percent for FY15, well below the annual target of 8 percent.

A comprehensive agenda of reforms is being pursued by the Government which is highly focused on inclusive growth and to reinvigorate the economy, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the economy through removal of bottlenecks like, energy shortages, privatization of bleeding PSEs, circular debt along with creating conducive investment climate to boost exports and tax revenues, and bridge fiscal and current account deficits. Government has shown commitment to develop vibrant and competitive market in order to accelerate and sustain economic growth through productivity, competitiveness, innovation and entrepreneurship.

Sources:

1. Asian Development Bank Report on Pakistan's Economy
2. IMF Review on Pakistan Economic Performance
3. Economic Survey of Pakistan 2013-2014
4. SBP- Monetary Policy Statement January 2015

OPERATIONAL REVIEW

CORPORATE FINANCING

2014 was yet another challenging year for the Corporate Finance Division as bearish business activity mainly due to persisting energy crises, poor law & order situation and tense political climate kept the lending business difficult. To capture quality customers, the lending institutions resorted to aggressive rate cuts thereby making it further difficult for Saudi Pak to penetrate into new business groups and in few cases retain the existing relationships specially given inherent disadvantage of high cost of funds for DFIs. Corporate Finance Division, nevertheless, continued its efforts in harmony with Saudi Pak's overall corporate strategy to turn around the company. The year end financials of 2014 speak loudly of the success achieved by the company as a result of the business strategy adopted by the management. Corporate Finance Division remained focused on prudent lending policy to build quality and profitable asset base. In view of the other viable options available for deployment of Saudi Pak funds like investments in Government Securities, Corporate Finance Division had to establish sound justification for each and every lending transaction in terms of its relatively better viability and risk return equation over other available options.

During 2014, Corporate Finance Division primarily concentrated on the textile, sugar, cement, beverages, hospitability and real estate sectors. The total amount of loans approved during 2014 was Rs.4.920 billion, which was 212% higher than Rs.1.575 billion approved in 2013. The total amount of loans disbursed during 2014 was Rs.2.829 billion as against Rs.1.053 billion disbursed in 2013, resulting in an increase of 169%.

Corporate Finance Division is optimistic in terms of achieving its business targets set for 2015 by effectively mobilizing required resources and following its strategy of prudent lending policy and marketing strategy of tapping viable fee based income generating business opportunities in the market by maintaining close contact with successful / flourishing businesses.

The year end financials of 2014 speak loudly of the success achieved by the company as a result of the business strategy adopted by the management

Directors' Report

CREDIT ADMINISTRATION

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

Despite stressed market conditions prevalent during 2014, CAD through its concerted efforts has again succeeded in producing excellent results. Write back of suspended income during the year amounted to Rs. 130. 860 million showing increase of Rs. 34.027 million or 35.1 percent over last year.

During 2014 NPLs reduced by Rs. 620 million or over 21 percent to Rs. 2,887 million. Consequently, NPLs to Advances ratio improved to 31.81 percent as compared to 45.33 percent in 2013.

Prudent provisioning also led to further improvement in NPL coverage ratio to 94.6 percent as compared to 88.9 percent during 2013. The Net NPLs (NPLs less provision held) declined to Rs.413 million during 2014 as compared to Rs. 825 million in 2013 i.e. a reduction of Rs.412 million or 100 percent.

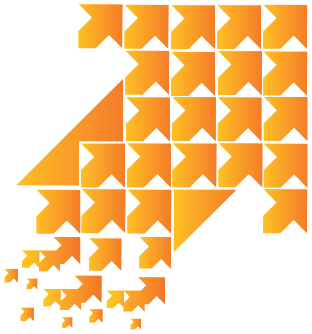
CAD also made significant contribution to Saudi Pak profit by way of highest ever reversal of provision charged through recovery and declassification. Despite prudent new provisioning of Rs. 207 million during 2014 relating to NPLs brought from the past the company achieved net reversal of provision amounting to Rs. 211 million as compared to net provisioning of Rs. 148 million in 2013, reflecting success of focused recovery efforts over the last three years.

CAD will continue its efforts during 2015 for further improvement in its operational efficiency through capacity building of its staff.

CAPITAL MARKET OPERATIONS

Pakistan's local bourses remained one of the best performing markets of the world for the third consecutive year and were amongst top 10 markets in the world. Moreover, in Asian frontier markets (MSCI); Pakistan ranked first outpacing Sri Lanka, Vietnam and Bangladesh by large margin.

During the year, KSE-100 Index gained 6,569 points thereby generating return of 27.2%. Major driving forces were declining interest rates, improved corporate



performance, continuous inflow of foreign investment and improving law and order situation. Net inflow of foreign funds was of US$ 382.54 million and average daily turnover of the market was about 209 million shares.

Strategy of Saudi Pak during the year was mainly focused on investing in fundamentally strong liquid scrips which resulted into strong capital gains coupled with higher dividend income.

Realized income through capital market operations stood at Rs.269.09 million yielding return of 46.1% beating the KSE-100 Index with good margin of 18.9%.

TREASURY OPERATIONS

Treasury Division has been in the process of revitalization during the past year. In this period, we have managed to achieve significant improvements in critical areas. Enhanced treasury activity and pro active communication with other treasuries and FI counterparts have led to achieve a wider acceptance of SAPICO in the market and a substantial increase in Repo/Clean limits with banks/FI's.

Treasury Division, has managed to book substantial profits in excess of Rs 400 million on the PIB portfolio during 2014.The spread between Saudi Pak borrowings and placements has also improved to over 1 percent through vigilant monitoring of our borrowings and placement activities and also by the timely lengthening of the duration or our lendings in the current relatively benign inflation environment.

During 2015 Treasury Division intends to maintain a longer duration on placements as long as the current relatively favorable inflation scenario persists. Treasury Division intends to participate in IPO's of high rated TFC's during 2015 in order to book some capital gains once the issues start trading on the secondary market. Plans are also being developed to set up limited teams to solicit lower cost deposits from the market for diversifying company's funding sources.

RISK MANAGEMENT FRAMEWORK

Risk Management involves setting the most appropriate course of action under uncertainty by identifying, assessing, understanding, communicating and addressing risk issues. Saudi Pak assumes risks as an integral part of the business activities that its business model entails. Key risk categories include credit risk, market risk, operational risk, business risk (including tax and strategic risk), reputational risk and liquidity risk. The Company manages the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes.

Saudi Pak has a comprehensive risk management framework to ensure that the risks taken are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and reward. Risk and capital are managed via a framework of principles, organizational structure, measurement and monitoring processes that are closely aligned with the activities of the divisions/ business units. Risk strategy is approved by the Board on an annual basis and is based on the Company's Strategic and Capital Plan and Risk Appetite in order to align risk, capital and performance targets. Systems, processes and policies are critical components of our risk management capability the risk management framework is compliant with the local regulations and the best international practices.

Saudi Pak uses stress testing technique to assess the Company's ability to absorb these events should they occur. The results of these tests showed that Saudi Pak currently has adequate capital and liquidity reserves to absorb the impact of these risks if they were to materialize in line with the tests' parameters.

Directors' Report

INFORMATION TECHNOLOGY

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

The Data Center of Saudi Pak is equipped with latest Servers, Storage Devices, CISCO communication tools along with the deployment of Security Appliance to protect IT systems and to support business functions. All Saudi Pak Offices are connected to Saudi Pak's Data Center through efficient links with redundancy to increase reliability and to maintain maximum uptime.

Video Conferencing System has been deployed at Head Office and its Regional Offices for communication and meetings to reduce travelling cost and to enhance productivity. Furthermore, Core Business Application and Risk Systems have been launched online in parallel to existing systems to automate the processes at Saudi Pak offices.

Saudi Pak is effectively managing its Disaster Recovery Site to continue the critical business operations. It helps to cope with the localized or global disasters.

HUMAN RESOURCE DEVELOPMENT

The Company fully recognizes its committed and competent human resource and their contribution towards Company's success as the primary asset. Management is committed to induct talented and innovative professionals through a transparent and competitive process, in line with its resolve to be an equal opportunity employer. All out efforts are made for employees growth and development. The objective of human resource development is to attract and retain high caliber staff for creating high performance corporate culture. Employee friendly HR policies are designed and implemented to motivate employees for optimum level of performance. HR function contributes to Company's performance by aligning people and practices in line with the Saudi Pak strategic goals.

The Company provides its employees an environment of merit based corporate culture with opportunities for participation in capacity building programs.

Training is considered as an investment to develop the

requisite skills and competencies of employees to keep them abreast of the latest developments in business practices and management.

Based on individual as well as divisional need basis, 54 man days training was arranged for employees on various topics during the year 2014. To fulfill the social responsibility, internship to six students of prestigious educational institutions was imparted.

INTERNAL AUDIT

Being a continuous process, capacity building exercise and restructuring for the Internal Audit Function continued in the year 2014 as well. Resource development process continued along with on the job training mechanism for fresh hires. Capacity building exercise was continued for the division and consolidated on new measures to enhance the capacity, capability & efficiency of the Internal Audit Function.

Audit reviews of different divisions were conducted as per Audit Planner and quality reports on internal controls were prepared and submitted to the Board Audit Committee which provided guidance to improve the performance of the Division.

Pre and Post Audit work was further refined in accordance with International Audit practices and suggestions for improvement in the audit work along with restructuring of underlying verification procedure are being finalized.

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.

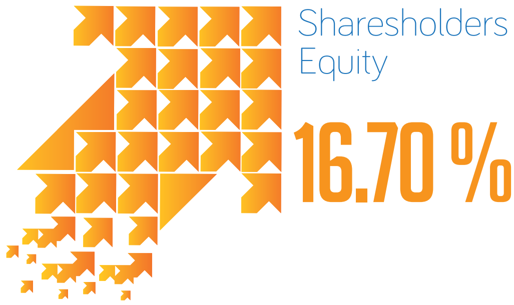
j) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2014, except as disclosed in the financial statements.

k) The value of investment of Provident Fund as at December 31, 2014 according to their audited financial statement is approximately Rs.53.00 million (2013: Rs.54.75 million).

Directors' Report

CORPORATE SOCIAL RESPONSIBILITY

Saudi Pak is committed to fulfilling its role as a responsible corporate citizen, and in that connection has embarked upon adoption of the ' Corporate Social Responsibility Voluntary Guidelines 2013 ' issued by SECP. Donations aggregating to Rs. 500,000/- were made to registered welfare organizations engaged since last over forty years in dedicated services to underprivileged and marginalized communities in Pakistan.



BOARD OF DIRECTORS MEETINGS

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

NAME OF DIRECTORS	NUMBER OF MEETINGS HELD DURING THE TENOR OF DIRECTORSHIP	NUMBER OF MEETINGS ATTENDED DURING THE TENOR OF DIRECTORSHIP
Mr. Mohammed W. Al-Harby	05	05
Mr. Manzoor Ali Khan	05	05
Mr. Musaad A. Al-Fakhri	05	05
Mr. Mohammed Al-Jarbou	05	05
Dr. Shujat Ali	01	01
Mr. Shafqut Ur-Rehman Ranjha	04	04

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

AUDITORS

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2014 and also indicated their willingness to continue in office as Auditors.

The Board, on the proposal of the Audit Committee, recommends the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors for the year 2015.

FUTURE OUTLOOK

Continuation of economic reforms and ongoing efforts to improve the security environment would have positive impact on business confidence and help revive private investment during 2015. Saudi Pak will also adopt a positive yet cautious approach while availing financing and investment opportunities. For this purpose, quality of Risk Management Framework will be further enhanced so as to ensure positive results contributing to economic progress of the country and adding value for our stakeholders.

Directors' Report

STRATEGIC INVESTMENTS

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

SAUDI PAK REAL ESTATE LIMITED

The Company is wholly owned subsidiary of Saudi Pak with prime objective of real estate development. It has commercial projects as well as residential projects at its balance sheet. During the year 2014, the Company after completing base work for potential locations, started mid size project of 35 houses at a prime location of Lahore near airport. The Company already has investment in 90 houses at Lahore. The construction activity on new project of 35 houses will commence during first quarter of the year 2015. The project will be first under Saudi Pak name and focus would be on quality construction.

During the year, project based consultancy also remained focus of the Company. The Company approached renowned institutions planning to develop their own housing societies for their employees. SPR would act as consultant/developer for the institutions with respect to procuring land and development works there on.

As per management accounts of December 31, 2014, the Company's net equity stands at 648.92 million with breakup value of Rs.12.97 per share. The revenue from new housing project is expected to be recognized in 2016 in line with accounting standards when possession of houses will be handed over to the customers.

SAUDI PAK LEASING COMPANY LIMITED

The main business of the Company is leasing of assets. The Company is listed on all three Stock Exchanges of Pakistan. It is an associated Company of Saudi Pak Industrial and Agricultural Investment Company Limited by virtue of management right's and majority of directors on the Board. Saudi Pak Industrial and Agricultural Investment Company Limited holds 35.06 percent of issued ordinary shares of the Company and 63 percent of non-voting non-cumulative preference shares. The Company's license to carry out the business of leasing expired at May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan on account of non-compliance with Minimum Equity Requirements.

Saudi Pak Leasing has been one of six surviving leasing companies out of twenty nine after the financial meltdown of 2008. During the period, the Company has been able to reduce its liabilities through settlements and payments via recoveries. During the year 2014 the focus of the Company remained the same. However, recovery stream is shrinking on account of no fresh business since last six years. During the year 2014 the Company reported net profit of Rs.7.28 million. Total assets of the company stood at Rs.1.22 billion against total liabilities of Rs.1.56 billion with net assets deficit of Rs.337.70 million.

SAUDI PAK TOWER

Saudi Pak Investment Company owns a twenty storey High Rise Building in Islamabad known as Saudi Pak Tower. The building, a land mark of Islamabad, was constructed in 1991.

Saudi Pak Tower has been awarded standardization certification of ISO 9001:2008 after completion of successful re-certification surveillance audits against implementation and maintaining of Quality Management System of overall building management, its allied and applied services to the valuable tenants.

A major portion of the building has been rented out. Several national and multinational companies including financial institutions, telecommunication, media offices, hospital service oriented concerns etc are housed in the Tower. Despite stressed business environment the average occupancy level of the building as of December 31, 2014 stood at 92.07 percent vis-a-vis an average occupancy of 80.87 percent in 2013 translating into revenue increase to Rs. 219.00 million in 2014 as compared to Rs.178.00 million in the year 2013.

Head Office Building Management is consistently striving to bring further improvement in overall services and other areas of the building.

Financial Results

As per the business plan the Company enhanced its focus on business expansion during the year while maintaining concerted efforts of recoveries and process improvements. As a result balance sheet footing increased by 50 percent at the back of a 65 percent increase in investments primarily Govt. Instruments and 43 percent increase in advances. This strategy proved to be extremely successful enabling the Company to reduce its risk profile, improve financial flexibility and achieve manifold increase in profitability.

Net Interest Margin increased by 31 percent to Rs. 676.6 million due to balance sheet re-profiling, recoveries and volumetric growth in business. An effective trading strategy in Govt. Instruments and Capital Markets enabled the company to book income of Rs. 405 million and Rs. 269 million respectively from Treasury and Capital Market operations. Recovery efforts also bore handsome results. Absolute NPLs reduced by Rs. 650.4 million due to recoveries and reclassification resulting in net reversal in provisions of Rs. 210.9 million. Further coverage ratio against NPLs improved from 88.96 percent in 2013 to 94.63 percent in 2014. Shareholder's equity increased by 16.7 percent.

Overall as a result of the above Company's pre-tax profit increased by 222.6 percent to Rs. 1,402.4 million and post-tax profit by 51.5 percent to Rs. 1,158.8 million which is an extremely commendable achievement.

The paid up capital was Rs. 6,000 million at the end of year 2014. The shareholders' equity increased to Rs. 8,586 million as at December 31, 2014 from Rs. 7,357 million as at December 31, 2013. Total assets of the Company amounted to Rs. 22,173 million as on December 31, 2014 against Rs. 14,774 million as on December 31, 2013.

The return on average shareholders' equity figured at 14.5 percent and return on average assets to 6.3 percent in the year 2014.

The summarized financial results and recommendation for appropriations are as under:	2013 (Rupees)	2014 (Rupees)
Un-appropriated/(profit) brought forward	-	669,446,458
Profit after tax for the year	764,581,616	1,158,832,461
Surplus on revaluation of fixed assets	57,296,701	72,538,383
Recognition of actuarial (loss)/gain	484,464	(2,796,417)
Profit available for appropriations	822,362,781	1,898,020,885
Appropriations:		
Transfer to reserve funds	152,916,323	231,766,492
Transfer to general reserve	-	-
Total appropriations	152,916,323	231,766,492
Un-appropriated profit	669,446,458	1,666,254,393

Acknowledgement

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

For and on behalf of the Board of Directors

Islamabad
Dated: February 24, 2015

Chairman

Statistical Information

	2010	2011	2012	2013	2014
Net Financing Approved			(Million, Rs.)		
Funded:					
Long Term Finance/TFCs	1,724.1	389.9	980.0	1,200.0	**3,150.0**
Lease Finance	-	80.0	-	-	**70.0**
Short Term Finance	970.0	601.1	979.8	382.7	**550.4**
Direct Equity/Investement/Placement	-	-	-	250.0	**-**
Gross Funded (a)	**2,694.1**	**1,071.0**	**1,959.8**	**1,832.7**	**3,770.4**
Withdrawals (b)	351.0	576.6	480.0	500.0	**200.0**
Net Funded (c)	**2,343.1**	**494.4**	**1,479.8**	**1,332.7**	**3,570.4**
Non-Funded:					
Underwriting of Shares	-	-	-	-	**300.0**
Guarantees	10.8	35.1	200.0	-	**850.0**
Gross Non-Funded (d)	**10.8**	**35.1**	**200.0**	**-**	**1,150.0**
Withdrawals (e)	10.8	-	200.0	-	**-**
Net Non-Funded (f)	**-**	**35.1**	**-**	**-**	**1,150.0**
Gross (Funded & Non-Funded) (a+d)	**2,704.9**	**1,106.1**	**2,159.8**	**1,832.7**	**4,920.4**
Withdrawals (b+e)	361.8	576.6	680.0	500.0	**200.0**
Net (Funded & Non-Funded) (c+f)	**2,343.1**	**529.5**	**1,479.8**	**1,332.7**	**4,720.4**

Net-Financing and Investment Approved: Cumulative as on December 31, 2014

	(Rs. in million)	As %age of Funded	As %age of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	31,500.2	56.32	50.87
Lease Finance	1,925.8	3.44	3.11
Short Term Finance	16,399.7	29.32	26.49
Direct Equity/Investement/Placement	6,104.2	10.92	9.86
Gross Funded (a)	**55,929.9**	**100.00**	**90.33**
Withdrawals (b)	2,282.7		
Net Funded (c)	**53,647.2**		
		As %age of Non-Funded	
Non-Funded:			
Underwriting of Shares	3,116.0	52.02	5.03
Guarantees	2,874.4	47.98	4.64
Gross Non-Funded (d)	**5,990.4**	**100.00**	**9.67**
Withdrawals (e)	210.7		
Net Non-Funded (f)	**5,779.7**		
Gross Cumulative (Funded & Non-Funded) (a+d)	**61,920.3**		**100.00**
Cumulative Withdrawals (b+e)	2,493.4		
Net Cumulative (Funded & Non-Funded) (c+f)	**59,426.9**		

	2010	2011	2012	2013	2014	Since Inception
Disbursement: By type of assistance			(Million, Rs.)			to 31-12-2014
Long Term Finance/TFCs	1,980.3	208.2	609.0	791.0	**2,309.0**	**29,175.1**
Lease Finance	92.0	-	-	-	**70.0**	**1,813.3**
Short Term Finance	605.5	448.0	624.9	267.6	**452.5**	**14,799.8**
Direct Equity/Investment/Placement	-	-	-	250.0	**-**	**2,077.4**
Investment in Associated Company	-	-	-	-	**-**	**4,030.6**
Share taken up against underwriting	19.3	-	-	-	**-**	**363.4**
Total	**2,697.1**	**656.2**	**1,233.9**	**1,308.6**	**2,831.5**	**52,259.6**

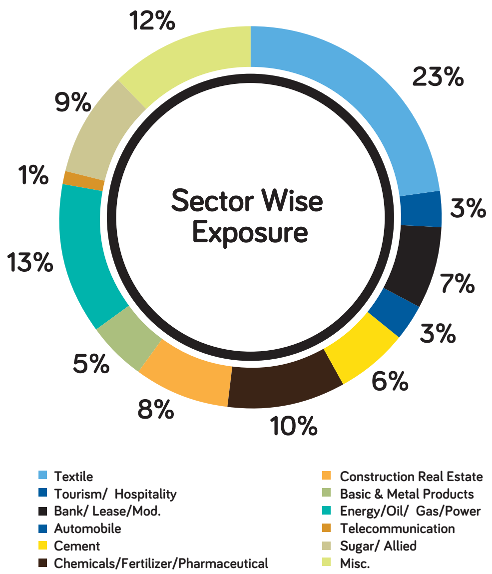
Net Financing and Investment Approved*: Sector Exposure

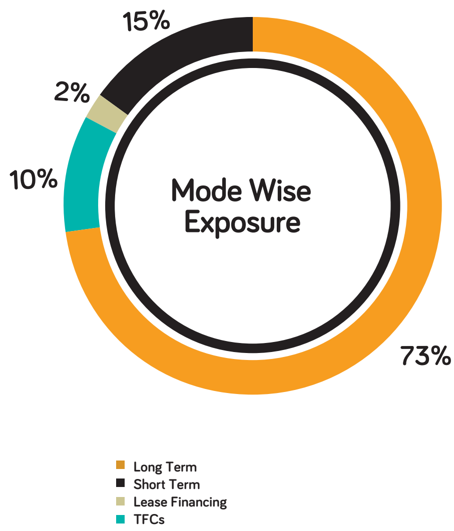
(Million, Rs.)

	2014			Since inception to 31-12-2014		
	No.	**Amount**	**%**	**No.**	**Amount**	**%**
Sector						
Financial Services	1	500.0	14.00	163	9,621.5	17.93
Power/Oil & Gas	-	-	-	66	5,658.3	10.55
Agro Based	-	-	-	16	724.2	1.35
Manufacturing	7	1,820.4	50.99	544	31,729.1	59.15
Services	5	1,250.0	35.01	63	5,914.1	11.02
Total	13	3,570.4	100.00	852	53,647.2	100.00

***Excluding underwriting and guarantees**

Position as on December 31, 2014





Statement of Compliance
with Code of Corporate Governance

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

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

1. The Board of Directors of the Company is appointed by the Governments of Islamic Republic of Pakistan and Kingdom of Saudi Arabia. At December 31, 2014 the Board has five non-executive directors.

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

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

4. One causal vacancy occurred on the Board during the year ended December 31, 2014 as Government of Pakistan replaced one director in October 2014, whose Fit and Proper Test has been approved by the State Bank of Pakistan.

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

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the General Manager/Chief Executive, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

10. During the year the company arranged the orientation courses for the directors to acquaint themselves with the Code, applicable laws and their duties. However, no director acquired certification under the director's training program.

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

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of the Board of Directors

Islamabad
Dated: February 24, 2015

Chairman

Statement on Internal Controls

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

"The Company's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The internal controls system comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. The management is also responsible for evaluating the effectiveness of the Company's internal control that encompasses material matters by identifying control objectives and reviewing significant policies and procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

The control activities are being closely monitored across the Company through Audit Division, working independently of the line management. In addition, Compliance Division is also in place to monitor control activities related to regulatory and other procedural compliance. The Audit Committee of the Board regularly reviews audit reports, both internal and external, where violations to the local regulations, prescribed policies and procedures have occurred. Regular follow-up upon the audit reports is done by the Compliance Division which ensures timely implementation of queries raised and recommendations made in the audit/inspection reports to mitigate identified risks to safeguard the interests of the Company.

The Company has made efforts during the year 2014 to ensure that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that degree of compliance with policies and procedures may deteriorate.

Keeping in view the risk exposure, internal controls are regularly reviewed and reported on their soundness through Internal Audit Function.

The management of the Company has adopted an international accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan. The Company has completed all stages of ICFR program as per these guidelines. Furthermore, the external auditors have conducted a special review of the Company's Internal Control Program relating to ICFR and submitted their report in September 2014 which was submitted to the State Bank of Pakistan. This report was subsequently reviewed by the Audit Committee and the Board.

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

For and on behalf of the Board of Directors

Chairman

Islamabad
Dated: February 24, 2015

Review Report

to the members on the statement of compliance with the code of corporate governance

We have reviewed the Directors' Statement of Compliance with the best practices contained in the Code of the Corporate Governance (the code) prepared by the Board of Director's of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") to comply with the Regulation G - 1 of the Prudential Regulations for the Corporate/Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code 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 report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Board of Directors for the their consideration and approval related party transactions distinguishing between transaction carried out on terms equivalent to those that prevail in arm's length transaction 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 this requirement to the extent of the approval of the 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 as applicable to the Company for the year ended 31 December 2014.

Further, we highlight an instance of non-compliance with the requirement of the Code as disclosed in point 10 of the statement.

Islamabad
February 24, 2015

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Riaz Pesnan

Financial Statements 2014

Auditors' Report to the members

We have audited the annexed unconsolidated statement of financial position of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'unconsolidated financial statements') for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion -

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and ofthe profit, its and cash flows and changes in equity for the year then ended; and

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

Islamabad
February 24, 2015

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

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Cash and balances with treasury banks	6	48,472,808	39,928,016
Balances with other banks	7	693,284,975	100,835,783
Non-current asset classified as held for sale	8	-	21,578,657
Lendings to financial institutions	9	900,000,000	409,466,390
Investments	10	10,739,002,841	6,494,512,553
Advances	11	5,688,038,698	3,953,822,929
Operating fixed assets	12	2,255,080,030	2,327,502,014
Deferred tax assets	16	-	-
Other assets	13	1,849,060,411	1,426,684,000
		22,172,939,763	14,774,330,342
LIABILITIES			
Bills payable		-	-
Borrowings	14	10,630,880,109	4,326,237,792
Deposits and other accounts	15	37,000,000	762,000,000
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	720,969,052	522,721,470
Other liabilities	17	393,227,127	171,013,487
		11,782,076,288	5,781,972,749
NET ASSETS		10,390,863,475	8,992,357,593
REPRESENTED BY			
Share capital	18	6,000,000,000	6,000,000,000
Reserve fund		561,263,576	329,497,084
General reserve		358,662,940	358,662,940
Unappropriated profit		1,666,254,393	669,446,458
		8,586,180,909	7,357,606,482
Surplus on revaluation of AFS securities - net of tax	19	437,890,335	221,546,289
Surplus on revaluation of operating fixed assets - net of tax	20	1,366,792,231	1,413,204,822
		10,390,863,475	8,992,357,593

CONTINGENCIES AND COMMITMENTS 21

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **CHAIRMAN**

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
Mark-up/Return/Interest Earned	22	1,343,542,682	954,151,659
Mark-up/Return/Interest Expensed	23	666,934,850	438,880,747
Net Mark-up/Interest Income		676,607,832	515,270,912
(Reversal)/ provision against non-performing loans and advances		(283,272,648)	38,663,154
Provision for diminution in the value of investments	24	72,352,259	114,942,192
Bad debts written off directly		-	-
		(210,920,389)	153,605,346
Net mark-up/interest income after provisions		887,528,221	361,665,566
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		16,380,847	5,657,366
Dividend Income		53,635,346	58,774,049
Gain on dealing in quoted securities		219,733,015	184,309,874
Gain on sale of government securities		405,424,281	-
Unrealized gain on revaluation of held for trading investments - net		5,595,462	1,472,212
(Loss)/ profit from dealing in foreign currencies		(1,224,908)	2,229,685
Impairment reversal on asset classified as held for sale at its fair value		1,290,118	14,938,998
Other Income	25	60,885,113	55,587,389
Total non mark-up/interest income		761,719,274	322,969,573
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	284,570,632	249,167,608
Other provisions/ (reversals)/write offs - net	27	(38,012,563)	-
Other charges	28	270,000	759,000
Total non-markup/interest expenses		246,828,069	249,926,608
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		1,402,419,426	434,708,531
Taxation – Current		119,383,674	15,278,816
– Prior years		-	-
– Deferred		124,203,291	(345,151,901)
	29	243,586,965	(329,873,085)
PROFIT AFTER TAXATION		1,158,832,461	764,581,616
Basic and diluted earning per share	30	1.931	1.274

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **CHAIRMAN**

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 Rupees	2013 Rupees
Profit after taxation	**1,158,832,461**	764,581,616
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Effect of recognition of acturial (loss) / gain - net	**(2,796,417)**	484,464
Comprehensive income - transferred to statement of changes in equity	**1,156,036,044**	765,066,080
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available-for-sale securities	**317,891,469**	(6,149,701)
Deferred tax	**(104,904,185)**	2,090,898
	212,987,284	(4,058,803)
Total comprehensive income	**1,369,023,328**	761,007,277

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,402,419,426	434,708,531
Less: dividend income		(53,635,346)	(58,774,049)
		1,348,784,080	375,934,482
Adjustments:			
Depreciation / amortization		110,404,975	108,036,560
(Reversal)/ provision against non-performing loans and advances		(283,272,648)	38,663,154
Provision for diminution in the value of investments		72,352,259	114,942,192
Other provisions/ (reversals)/write offs - net		(38,012,563)	-
Reversal of impairment on AFS securities		(160,098,672)	(199,088,883)
Net loss/ (gain) on disposal of operating fixed assets - property and equipment		10,072,176	(2,140,709)
Provision for gratuity		4,761,443	4,743,816
Provision for compensated absences		2,158,391	1,425,860
Unrealized gain on revaluation investment classified as held for sale		(5,595,462)	(1,472,212)
Impairment reversal on asset classified as held for sale at its fair value		(1,290,118)	(14,938,998)
		(288,520,219)	50,170,780
		1,060,263,861	426,105,262
(Increase)/ decrease in operating assets			
Lendings to financial institutions		(490,533,610)	(159,466,390)
Advances		(1,450,943,121)	969,178,610
Other assets		(293,311,175)	(5,589,877)
		(2,234,787,906)	804,122,343
Increase/ (Decrease) in operating liabilities			
Borrowings from financial institutions		6,304,642,317	(1,599,291,198)
Deposits		(725,000,000)	77,000,000
Other liabilities		76,366,592	11,397,454
Deferred liabilities - advance rental income		28,654,731	(23,601,714)
		5,684,663,640	(1,534,495,458)
		4,510,139,595	(304,267,853)
Gratuity paid		(6,122,000)	(13,231,725)
Compensated absences paid		(1,719,183)	(1,886,644)
Income tax paid		(71,996,439)	(99,656,724)
Excise duty paid		(24,000,000)	-
		(103,837,622)	(114,775,093)
Net cash generated from/ (used in) operating activities		4,406,301,973	(419,042,946)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities - net		(4,231,451,873)	(133,394,889)
Investment in Held-For-Trading (HFT) securities		(9,871,148)	(8,378,027)
Investment in Held-To-Maturity (HTM) securities		408,066,077	223,622,250
Receipt against sale of shares in Saudi Pak Insurance Company Limited		22,868,775	39,450,000
Dividend received		53,135,346	56,524,049
Investment in operating fixed assets		(56,390,470)	(51,793,221)
Sale proceeds on disposal of operating fixed assets - property and equipment		8,335,304	2,140,712
Net cash (used in)/ generated from investing activities		(3,805,307,989)	128,170,874
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Increase/ (decrease) in cash and cash equivalents		600,993,984	(290,872,072)
Cash and cash equivalents at beginning of the year		140,763,799	431,635,871
Cash and cash equivalents at end of the year	31	741,757,783	140,763,799

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.

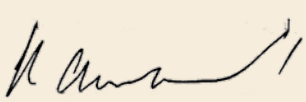
CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **CHAIRMAN**

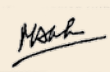
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated (Loss) / Profit Rupees	Total Rupees
Balance as at January 01, 2013	6,000,000,000	176,580,761	358,662,940	-	6,535,243,701
Profit for the year	-	-	-	764,581,616	764,581,616
Effect of recognition of acturial gain - net				484,464	484,464
Total comprehensive income	-	-	-	765,066,080	765,066,080
				-	-
Appropriation from reserve fund	-	-	-	-	-
Transfer to reserve fund *		152,916,323	-	(152,916,323)	-
Transfer to general reserve		-	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	57,296,701	57,296,701
Balance as at December 31, 2013	6,000,000,000	329,497,084	358,662,940	669,446,458	7,357,606,482
Balance as at January 01, 2014	6,000,000,000	329,497,084	358,662,940	669,446,458	7,357,606,482
Profit for the year	-	-	-	1,158,832,461	1,158,832,461
Effect of recognition of acturial loss - net				(2,796,417)	(2,796,417)
Total comprehensive income	-	-	-	1,156,036,044	1,156,036,044
				-	-
Appropriation from reserve fund	-	-	-	-	-
Transfer to reserve fund *		231,766,492	-	(231,766,492)	-
Transfer to general reserve		-	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	72,538,383	72,538,383
Balance as at December 31, 2014	6,000,000,000	561,263,576	358,662,940	1,666,254,393	8,586,180,909

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

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.






CHIEF EXECUTIVE | **DIRECTOR** | **DIRECTOR** | **CHAIRMAN**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PRESENTATION

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

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

2.1 Functional and presentation currency

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

3 STATEMENT OF COMPLIANCE

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

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

4 BASIS OF MEASUREMENT

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

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

Use of critical accounting estimates and judgments

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

(a) Classification of investments

– **Held-For-Trading (HFT)**

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

– **Held-To-Maturity (HTM)**

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

– **Available-For-Sale (AFS)**

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

(b) Provision against non performing loans and advances

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

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

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

(d) Taxation

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

(e) Fair value of derivatives

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

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

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

(g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these unconsolidated financial statements (refer note 33) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

(h) Impairment of investments in subsidiaries

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

(i) Provision against other assets and receivables

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Sale and repurchase agreements

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

5.3 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market /

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

(b) Held-To-Maturity (HTM)

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

(c) Available-For-Sale (AFS)

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

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

(d) Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment, if any.
All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Company commits to purchase or sell the investments.

5.4 Advances

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

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

5.5 Net investment in finance lease

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

5.6 Operating fixed assets and depreciation/ amortization

(a) Tangibles assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any,

except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.
Certain items of tangible operating fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited/ (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the unconsolidated statement of financial position.

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

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

(b) Intangibles

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

(c) Capital work in progress

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

5.7 Deposits

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

5.8 Taxation

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

(a) Current

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

(b) Deferred

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

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

5.9 Provisions

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

5.10 Staff retirement benefits

(a) Defined benefit plan

The Company operates an un-funded gratuity scheme for all of its permanent employees who have put in three years of continues service with the Company.

(b) Defined contribution plan

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

(c) Compensated absences

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

5.11 Revenue recognition

- Mark-up/ interest on loans and advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP.
- Markup/interest on rescheduled/ restructured loans and advances and return on investment is recognized in accordance with the directives of the SBP.
- Unrealized income is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.
- Fees, commission and brokerage income is recognised at the time of performance of service.
- Dividend income is recognized when the Company's right to receive income is established.
- The Company follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense when these are realized.
- Gains and losses on sale of investments are included in income currently.
- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

5.12 Foreign currency transactions

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

5.13 Impairment

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

5.14 Financial instruments

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

5.15 Off-setting of financial instruments

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

5.16 Segment Reporting

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

(a) Business Segment

– **Corporate finance**

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

– **Trading and Sales**

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

– **Building Rental Services**

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

(b) Geographical Segment

The Company conducts all its operations in Pakistan.

5.17 Non-current asset classified as held for sale

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

– Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are not likely to have an impact on Company's financial statements.

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

– IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

– IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

– IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Company's financial statements.

– IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.

– Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

a) - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

b) - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

c) - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

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

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

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

a) - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

b) - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

c) - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

d) - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

	Note	2014 Rupees	2013 Rupees
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
– Local currency		134,132	158,395
– Foreign currency		-	-
		134,132	158,395
With State Bank of Pakistan in :			
– Local currency current accounts	6.1	48,338,676	39,769,621
– Foreign currency current account		-	-
		48,338,676	39,769,621
With National Bank of Pakistan in :			
– Foreign currency deposit account		-	-
		48,472,808	39,928,016

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

	Note	2014 Rupees	2013 Rupees
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		**37,639,958**	3,410,322
On deposit accounts:			
– Local currency	7.1	**634,468,403**	70,490,888
– Foreign currency	7.2	**21,176,614**	26,934,573
		693,284,975	100,835,783

7.1 These deposit accounts carry interest rate ranging from 5.00% to 11.50% per annum (2013: 5.00% to 7.25% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2013: 0.25% per annum).

	Note	2014 Rupees	2013 Rupees
8 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE			
Balance as at January 01		**25,629,021**	75,000,000
Fair value adjustment during the year		**(2,760,246)**	(9,920,979)
Less: Amounts received till December 31		**(22,868,775)**	(39,450,000)
Balance as at December 31		-	25,629,021
Less: Impairment on asset classified as held for sale at its fair value	8.1		(4,050,364)
		-	21,578,657

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

	2014 Rupees	2013 Rupees
Balance as at January 01	**4,050,364**	28,910,341
Reversal of Impairment on asset classified as held for sale at its fair value	**(4,050,364)**	(24,859,977)
Balance as at December 31	-	4,050,364

	Note	2014 Rupees	2013 Rupees
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1	-	200,000,000
Repurchase agreements lendings (reverse repo)	9.2	900,000,000	209,466,390
		900,000,000	409,466,390

9.1 This includes clean placements and term deposit receipts. These carry markup rate 11.00% per annum.

9.2 These are secured against Pakistan Investment Bonds (PIBs) and Treasury Bills (T-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 ranging from 9.65% to 10.40% (2013: 10.40%) per annum and having maturity from January 02, 2015 to February 13, 2015.

9.3 **Particulars of lendings**	2014 Rupees	2013 Rupees
In local currency	900,000,000	409,466,390
In foreign currencies	-	-
	900,000,000	409,466,390

9.4 Securities held as collateral against lendings to financial institutions

	Note	2014			2013		
		Held by the Company Rupees	**Further given as collateral Rupees**	**Total Rupees**	Held by the Company Rupees	Further given as collateral Rupees	Total Rupees
Treasury Bills	9.4.1	-	-	-	210,000,000	-	210,000,000
Pakistan Investment Bonds	9.4.1	500,000,000	400,000,000	900,000,000	-	-	-
		500,000,000	400,000,000	900,000,000	210,000,000	-	210,000,000

9.4.1 These represent the securities obtained under reverse repo transactions.

10 Investments

10.1 Investment by types:	Note	2014			2013		
		Held by Company Rupees	**Given as collateral Rupees**	**Total Rupees**	Held by Company Rupees	Given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		19,721,387	-	19,721,387	8,378,027	-	8,378,027
Available-For-Sale securities (AFS)							
Quoted shares		1,115,136,554	-	1,115,136,554	881,025,772	-	881,025,772
Un-quoted shares		709,833,048	-	709,833,048	714,333,048	-	714,333,048
Market Treasury Bills		674,052,100	-	674,052,100	2,873,639,200	-	2,873,639,200
Pakistan Investment Bonds (PIBs)		1,712,973,777	4,774,212,673	6,487,186,450	-	195,241,900	195,241,900
Term Finance Certificates (TFCs)		150,797,898	-	150,797,898	245,814,257	-	245,814,257
Mutual Funds		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	2,500,000	-	2,500,000	2,500,000	-	2,500,000
Sub-total for AFS securities		4,415,293,377	4,774,212,673	9,189,506,050	4,767,312,277	195,241,900	4,962,554,177
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)	10.3	-	-	-	200,730,504	-	200,730,504
Term Finance Certificates (TFCs)		1,170,322,047	-	1,170,322,047	1,377,657,620	-	1,377,657,620
Sub-total for HTM securities		1,170,322,047	-	1,170,322,047	1,578,388,124	-	1,578,388,124
Subsidiaries							
Saudi Pak Leasing Company Limited							
– Investment in shares	10.4	243,467,574	-	243,467,574	243,467,574	-	243,467,574
– Investment in preference shares	10.5	333,208,501	-	333,208,501	333,208,501	-	333,208,501
Saudi Pak Real Estate Company Limited	10.6	500,000,000	-	500,000,000	500,000,000	-	500,000,000
Sub-total for subsidiaries		1,076,676,075	-	1,076,676,075	1,076,676,075	-	1,076,676,075
Investment at cost		6,682,012,886	4,774,212,673	11,456,225,559	7,430,754,503	195,241,900	7,625,996,403
Provision for diminution in value of investments	10.8	(1,376,385,845)	-	(1,376,385,845)	(1,468,632,258)	-	(1,468,632,258)
Investments (net of provisions)		5,305,627,041	4,774,212,673	10,079,839,714	5,962,122,245	195,241,900	6,157,364,145
Surplus on revaluation of AFS securities	19	653,567,665	-	653,567,665	335,676,196	-	335,676,196
Surplus on revaluation of HFT securities	10.10	5,595,462	-	5,595,462	1,472,212	-	1,472,212
		5,964,790,168	4,774,212,673	10,739,002,841	6,299,270,653	195,241,900	6,494,512,553

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

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

Since the par value of shares received by the Company is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value. As per the requirements of Section 12 of Stock Exchanges (Corporatization, demutualization & integration) Act, 2012 ('the Act'), the Securities and Exchange Commission of Pakistan (SECP) may at any time not later than two years from the date of demutualization will direct the stock exchanges to sell these 60% blocked shares in the manner as prescribed in the Act. This period of two year expired in August 2014, however SECP has extended the timeline for the execution of the demutualisation of stock exchanges by another one year with the power to further extend if reasons for incompletion are given next year.

10.3 This includes premium of Rs. 0.731 million on purchase of PIB's which has been amortized in 2014. Invest ment in PIB's carried coupon interest rates of 8% per annum.

10.4 This represents the cost of acquisition of 35.06% (2013: 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. 39.588 million (2013: Rs. 44.655 million).

10.5 In the year 2013 the Company had converted sub-ordinated loan of Rs. 333.208 million of Saudi Pak Leasing Company Limited into 33.321 million preference shares.

10.6 This represents 50 million shares in Saudi Pak Real Estate Company Limited representing 100% of paid up capital of Saudi Pak Real Estate Company Limited having a break-up value of Rs. 13.10 (2013: Rs. 12.52) per share on the basis of last available unaudited financial statements.

	Note	2014 Rupees	2013 Rupees
10.7 Investment by segments			
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	10.7.5	6,487,186,450	395,972,404
– Market Treasury Bills	10.7.5	674,052,100	2,873,639,200
		7,161,238,550	3,269,611,604
Fully paid up ordinary shares			
– Listed securities	10.7.1	1,378,325,515	1,132,871,373
– Unlisted securities	10.7.2	1,209,833,048	1,214,333,048
		2,588,158,563	2,347,204,421
Term Finance Certificates (TFCs)			
– Listed TFCs	10.7.3	833,909,274	974,982,811
– Unlisted TFCs	10.7.4	487,210,671	648,489,066
		1,321,119,945	1,623,471,877
Other investments			
Mutual Funds	10.7.6	50,000,000	50,000,000
Other - ISE Membership	10.2	2,500,000	2,500,000
Investment in preference shares	10.5	333,208,501	333,208,501
		385,708,501	385,708,501
Total investment at cost		11,456,225,559	7,625,996,403
Less: Provision for diminution in value of investments	10.8	(1,376,385,845)	(1,468,632,258)
Investments (net of provisions)		10,079,839,714	6,157,364,145
Surplus on revaluation of Available-For-Sale securities (AFS)		653,567,665	335,676,196
Surplus on revaluation of Held-For-Trading securities (HFT)		5,595,462	1,472,212
		10,739,002,841	6,494,512,553

10.7.1 Investment in fully paid up ordinary shares – listed

2014	2013	Name of investee companies	2014 Rupees	2013 Rupees
Number of ordinary shares				
4,304,051	4,304,051	Agritech Limited	125,107,483	140,021,486
504,638	254,638	Adamjee Insurance Company Limited	21,495,104	9,166,355
1,350,000	-	Askari Bank Limited	25,388,283	-
2,500,000	750,000	Bank Al-Falah Limited	65,001,585	13,038,836
-	415,000	Crescent Steel & Allied Products Limited	-	9,265,800
		Sub-Total carried forward	236,992,455	171,492,477

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

2014	2013	Name of investee companies	2014 Rupees	2013 Rupees
Number of ordinary shares				
		Sub-Total carried forward	**236,992,455**	171,492,477
1,000,000	300,000	The Bank of Punjab	**8,324,490**	3,245,237
250,000	99,000	Cherat Cement limited	**16,771,720**	4,911,781
4,000,000	4,000,000	Dewan Salman Fibre Limited	**21,661,280**	21,661,280
300,000	500,000	Descom Oxychem Limited	**1,624,832**	2,707,720
1,000,000	1,000,000	Engro Polymer & Chemicals Limited	**13,288,670**	13,288,666
560,000	-	Engro Corporation Limited	**108,922,340**	-
750,000	-	Engro Fertilizer Limited	**47,810,785**	-
1,000,000	1,000,000	Fatima Fertilizer Company Limited	**24,214,360**	24,214,364
1,500,000	1,500,000	Fauji Cement Company Limited	**29,705,075**	19,109,955
700,000	500,000	Fauji Fertilizer Company Limited	**46,719,480**	23,153,386
1,000,000	1,475,000	Fauji Fertilizer Bin Qasim Limited	**28,753,960**	42,412,091
-	1,125,000	Faysal Bank Limited	**-**	12,360,730
-	1,100,000	Fecto Cement Limited	**-**	24,593,844
500,000	-	Golden Arrow Selected Stocks Fund Limited	**5,030,155**	-
110,000	-	Hascol Petroleum Limited	**8,753,690**	-
100,000	50,000	The Hub Power Company Limited	**6,344,368**	3,004,770
50,000	-	International Steels Limited	**1,084,838**	-
11,572,199	11,572,199	Japan Power Generation Limited	**48,001,481**	48,003,442
250,000	7,000	Kohinoor Energy Limited	**10,893,162**	221,009
2,000,000	-	Kohinoor Spinning Mills Limited	**47,642,760**	-
400,000	450,000	Kott Addu Power Company Limited	**17,862,680**	20,095,515
1,500,000	-	Lafarge Pakistan Cement Limited	**23,670,687**	-
500,000	1,000,000	National Bank of Pakistan	**29,006,283**	56,181,539
1,000,000	1,000,000	Nishat Chunian Power Limited	**14,389,050**	14,389,050
250,000	-	Nishat (Chunian) Limited	**13,335,812**	-
400,000	750,000	Nishat Power Limited	**6,418,320**	12,034,350
200,000	-	Oil & Gas Development Company Limited	**46,928,240**	-
500,000	-	Pakistan International Bulk Terminal Limited	**10,752,500**	-
175,000	250,000	Pakistan State Oil Company Limited	**51,519,002**	68,695,717
-	550,000	Pakistan Telecommunication Company Limited	**-**	14,074,610
600,000	480,900	Pakistan Petroleum Limited	**87,477,864**	51,216,152
1,000,000	2,000,000	Pace Pakistan Limited	**12,860,840**	25,721,680
-	1,000,000	Pakgen Power Limited	**-**	26,105,863
500,000	351,000	Pakistan Reinsurance Co. Limited	**18,242,528**	13,174,848
75,000	448,500	Pakistan Refinery Limited	**8,445,661**	50,505,055
500,100	500,270	Pak Elektron Limited	**12,959,915**	7,779,913
75,000	-	Pakistan National Shipping Corporation Limited	**7,610,044**	-
15,835,403	15,835,403	Saudi Pak Leasing Company Limited	**243,467,573**	243,467,573
71,400	60,000	Security Papers Limited	**1,980,000**	1,980,000
10,000,000	10,000,000	Silkbank Limited	**22,743,900**	22,743,871
-	100,000	Sitara Chemicals Industries Limited	**-**	30,087,238
1,000,000	854,000	Standard Chartered Bank (Pakistan) Limited	**17,606,955**	14,092,447
125,000	100,000	Shell Pakistan Limited	**18,507,760**	18,507,760
-	4,000,000	World Call Telecom Limited	**-**	27,637,440
			1,378,325,515	1,132,871,373

10.7.2 Investment in fully paid up ordinary shares – unlisted

2014	2013	Name of investee companies	Note	2014	2013
Number of ordinary shares				Rupees	Rupees
571,000	571,000	Ali Paper Board Industries Limited		**5,710,000**	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited		**10,000,000**	10,000,000
650,000	650,000	Bela Chemical Industries Limited		**6,500,000**	6,500,000
400,000	400,000	Fruit Sap Limited		**4,000,000**	4,000,000
630,000	630,000	Equity International (Pvt) Limited	**10.7.2.1**	**6,000,000**	6,000,000
1,125,000	1,125,000	Taurus Securities Limited		**11,250,000**	11,250,000
-	450,000	Highnoon Textiles Limited		**-**	4,500,000
5,000,000	5,000,000	Pakistan Textile City Limited		**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited		**50,000,000**	50,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**10.7.2.1**	**40,000,000**	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited		**50,000,000**	50,000,000
16,875,000	16,875,000	Pace Barka Properties Limited		**168,750,000**	168,750,000
3,762,304	3,762,304	Innovative Investment Bank Limited		**37,623,048**	37,623,048
2,000,000	2,000,000	Trust Investment Bank Limited		**20,000,000**	20,000,000
100,000,000	100,000,000	Silk Bank Limited - preference shares		**250,000,000**	250,000,000
50,000,000	50,000,000	Saudi Pak Real Estate Limited		**500,000,000**	500,000,000
				1,209,833,048	1,214,333,048

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

Name of the Company	Name of the Chief Executive	As per Accounts	% age Held	breakup Value of Investment	Total Rupees
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti	31-Dec-13	10.00	15.67	40,000,000
Equity International (Pvt) Limited*	Mr. Syed Farhan Abbas	30-Jun-14	19.05	4.39	6,000,000

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

10.7.3 Investment in term finance certificates – listed

2014	2013	Name of company	Original face Value (Rs.)	2014	2013
Number of ordinary shares				Rupees	Rupees
59,839	59,839	Allied Bank Limited	5,000	**298,446,610**	298,566,288
44,419	44,419	Azgard Nine Limited	5,000	**136,614,140**	136,614,140
48,780	48,780	Engro Corporation Pakistan Limited	4,957	**222,175,000**	241,777,560
32,300	32,300	Maple Leaf Cement (Sukuk) Limited	5,000	**85,765,977**	135,512,851
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	3,748,500
10,000	10,000	World Call Telecom Limited	5,000	**21,415,716**	21,415,716
15,000	15,000	World Call Telecom Limited	2,150	**22,486,485**	22,486,485
250	250	Pakistan Mobile Communications Limited	100,000	**13,823,125**	20,073,125
6,000	6,000	Summit Bank Limited	5,000	**29,433,721**	29,447,521
-	51,500	Pak Arab Fertilizer Limited	-	**-**	65,340,625
				833,909,274	974,982,811

10.7.3.1 These carry rate of return ranging from 10.65% to 13.44% per annum (2013: 10.45% to 13.86% per annum) and having maturity upto 6 years.

10.7.4 Investment in Term Finance Certificates – unlisted

2014 Number of certificates	2013 Number of certificates	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2014 Rupees	2013 Rupees
-	40,000	Avari Hotels Limited	Mr. Byram D. Avari	-	-	74,460,000
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**34,062,500**	40,468,750
-	5,000	Gharibwal Cement Limited	Mr. Muhammad Tausif Paracha	-	-	24,355,500
-	10,000	JDW Sugar Mills Limited	Mr. Jahangir Tareen	-	-	5,555,560
-	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	-	-	4,600,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,283,751
-	4,227	Sitara Energy (Sukuk)	Mr. Javed Iqbal	-	-	21,136,362
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**99,364,420**	124,129,143
					487,210,671	648,489,066

10.7.4.1 These carry rate of return ranging from 9.84% to 13.90% (2013: 10.18% to 13.90%) per annum and having maturity of upto 5 years.

10.7.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	July 2016 to July 2022	On maturity	11.25% to 12.00%	Semi-annually
Market Treasury Bills	February 2015 to April 2015	On maturity	9.94% to 10.00%	On maturity

10.7.6 Investments in mutual funds

Name of investee	2014 Number of units	2013 Number of units	Note	2014 Rupees	2013 Rupees
Pak Oman Advantage Fund	**5,000,000**	5,000,000		**50,000,000**	50,000,000
				50,000,000	50,000,000

10.8 Provision for diminution in value of investments

	Note	2014 Rupees	2013 Rupees
Opening balance		**1,468,632,258**	1,552,778,949
Charge for the year		**169,618,608**	163,353,982
Reverse for the year		**(101,766,349)**	(48,411,790)
Reversals (related to quoted AFS securities)		**(160,098,672)**	(199,088,883)
Written off		**-**	-
Closing balance	10.8.1	**1,376,385,845**	1,468,632,258

10.8.1 Particulars of provision in respect of type and segments

	2014 Rupees	2013 Rupees
Available-For-Sale (AFS) securities		
Impairment on quoted securities	**171,088,435**	331,187,108
Un-quoted securities	**251,444,299**	251,466,950
Term Finance Certificates (TFCs)	**48,564,627**	36,333,191
Held-To-Maturity (HTM) securities		
Term Finance Certificates (TFCs)	**328,612,409**	272,968,934
Subsidiary		
Saudipak Leasing Company Limited – Listed	**576,676,075**	576,676,075
	1,376,385,845	1,468,632,258

10.8.2 Investment in term finance certificates (TFCs) includes Rs. 671.476 million (2013: Rs. 862.515 million) which has been placed under non-performing status as detailed below:-

Category of classification of TFCs

	2014		
	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	**43,902,201**	**10,975,550**	**10,975,550**
Doubtful	-	-	-
Loss	**627,573,311**	**366,201,485**	**366,201,485**
	671,475,512	**377,177,035**	**377,177,035**

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

10.9 Quality of available for sale securities

(a) Quoted Securities

	2014		2013	
Companies	Rating	Market value Rupees	Rating	Market value Rupees
Adamjee Insurance Company Limited	**AA**	**49.46**	AA	37.37
Agritech Limited	**unrated**	**7.75**	D	12.67
Askari Bank Limited	**AA/A-1+**	**23.07**	-	-
Bank Alfalah Limited	**AA/A-1+**	**34.88**	AA/A-1+	27.04
The Bank of Punjab	**AA-/A-1+**	**10.95**	-	-
Crescent Steel & Allied Products Limited	-	-	unrated	47.16
Cherat Cement Company Limited	**unrated**	**68.68**	-	-
Dewan Salman Fiber Limited	**unrated**	**1.91**	unrated	2.62
Descom Oxychem Limited	**A/A1**	**6.00**	unrated	5.40
Engro Corporation Limited	**AA-/A1+**	**221.51**	-	-
Engro Fertilizer Limited	**A+/A1**	**78.10**	-	-
Engro Polymer & Chemicals Limited	**A/A1**	**12.00**	unrated	13.41
Fauji Cement Company Limited	**unrated**	**25.84**	unrated	15.95
Fatima Fertilizer Company Limited	**AA-/A1+**	**35.77**	A+/A1	28.56
Faysal Bank Limited	-	-	AA/A1+	11.39
Fecto Cement Limited	-	-	unrated	44.63
Fauji Fertilizer Bin Qasim Limited	**unrated**	**45.21**	unrated	43.81
Fauji Fertilizer Company Limited	**unrated**	**117.11**	unrated	111.96
Golden Arrow Selected Stocks Fund Limited	**5 Star/ 4 Star**	**11.05**	-	-
Hascol Petroleum Limited	**A+/A1**	**74.10**	-	-
Hub Power Company Limited	**AA+/A1+**	**78.36**	AA+/A1+	60.72
International Steels Limited	**unrated**	**25.45**	-	-
Japan Power Generation Limited	**unrated**	**3.45**	unrated	2.61
Kohinoor Energy Limited	**AA/A1+**	**49.35**	-	-
Kohinoor Spinning Mills Limited	**unrated**	**24.45**	-	-
Kot Addu Power Company Limited	**AA+/A1+**	**78.94**	AA+/A-1+	61.75
Lafarge Pakistan Cement Limited	**unrated**	**17.35**	-	-
Maple Leaf Cement Limited	-	-	BB/B	-
National Bank of Pakistan	**AAA/A1+**	**69.46**	AAA/A1+	58.06
Nishat Power Limited	**A+/A1**	**45.60**	A+/A1	30.06

(a) Quoted Securities (continued)	2014 Rating	2014 Market value Rupees	2013 Rating	2013 Market value Rupees
Nishat (Chunian) Limited	A-/A-2	45.42	-	-
Nishat Chunian Power Limited	A+/A-2	49.55	A+/A-2	34.78
Oil and Gas Development Company Limited	AAA/A1+	205.87	-	-
Pakistan International Bulk Terminal Limited	unrated	24.69	-	-
Pakistan Telecommunication Company Limited	-	-	unrated	28.44
Pakistan Petroleum Limited	unrated	176.52	unrated	213.96
Pakistan State Oil Company Limited	AA+/A1+	357.91	AA+/A1+	332.22
Pakgen Power Limited	-	-	AA/A1+	21.71
Pace Pakistan Limited	unrated	3.33	Withdrawn	3.79
Pakistan Reinsurance Company Limited	AA	30.34	unrated	28.45
Pakistan Refinery Limited	A-/A2	162.75	A-/A2	76.14
Pak Elektron Limited	A-/A2	40.93	unrated	19.99
Saudi Pak Leasing Company Limited	unrated	2.50	unrated	2.82
Silkbank Limited	A-/A2	2.22	A-/A2	2.10
Sitara Chemicals Industries Limited	-	-	A+/A1	245.01
Standard Chartered Bank (Pakistan) Limited	AAA/A1+	23.60	AAA/A1+	24.90
Security Papers Limited	unrated	77.40	AAA/A1+	70.30
Shell Pakistan Limited	unrated	258.88	unrated	190.43
World Call Telecom Limited	-	-	D	2.48

(b) Mutual Funds

Companies

	2014 Rating	2014 Market value Rupees	2013 Rating	2013 Market value Rupees
Pak Oman Advantage Fund	A+(f)	10.96	A+(f)	10.83

	Note	2014 Rupees	2013 Rupess
10.10 Unrealized gain on revaluaiton of investments classified as held for trading			
Fully paid up ordinary shares		5,595,462	1,472,212
11 ADVANCES			
– In Pakistan		7,573,542,204	6,153,863,300
– Outside Pakistan		-	-
		7,573,542,204	6,153,863,300
Net investment in finance lease			
– In Pakistan	11.2.1	210,932,446	179,668,229
– Outside Pakistan		-	-
		210,932,446	179,668,229
Bills discounted and purchased		-	-
Advances – gross	11.1	7,784,474,650	6,333,531,529
Provision for non-performing advances	11.1.6	(1,953,737,236)	(2,235,603,252)
Provision for non-performing lease finance	11.2.3	(142,698,716)	(144,105,348)
Advances – net of provision		5,688,038,698	3,953,822,929
11.1 Particulars of advances - gross			
11.1.1 – In local currency		7,747,246,862	6,296,303,741
– In foreign currencies		37,227,788	37,227,788
		7,784,474,650	6,333,531,529
11.1.2 Long term advances	11.1.3	6,854,845,014	5,657,924,700
Short term advances	11.1.4	898,991,189	644,148,479
Staff advances	11.3	30,638,447	31,458,350
		7,784,474,650	6,333,531,529

11.1.3 These advances are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 17.88% per annum (2013: 7.00% to 17.88% per annum).

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 10.92% to 13.18% per annum (2013: 10.18% to 13.09% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2,072.793 million (2013: Rs. 2,530.797 million) which have been placed under non-performing status as detailed below:-

	2014		
Category of classification	**Classified advances Rupees**	**Provision required Rupees**	**Provision held Rupees**
Substandard	-	-	-
Doubtful	-	-	-
Loss	**2,072,793,334**	**1,953,737,236**	**1,953,737,236**
	2,072,793,334	**1,953,737,236**	**1,953,737,236**

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

11.1.6 Particulars of provisions against non-performing advances

	2014 Rupees	2013 Rupees
	Specific	Specific
Opening balance	**2,235,603,252**	2,195,374,997
Charge for the year	**42,054,605**	207,400,729
Amounts written off	**-**	-
Reversals	**(323,920,621)**	(167,172,474)
Closing balance	**1,953,737,236**	2,235,603,252

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

The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing further benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non–performing advances. The FSV benefit recognised in these unconsolidated financial statements is not available for payment of cash or stock dividend. As on December 31, 2014, total FSV benefit availed by the Company stands at Rs. 119.056 million (2013: Rs. 255.908 million).Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 119.056 million and Rs.79.76 million respectively. Reserves to this extent are not available for distribution by way of cash or stock dividend.

	2014 Rupees	2013 Rupees
11.1.7 Particulars of write offs:		
Against provisions	-	-
Directly charged to the unconsolidated profit and loss account	-	-
	-	-
11.1.8 Particulars of amounts written off against provisions		
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs. 500,000	-	-
	-	-

11.1.9 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2014 is given at Annexure - 1.

11.2 Net investment in finance lease

	Note	2014 Rupees	2013 Rupees
Minimum lease payments receivables		**296,389,107**	255,245,312
Less: Unearned finance income		**(85,456,661)**	(75,576,401)
Present value of minimum lease payments	11.2.1	**210,932,446**	179,668,911
Less: Provision for potential lease losses	11.2.2	**(142,698,716)**	(144,105,348)
Net investment in lease		**68,233,730**	35,563,563

11.2.1 Net investment in finance lease

	2014		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	**247,502,562**	**48,886,545**	**296,389,107**
Less: Unearned finance income	**78,900,091**	**6,556,570**	**85,456,661**
Present value of minimum lease payments	**168,602,471**	**42,329,975**	**210,932,446**

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

11.2.2 Investment in lease finance includes Rs. 142.699 million (2013: Rs. 144.105 million) which has been placed under non-performing status as detailed below:-

Category of classification	2014 Classified advance Rupees	2014 Specific provision required Rupees	2014 Specific provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	**142,698,716**	**142,698,716**	**142,698,716**
	142,698,716	**142,698,716**	**142,698,716**

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

11.2.3 Particulars of provisions against non-performing lease finance

	2014 Rupees Specific	2013 Rupees Specific
Opening balance	**144,105,348**	145,670,449
Charge for the year	-	11,614,376
Amounts written off	-	-
Reversals	**(1,406,632)**	(13,179,477)
Closing balance	**142,698,716**	144,105,348

11.2.4 During the year, net reduction in FSV benefit amounted to Rs. 136.852 million (2013: Rs. 102.072 million) resulting in increased charge for specific provision for the year ended by the same amount.

11.2.5 Particulars of amounts written off against provisions

	2014 Rupees Specific	2013 Rupees Specific
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs. 500,000	-	-
	-	-

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

	2014	2013
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	**30,638,447**	31,458,350
Debts due by companies or firms in which the directors of the Company are interested as directors, partners	-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	-	-

		Note	2014 Rupees Specific	2013 Rupees Specific
11.3.1	**Opening balance**		**31,458,350**	19,635,254
	Loans granted during the year		**15,586,589**	25,099,648
	Repayments during the year		**(16,406,492)**	(13,276,552)
	Closing balance		**30,638,447**	31,458,350
12	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	**12.1**	**458,640**	250,000
	Property and equipment	**12.1**	**2,253,048,654**	2,325,241,136
	Intangible assets	**12.2**	**1,572,736**	2,010,878
			2,255,080,030	2,327,502,014

12.1 Property and equipment

	2014									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	Additions Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	8,088,120	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	-	1,248,493,750	1.19	14,857,075	14,857,075	-	29,714,150	1,218,779,600
Building - Islamabad	714,790,136	5,327,566	-	720,117,702	4	28,547,224	28,655,118	-	57,202,342	662,915,360
Building	19,975,000	-	-	19,975,000	4	798,997	798,997	-	1,597,994	18,377,006
Building - Islamabad- ISE towers	25,500,000	-		25,500,000	1.14	290,700	290,700		581,400	24,918,600
Heating and air-conditioning	125,662,091	1,146,600	-	126,808,691	15	19,062,004	18,821,743	-	37,883,747	88,924,944
Elevators	64,932,976	-	-	64,932,976	15	9,645,623	9,739,941	-	19,385,564	45,547,412
Electrical fittings	156,924,089	1,020,150	18,121,914	139,822,325	15	19,170,111	20,829,548	2,718,286	37,281,373	102,540,952
Fire fighting equipment	3,937,591	-	138,996	3,798,595	15	590,553	576,659	27,790	1,139,422	2,659,173
Leasehold improvement	6,302,839	-	-	6,302,839	15	4,107,986	918,347	-	5,026,333	1,276,506
Motor vehicles	50,755,077	43,357,600	9,002,817	85,109,860	20	26,239,033	7,613,382	6,115,662	27,736,753	57,373,107
Furniture, fixture and fittings	14,906,109	263,780	370,633	14,799,256	20	13,767,491	342,113	370,548	13,739,056	1,060,200
Office equipment	39,117,056	3,931,210	3,764,699	39,283,567		33,645,781	2,779,933	3,764,639	32,661,075	6,622,492
Telephone installation	2,209,736	-	-	2,209,736	33.33	613,963	352,696	-	966,659	1,243,077
Electrical appliances	5,006,487	547,530	83,240	5,470,777	15	1,887,089	641,596	83,228	2,445,457	3,025,320
Loose tools	1,170,325	-	-	1,170,325	15	740,560	143,250	-	883,810	286,515
Miscellaneous	843,569	-	38,800	804,769	15	818,459	8,533	33,465	793,527	11,242
Security systems	13,399,065	-	-	13,399,065	15	1,990,231	2,009,806	-	4,000,037	9,399,028
	2,502,014,016	55,594,436	31,521,099	2,526,087,353	15	176,772,880	109,379,437	13,113,618	273,038,699	2,253,048,654
Capital work in progress	250,000	208,640	-	458,640		-	-	-	-	458,640
	2,502,264,016	55,803,076	31,521,099	2,526,545,993		176,772,880	109,379,437	13,113,618	273,038,699	2,253,507,294

12.2 Intangible assets

	2014									
	COST/REVALUATION					AMORTIZATION				
	Opening balance Rupees	Additions Rupees	Disposals / transfer Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Software and others	12,552,182	587,394	-	13,139,576	33.33	10,541,304	1,025,536	-	11,566,840	1,572,736

12.1 Property and equipment

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

12.2 Intangible assets

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

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Puma Generator 600 KVA	9,060,957	1,359,143	7,701,814	7,141,814	950,000	(6,751,814)	Auction	Pak Islamic Industries
Puma Generator 600 KVA	9,060,957	1,359,143	7,701,814	7,141,814	950,000	(6,751,814)	Auction	Pak Islamic Industries
Dell Laptop E-6400 (8 Nos.)	1,083,153	1,083,145	8	-	47,390	47,382	Auction	Saudi Pak Executives
Office Equipment (Misc items)	2,681,546	2,681,494	52	-	146,280	146,228	Auction	Muhammad Tanveer Abbasi
Toyota Corolla GLI AU-449	1,823,190	60,774	1,762,416	-	1,782,000	19,584	Auction	Insurance Claim
T0yota Corolla 2 D NU-667	1,687,268	1,687,267	1	-	1,277,800	1,277,799	Auction	Rizwan Mazhar
Toyota Corolla GLI PA-840	1,450,067	1,450,066	1	-	704,667	704,666	Auction	Muhammad Tariq Masud
Toyota Corolla GLI NJ-451	1,156,192	1,156,191	1	-	508,667	508,666	Auction	Muhammad Tanveer
Toyota Corolla GLI WG-156	1,730,358	605,624	1,124,734	-	1,084,000	(40,734)	Auction	Nasir A. Malik
Furniture (Misc items)	370,633	370,548	85	-	100,000	99,915	Auction	Raja Awais
Electrical Appliances (Misc items)	83,240	83,228	12	-	20,000	19,988	Auction	Raja Awais
Tank for diesel (1000 gallons)	38,800	33,465	5,335	-	20,000	14,665	Auction	Raja Awais
Fire Extinguisher DCP 6kg & CO2 5kg	138,996	27,790	111,206	-	90,000	(21,206)	Auction	Raja Awais
Toyota Corolla GLI NJ-449	1,155,742	1,155,741	1	-	654,500	654,499	Auction	Sheikh Aftab Ahmed
	31,521,099	13,113,619	18,407,480	14,283,628	8,335,304	(10,072,176)		

	Note	2014 Rupees	2013 Rupees
12.4 Depreciation for the year has been allocated as follows:			
Rental income	25.1	**97,244,382**	94,964,828
Administrative expenses	26	**13,160,593**	13,071,732
		110,404,975	108,036,560
12.5 The cost / revalued amount of fully depreciated assets that are still in use:			
Furniture, fixture and fittings, electrical fittings, office equipment and computer equipment		**53,287,333**	53,956,288
Vehicles		**11,254,845**	12,300,062
Loose tools		**215,330**	215,330
		64,757,508	66,471,680
12.6 Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:			
Land		**1,021,224**	1,033,673
Building and other assets		**134,295,524**	138,004,853
		135,316,748	139,038,526

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

	Note	2014 Rupees	2013 Rupees
13 OTHER ASSETS			
Accrued income and receivables	13.1	**575,211,914**	232,392,461
Advances, deposits, prepayments and other receivables	13.2	**1,273,848,497**	1,194,291,539
		1,849,060,411	1,426,684,000
13.1 Accrued income and receivables			
Dividend Income		**500,000**	2,250,000
Accrued income from advances	13.1.1	**114,300,123**	125,772,362
Accrued income from investments	13.1.3	**451,688,599**	98,313,100
Accrued income from lendings to financial institutions		**4,037,370**	150,068
Others		**7,835,170**	9,056,279
Less: provision for doubtful income receivables	13.1.5	**(3,149,348)**	(3,149,348)
		4,685,822	5,906,931
		575,211,914	232,392,461

	Note	2014 Rupees	2013 Rupees
13.1.1 Accrued income from advances			
Long term advances		**730,470,423**	773,708,306
Short term advances		**165,599,948**	174,227,464
Lease financing		**63,139,942**	60,806,291
Others		**6,418,472**	5,004,426
		965,628,785	1,013,746,487
Less: provision for doubtful accrued income from advances	13.1.2	**(851,328,662)**	(887,974,125)
		114,300,123	125,772,362
13.1.2 Provision for doubtful accrued income from advances			
Opening balance		**887,974,125**	925,158,223
Charge for the year		**47,283,614**	38,958,497
Amounts written off		**-**	(12,259,617)
Reversals		**(83,929,077)**	(63,882,978)
Closing balance		**851,328,662**	887,974,125
13.1.3 Accrued income from investments			
Government Securities		**353,937,769**	52,868,149
Term Finance Certificates (TFCs)		**236,055,487**	195,155,431
Income on equity (preference shares)		**62,424,658**	27,424,658
		652,417,914	275,448,238
Less: provision for doubtful accrued income from investments	13.1.4	**(200,729,315)**	(177,135,138)
		451,688,599	98,313,100
13.1.4 Provision for doubtful accrued income from investments			
Opening balance		**177,135,138**	158,356,889
Charge for the year		**71,959,499**	51,728,984
Reversals		**(48,365,322)**	(32,950,735)
Closing balance		**200,729,315**	177,135,138
13.1.5 Provision for doubtful income receivables			
Opening balance		**3,149,348**	3,149,348
Charge for the year		**-**	-
Closing balance		**3,149,348**	3,149,348
13.2 Advances, deposits, prepayments and other receivables			
Advances to suppliers		**14,769,283**	13,000,780
Security deposits		**7,388,245**	7,388,245
Prepayments		**4,495,275**	4,734,773
Receivable from stock brokers		**3,332,711**	3,869,995
Advance tax		**967,646,344**	901,093,671
Excise duty		**24,000,000**	-
Non banking assets acquired in satisfaction of claims		**355,964,909**	413,102,345
Advance for purchase of shares	13.2.1	**256,792**	256,792
		1,377,853,559	1,343,446,601
Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
Less: provision for non banking assets acquired in satisfaction of claims		**(99,930,000)**	(145,080,000)
		(104,005,062)	(149,155,062)
		1,273,848,497	1,194,291,539

13.2.1 These represent the amount of assets acquired against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited. Market value assessed amounts to Rs. 285.911 million. Provision has been created against the shortfall.

		Note	2014 Rupees	2013 Rupees
14	**BORROWINGS**			
	In Pakistan		**10,630,880,109**	4,326,237,792
	Outside Pakistan		**-**	-
			10,630,880,109	4,326,237,792
14.1	**Particulars of borrowings with respect to currencies**			
	In local currency		**10,630,880,109**	4,326,237,792
	In foreign currency		**-**	-
			10,630,880,109	4,326,237,792
	Long term borrowings	**14.2**	**3,397,037,894**	2,826,237,792
	Short term borrowings	**14.3**	**7,233,842,215**	1,500,000,000
			10,630,880,109	4,326,237,792
14.2	**Long term borrowings**			
	Against book debts/receivables	**14.2.1**	**2,900,000,000**	2,300,000,000
	Against SBP refinance schemes :			
	- Long term financing of export oriented projects (LT-EOP)		**-**	16,341,000
	- Long term financing facility (LTFF)		**497,037,894**	509,896,792
		14.2.2	**497,037,894**	526,237,792
			3,397,037,894	2,826,237,792

14.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 4,000 million (2013: Rs. 3,167 million). The mark up is charged at varying rates ranging from 10.21% to 10.93% per annum (2013: 10.21% to 10.81% per annum). These facilities will mature during March 2015 to June 2019 (2013: September 2014 to December 2018).

14.2.2 These represent facilities obtained against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 7.90% to 10.10% per annum (2013: 5.00% to 10.10% per annum). These facilities will mature during January 2015 to June 2020 (2013: January 2014 to November 2018).

		Note	2014 Rupees	2013 Rupees
14.3	**Short term borrowings**			
	Against book debts/receivables	**14.3.1**	1,000,000,000	500,000,000
	Repurchase agreements under PIBs - repo	**14.3.2**	5,015,842,215	200,000,000
	Clean / letter based financing	**14.3.3**	418,000,000	-
	Morahaba finance	**14.3.4**	800,000,000	800,000,000
			7,233,842,215	1,500,000,000

14.3.1 These represent facilities obtained against charge on book debts / receivables valuing Rs. 1,333.333 million (2013: 833.333 million). The mark-up is charged at the rate of 10.08% (2013 : 9.67% to 10.40%) per annum . These facilities will mature in September 2015 (2013: June 2014).

14.3.2 These facilities are secured against Pakistan Investment Bonds. These carry markup rates ranaging from 9.75% to 10.30% (2013: 9.45%) per annum and will mature in January 2015 (2013: January 2014).

14.3.3 These represent overnight borrowing in local currency from various financial institutions. These carry interest rates ranging from 9.5% to 10.50% per annum. These facilities will mature in January 2015 .

14.3.4 This represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 10.06% to 10.19% (2013: 9.51% to 9.94%) per annum. These will mature in January 2015 (2013: February 2014 to March 2014).

	Note	2014 Rupees	2013 Rupees
14.4 Details of borrowings secured/unsecured			
Secured			
Borrowings from State Bank of Pakistan :			
- Long term financing of export oriented projects (LT-EOP)		-	16,341,000
- Long term financing facility (LTFF)		497,037,894	509,896,792
		497,037,894	526,237,792
Repurchase agreement borrowings		5,015,842,215	200,000,000
Against book debts/receivables		3,900,000,000	2,800,000,000
Morahaba finance		800,000,000	800,000,000
		10,212,880,109	4,326,237,792
Unsecured			
Call borrowings		418,000,000	-
		10,630,880,109	4,326,237,792

15 DEPOSITS AND OTHER ACCOUNTS

	Note	2014 Rupees	2013 Rupees
Certificate of Investments (COIs)	15.1	37,000,000	762,000,000

15.1 These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 9.50% to 10.00% per annum (2013: 9.25% to 10.17% per annum). These are repayable in period ranging from February 2015 to November 2015 (2013: January 2014 to June 2014).

16 DEFERRED TAX LIABILITIES

	Note	2014 Rupees	Restated 2013 Rupees
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		20,099,726	24,286,129
Surplus on revaluation of operating fixed assets	20	673,196,173	728,014,605
Surplus on revaluation of securities	19	215,677,331	114,129,907
		908,973,230	866,430,641
Deferred tax debits arising due to following deductible temporary differences:			
Provision against employee benefits		(1,377,341)	-
Net investment in leases		9,274,905	(12,491,017)
Provision for investment in TFCs		(124,468,422)	-
Accumulated tax losses		(71,433,320)	(331,218,154)
		(188,004,178)	(343,709,171)
		720,969,052	522,721,470

16.1 Movement in temporary differences during the year:

	Opening balance 2014 Rupees	Impact on deffered tax liability due to rate change 2014 Rupees	Recognised in profit or loss 2014 Rupees	Recognised in equity 2014 Rupees	Closing balance 2014 Rupees
Taxable temporary differences					
Accelerated tax depreciation	24,286,129	-	(4,186,403)	-	20,099,726
Surplus on revaluation of operating fixed assets	728,014,605	(26,125,792)	(28,692,640)	-	673,196,173
Surplus on revaluation of securities	114,129,907	(3,356,761)	-	104,904,185	215,677,331
Deductible temporary differences					
Acturial loss on gratuity valuation	-	-	-	(1,377,341)	(1,377,341)
Net investment in leases	(12,491,017)	-	21,765,922	-	9,274,905
Provision for investment in TFCs	-	-	(124,468,422)	-	(124,468,422)
Accumulated tax losses	(331,218,154)	-	259,784,834	-	(71,433,320)
	522,721,470	(29,482,553)	124,203,291	103,526,844	720,969,052

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

17 OTHER LIABILITIES	Note	**2014 Rupees**	2013 Rupees
Mark-up/return/interest accrued on borrowings	17.1	**114,684,168**	82,970,779
Creditors, accrued and other liabilities	17.2	**191,690,747**	33,097,636
Deferred liabilities	17.3	**86,852,212**	54,945,072
		393,227,127	171,013,487

17.1 Mark-up/return/interest accrued on borrowings

	2014	2013
Long term borrowings	**46,669,941**	39,124,549
Short term borrowings	**15,744,916**	39,185,956
Securities purchased under Repurchase agreements - repo	**52,269,311**	4,660,274
	114,684,168	82,970,779

		Note	2014 Rupees	2013 Rupees
17.2	**Creditors, accrued and other liabilities**			
	Directors' remuneration		**2,522,554**	2,747,618
	Other payables		**44,060,225**	18,853,474
	Receivable / payable on employees account		**(1,376,848)**	29,760
	Corporate income tax payable		**113,939,908**	-
	Accrued liabilities		**32,544,908**	11,466,784
			191,690,747	33,097,636
17.3	**Deferred liabilities**			
	Provision for staff gratuity	**33.1**	**25,174,399**	22,361,198
	Provision for compensated absences		**4,759,254**	4,320,046
	Advance rental income	**17.3.1**	**56,918,559**	28,263,828
			86,852,212	54,945,072

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

		Note	2014 Rupees	2013 Rupees
18	**SHARE CAPITAL**			
	Authorized capital:			
	1,000,000,000 ordinary shares of Rs. 10 each (2013: 1,000,000,000 ordinary shares of Rs. 10 each)		**10,000,000,000**	10,000,000,000
	Issued, subscribed and paid up capital:			
	400,000,000 ordinary shares of Rs. 10 each issued for cash (2013: 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 (2013: 200,000,000 bonus shares of Rs. 10 each)		**2,000,000,000**	2,000,000,000
		18.1	**6,000,000,000**	6,000,000,000

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

	2014	2013
	Number of shares	
Opening balance	**600,000,000**	600,000,000
Issued during the year	**-**	-
Closing balance	**600,000,000**	600,000,000

		Note	2014 Rupees	2013 Rupees
19	**SURPLUS ON REVALUATION OF AFS SECURITIES - NET OF TAX**			
	Quoted securities- AFS		**305,568,210**	377,016,425
	Government securities- AFS		**374,354,178**	(5,786,914)
	Term Finance Certificates (TFCs)- AFS		**(3,154,723)**	296,685
	Un-quoted securities- AFS		**(28,000,000)**	(40,000,000)
	Mutual fund units- AFS		**4,800,000**	4,150,000
		10.1	**653,567,665**	335,676,196
	Less: related deferred tax asset	**16**	**(215,677,330)**	(114,129,907)
	Surplus on revaluation of AFS securities- net of tax		**437,890,335**	221,546,289

		Note	2014 Rupees	2013 Rupees
20	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**			
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		**2,141,219,427**	2,228,710,094
	Surplus realized on disposal - transferred to unappropriated profit		**14,283,628**	-
	Transferred to unappropriated profit in respect of			
	– Incremental depreciation charged during the year		**(58,254,755)**	(57,296,701)
	– Deferred tax		**(28,692,640)**	(30,193,966)
			(86,947,395)	(87,490,667)
	Surplus on revaluation of operating fixed assets		**2,039,988,404**	2,141,219,427
	Related deferred tax liability		**(728,014,605)**	(780,109,376)
	Impact of change in tax rate		**26,125,792**	21,900,805
	Transferred to unconsolidated profit and loss account in respect of incremental depreciation		**28,692,640**	30,193,966
		16	**(673,196,173)**	(728,014,605)
	Closing balance		**1,366,792,231**	1,413,204,822
21	**CONTINGENCIES AND COMMITMENTS**			
21.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		**350,000,000**	207,385,000
21.2	**Non disbursed commitment for term and working capital finance**		**1,150,000,000**	911,098,000
21.3	**Commitments for the acquisition of operating fixed assets (intangibles assets)**		**19,658,034**	15,303,712
			1,519,658,034	1,133,786,712

21.4 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006

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

(b) Tax year 2008 and 2009

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

(c) Tax year 2010

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 147 million out of which the Company paid Rs. 67 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Company's favor.

(d) Tax year 2012 and 2013

Provision for NPL, realised exchange loss and other expenses for tax years 2012 and 2013 were disallowed by tax authority vide assessment orders No 003/005 and 004/005 both dated May 21, 2014 and demand of Rs 97,862,792 for tax year 2012 and Rs 118,789,036 for tax year 2013 has been created against the Company. The Company has filed appeal against the aforesaid orders dated May 21, 2014 before the Commissioner Inland Revenue (Appeals), Islamabad . The appeal is still pending for adjudication.It is likely that the appeals will be decided in favour of the Company.

(e) Sales Tax & Federal Excise Duty

The Deputy Commissioner Inland Revenue, Audit - VI, Large Taxpayers Unit, Islamabad (DCIR) through Order in Original 08/52 dated April 30, 2014 imposed federal excise duty amounting to Rs 71,314,266. An appeal against the aforesaid order dated April 30, 2014 were filed before the Commissioner Inland Revenue - (Appeals) [CIR(Appeals)]. The CIR (Appeals) vide his order ST/FED-530/2014/562 dated June 17, 2014 has upheld the action of DCIR. The Company filed appeal before ATIR which is pending adjudication. Further, the Company has deposited Rs 24 million in government treasury in connection with the recovery notice issued by the DCIR . The Company has obtained stay from the High Court against the recovery of outstanding demand.

21.5 Other contingencies

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

Due to negative e-CIB reported by the Bank of Punjab, Saudi Pak did not disburse to Ceco, the finance facility of Rs.30 million sanctioned on 20.10.2008. Feeling aggrieved, Ceco filed on 27.7.2009, the subject damages suit in the Lahore High Court, Lahore, against Saudi Pak for allegedly suffering business losses. Evidence of both the parties has been recorded but the customer lawyer sought to produce customs authorities for recording evidence. The request of customer has not yet been allowed by the Court. After completion of evidence of both the parties, the matter will be fixed by the Court for final arguments for a decision on merits.

(b) MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.629 million)

Macpac Films Limited (MFL) Karachi is a former customer of Saudi Pak who had availed a term finance facility of Rs.125.00 million (for 04 years) in the year 2003/04. Customer was irregular in payments. As on 30.9.2011, a sum of Rs. 195.795 million was overdue therefore a legal notice dated 2.11.2011 was served upon the Customer. However, the Customer negotiated a settlement which was approved by Saudi Pak vide letter dated 13.5.2011. The settlement involved waiver/write-off of liquidated damages of Rs.43.930 million and 50% frozen Markup of Rs.28.729 million (total Rs.72.659 million) on payment of agreed settlement amount of Rs.100.141 million. The customer accepted it and paid the settlement amount of Rs.100.141 million to Saudi Pak (net of liquidated damages and 50% of frozen markup). Thereafter in compliance with the circular/instructions of State Bank of Pakistan (SBP), the data of amount written off/waived off was communicated by Saudi Pak to the SBP in ordinary course. Since then, the amount written /waived off was appearing in the SBP's eCIB every month. The Customer requested Saudi Pak as well as SBP to stop reporting it on eCIB as it was reflecting bad on the Customer. However owing to the SBP's circulars/ instructions, neither Saudi Pak nor SBP agree with the Customer.

Feeling aggrieved, the Customer filed the titled suit on 27.03.2014 against Saudi Pak in the Sindh High Court, Karachi. On receipt of Court Notice dated 29.3.2014, Saudi Pak filed its reply (PLA) and prayed to dismiss the frivolous suit. The Customer has now filed a stay application the reply of which will be filed by Saudi Pak's counsel before next date of hearing. The High Court will hear the stay application on 17.2. 2015.

(c) Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs.200.00 million)

Through publication in national dailies on 27.04.2014, Saudi Pak invited bids for the sale of a Farm House at Gadap Town and three (03) other plots (Plots No.9-C, 17-C, 20-C) at DHA Karachi. Bids of Mr. Sultan Paracha and some other bidders were found lower than the bid of Syed Mudassar Hussain who, after acceptance of his bid, also entered into a Sale Agreement dated 02.6.2014 (through his nominee) in regard to three (03) plots situated at DHA only. Mr. Paracha offered an aggregate bid of Rs.93.00 million against all the four (04) properties whereas the successful bidder agreed to pay Rs.134.500 million (enhanced from Rs.127.600 million) against only three plots in DHA Karachi. Therefore all lower bids including that of Mr. Zafar Sultan Paracha were rejected by Saudi Pak. The successful bidder also paid to Saudi Pak a down payment of Rs.26.900 million as provided in the Sale Agreement. Mr. Paracha attempted to frustrate the sale and filed the subject suit in the Sindh High Court, Karachi, on 01.07.2014. Mr. Parach also obtained an interim stay on 05.07.2014 from the august Court against creation of third party interest in the suit properties. On receipt of Court Notice, Saudi Pak filed counter-affidavit/reply of the Stay Application in the High Court, sought vacation of the interim stay and prayed for dismissal of the frivolous suit. Pursuant thereto, the High Court heard arguments of counsels of parties on 20.8.2014 and reserved the judgment. The Court has not yet announced the judgment.

		Note	2014 Rupees	2013 Rupees
22	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	22.1	**609,589,146**	505,438,468
	On investments	22.2	**579,402,175**	431,259,835
	On lendings to financial institutions		**133,099,225**	8,358,077
	On lease financing		**6,550,355**	5,654,284
	On profit and loss saving accounts		**14,901,781**	3,440,995
			1,343,542,682	954,151,659
22.1	**On advances**			
	Long term advances		**553,756,210**	461,991,014
	Short term advances		**54,668,181**	42,460,473
	Staff advances		**1,164,755**	986,981
			609,589,146	505,438,468
22.2	**On investments**			
	Term Finance Certificates		**141,771,539**	153,146,177
	Government securities		**402,630,636**	250,689,000
	Return on equity (preference shares)		**35,000,000**	27,424,658
			579,402,175	431,259,835
23	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	23.1	**662,420,578**	435,735,174
	PIB's premium amortization		**730,504**	2,191,505
	Brokerage fee		**3,783,768**	954,068
			666,934,850	438,880,747
23.1	**Mark-up/return/interest expensed**			
	Long term borrowings		**346,941,630**	181,083,676
	Short term borrowings		**188,572,002**	180,556,380
	Securities purchased under repurchase agreements - repo		**126,906,946**	74,095,118
			662,420,578	435,735,174
24	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions is as under:			
	Term Finance Certificates (TFCs)		**67,874,910**	109,645,733
	Unquoted investment		**4,477,349**	5,296,459
			72,352,259	114,942,192
25	**OTHER INCOME**			
	Net rental income	25.1	**69,244,084**	52,096,205
	Net (loss)/gain on disposal of operating fixed assets - property and equipment	12.3	**(10,072,176)**	2,140,709
	Others	25.2	**1,713,205**	1,350,475
			60,885,113	55,587,389

		Note	2014 Rupees	2012 Rupees
25.1	**Net rental income**			
	Rental income		**218,938,194**	191,870,472
	Less: Operating expenses			
	Salaries, allowances and employee benefits	26.1	**16,106,808**	11,636,360
	Traveling and conveyance		**2,300**	3,200
	Medical		**290,690**	111,988
	Janitorial services		**5,258,876**	4,528,754
	Security services		**10,601,877**	9,533,515
	Insurance		**1,551,654**	1,696,490
	Postage, telegraph, telegram and telephone		**68,982**	18,274
	Printing and stationery		**173,934**	187,143
	Certification services		**49,500**	25,000
	Utilities		**13,364,231**	11,944,269
	Consultancy and professional charges		**-**	-
	Repairs and maintenance		**3,172,764**	3,596,340
	Rent, rates and taxes		**1,415,600**	1,397,333
	Depreciation	12.4	**97,244,382**	94,964,828
	Office general expenses		**392,512**	130,773
			149,694,110	139,774,267
			69,244,084	52,096,205

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

26 ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2012 Rupees
Salaries, allowances and employee benefits	26.1	**161,872,591**	130,995,193
Traveling and conveyance	26.2	**23,997,769**	28,938,770
Vehicle running expenses		**3,733,350**	4,229,101
Utilities		**16,348,138**	11,199,782
Advertisement and publicity		**2,300,339**	1,582,939
Postage, telegram, telephone and telex		**5,921,094**	5,898,942
Printing, stationery and periodical		**3,446,305**	2,776,998
Legal and professional charges		**6,334,886**	12,534,569
Consultancy, custodial and rating services		**14,468,281**	6,971,757
Auditor's remuneration	26.3	**1,000,000**	900,000
Repair and maintenance		**5,153,415**	5,658,390
Office and general expenses		**22,096,357**	20,008,561
Bank charges		**493,665**	323,152
Professional training		**1,812,730**	2,119,498
Insurance		**1,931,119**	1,958,224
Depreciation	12.4	**13,160,593**	13,071,732
Donations	26.4	**500,000**	-
		284,570,632	249,167,608

26.1 This includes the followings staff benefits:

– Rs. 3.921 million (2013: Rs. 3.656 million) on account of employee provident fund expense;
– Rs. 4.761 million (2013: Rs. 4.743 million) on account of gratuity expense; and
– Rs. 2.158 million (2013: Rs. 1.426 million) on account of compensated absences expense.

26.2 This includes payments made to Directors of the Company for attending Board / Board's committee meetings amounting to Rs. 13.711 million (2013: Rs. 17.592 million).

26.3 Auditors' remuneration	**2014 Rupees**	2013 Rupees
Audit fee	**770,000**	670,000
Half yearly review	**100,000**	100,000
Code of Corporate Governance review	**30,000**	30,000
Out of pocket expenses	**100,000**	100,000
	1,000,000	900,000

26.4 The donation was given to the Behbud Association of Pakistan and Poor Patients Welfare Society (Regd.) for providing skill training, educational / health facilities and community service to needy women and children.

	Note	**2014 Rupees**	2013 Rupees
27 OTHER PROVISIONS/(REVERSALS)/WRITE OFFS - NET			
Reversals against non banking assets acquired in satisfaction of claims - net		**(38,012,563)**	-
		(38,012,563)	-
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		**270,000**	759,000
29 TAXATION			
– Current year		**119,383,674**	15,278,816
– Prior years		**-**	-
– Deferred		**124,203,291**	(345,151,901)
	29.1	**243,586,965**	(329,873,085)
29.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		**1,402,419,426**	434,708,531
Tax rate		**33%**	33%
Tax on accounting profit		**462,798,411**	147,800,901
Tax effect on income subject to lower rate of taxation		**(108,605,826)**	(14,105,772)
Impact of change in tax rate		**-**	25,572,393
Deferred tax asset not recognised		**-**	-
Tax effect of permanent differences		**(110,605,620)**	(489,140,607)
		243,586,965	(329,873,085)

29.2 Tax status

Company is subject to charge of Alternative Corporate Tax "ACT" introduced through Finance Act, 2014 amounting to Rs. 180 million. No liability is recognized as ACT as management expects that ACT will be adjustable within 10 year as allowed under the tax law.

For tax related contingencies - refer note 21.4.

		Note	2014 Rupees	2013 Rupees
30	**BASIC AND DILUTED EARNING PER SHARE**			
	Profit for the year - Rupees		**1,158,832,461**	764,581,616
	Weighted average number of ordinary shares - Number		**600,000,000**	600,000,000
	Basic and diluted earning per share - Rupees		**1.931**	1.274
31	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	**6**	**48,472,808**	39,928,016
	Balance with other banks	**7**	**693,284,975**	100,835,783
			741,757,783	140,763,799

		Note	2014 Numbers	2013 Numbers
32	**STAFF STRENGTH**			
	Permanent		**53**	60
	Temporary/on contractual basis		**3**	2
	Daily wagers		**-**	-
	Others		**-**	-
	Company's own staff strength at the end of the year		**56**	62
	Outsourced	**32.1**	**104**	94
	Total staff strength		**160**	156

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

		Note	2014 Rupees	2013 Rupees
33	**EMPLOYEE BENEFITS – Staff gratuity**			
33.1	**The amounts recognized in the unconsolidated statement of financial position are determined as follows:**			
	Present value of defined benefit obligation	33.3	**25,174,398**	22,361,198
	Unrecognized actuarial (loss)/gain		-	-
	Benefits payable to outgoing members		-	-
		17.3	**25,174,398**	22,361,198
33.2	**The amounts recognized in the unconsolidated profit and loss account are as follows:**			
	Service cost		**2,101,611**	2,200,955
	Interest cost		**2,659,832**	2,542,861
			4,761,443	4,743,816
33.3	**Movement in the present value of defined benefit obligation in the unconsolidated statement of financial position are determined as follows:**			
	Opening balance		**22,361,198**	20,261,418
	Service cost		**2,101,611**	2,200,955
	Interest cost		**2,659,832**	2,542,861
	Actuarial loss /(gain)		**4,173,757**	(734,036)
	Benefits payable to outgoing members		-	-
	Benefits paid		**(6,122,000)**	(1,910,000)
	Closing balance		**25,174,398**	22,361,198
33.4	**The principal actuarial assumptions used are as follows:**		**2014**	2013
	Discount rate		**10.50%**	12.75%
	Expected rate of increase in salary		**8.50%**	10.25%
	Mortality rate		**SLIC (2001-05)-1**	SLIC (2001-05)

33.5 Gratuity expense for the year ending December 31, 2015 expects to be Rs. 5.022 million.

33.6 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
Effect in Rupees		
Discount rate	**(1,094,736)**	1,226,092
Salary increase rate	**1,359,400**	(1,234,688)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

34 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2014	2013	**2014**	2013	**2014**	2013
Fees	**-**	-	**2,522,554**	2,747,618	**-**	-
Managerial remuneration	**7,200,000**	7,200,000	**-**	-	**21,096,115**	19,456,426
Contribution to defined contribution plan	**720,000**	720,000	**-**	-	**2,000,637**	1,881,929
Rent and house maintenance	**4,432,380**	4,499,425	**-**	-	**11,966,469**	11,291,572
Utilities	**720,000**	720,000	**-**	-	**1,994,412**	1,881,929
Medical	**144,677**	143,665	**-**	-	**3,359,242**	3,136,548
Bonus and Others	**5,434,270**	4,232,981	**-**	-	**17,599,233**	15,919,588
	18,651,327	17,516,071	**2,522,554**	2,747,618	**58,016,108**	53,567,992
Number of persons	**1**	1	**5**	6	**27**	26

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

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

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On-balance sheet financial instruments

On-balance sheet financial instruments	**2014** Book value Rupees	**2014** Fair value Rupees	2013 Book value Rupees	2013 Fair value Rupees
Assets				
Cash balances with treasury banks	**48,472,808**	**48,472,808**	39,928,016	39,928,016
Balances with other banks	**693,284,975**	**693,284,975**	100,835,783	100,835,783
Non-current asset classified as held for sale	**-**	**-**	21,578,657	21,578,657
Lendings to financial institutions	**900,000,000**	**900,000,000**	409,466,390	409,466,390
Investments	**10,739,002,841**	**10,739,002,841**	6,494,512,553	6,494,512,553
Advances	**5,688,038,698**	**5,688,038,698**	3,953,822,929	3,953,822,929
Other assets	**474,796,355**	**474,796,355**	87,364,186	87,364,186
	18,543,595,677	**18,543,595,677**	11,107,508,514	11,107,508,514

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities. Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts . Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Company's accounting policy as stated in note 5.4. The effective rates and maturity profile are stated in note 40.2.4 and 40.3.1 respectively.

	2014 Book value Rupees	**2014** Fair value Rupees	2013 Book value Rupees	2013 Fair value Rupees
Liabilities				
Borrowings	**10,630,880,109**	**10,630,880,109**	-	-
Deposits and other accounts	**37,000,000**	**37,000,000**	762,000,000	762,000,000
Other liabilities	**306,374,915**	**306,374,915**	116,068,415	116,068,415
	10,974,255,024	**10,974,255,024**	878,068,415	878,068,415

35.2 Off-balance sheet financial instruments

Commitments in respect of purchase of forward exchange contracts	**-**	**-**	-	-

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

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

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

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying value since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced. The maturity profile and effective rates are stated in note 40.2.4

36 DERIVATIVE INSTRUMENTS

The Company does not deal in derivative instruments.

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance 2014 Rs. 000	Trading and sales 2014 Rs. 000	Building rental services 2014 Rs. 000	Total 2014 Rs. 000
Total income	752,598	1,281,706	220,651	2,254,955
Total expenses	136,715	566,128	149,694	852,537
Net income (loss)	615,883	715,578	70,957	1,402,418
Segment assets (gross)	10,535,126	13,770,390	2,124,900	26,430,416
Segment non performing loans	2,807,225	79,743	-	2,886,968
Segment provision required	2,425,048	48,565	-	2,473,613
Segment liabilities	4,626,550	6,421,028	734,498	11,782,076
Segment Return On net Assets (ROA) (%)	5.85	5.20	3.34	5.31
Segment cost of funds (%)	1.30	4.11	7.04	3.23

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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 6.04 % (2013: 7.55 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 3.03 % (2013: 2.89 %) of the total liabilities have been allocated to segments based on their respective assets.

38 RELATED PARTY TRANSACTIONS

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

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

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

38.2 **Following are the transactions and balances with related parties**

Nature of balances / transactions	Name of the Entity	2014 Rupees	2013 Rupees
Outstanding balances at year end			
Subsidiary / Associated companies			
– Investments – cost	Saudi Pak Real Estate Company Limited	**500,000,000**	500,000,000
– Investments – cost	Saudi Pak Leasing Company Limited	**243,467,574**	243,467,574
– Investment in preference shares - cost	Saudi Pak Leasing Company Limited	**333,208,501**	333,208,501
– Borrowing	Saudi Pak Leasing Company Limited	**18,000,000**	-
– Fair value of shares classified as held for sale	SPI Insurance Company Limited (Formerly Saudi Pak Insurance Company Limited)	**-**	21,578,657
– Prepaid insurance	SPI Insurance Company Limited	**-**	16,812
– Security deposit	Saudi Pak Real Estate Company Limited	**278,280**	278,280
– Rent received in advance	Saudi Pak Real Estate Company Limited	**1,687,505**	-
– Interest payable	Saudi Pak Leasing Company Limited	**70,274**	-
Employee funds			
– Deposits against COIs	Employee funds	**7,000,000**	10,000,000
– Interest payable	Employee funds	**72,877**	414,337
Transactions during the year			
Subsidiary / Associated companies			
– Borrowing availed	Saudi Pak Leasing Company Limited	**20,000,000**	-
– Maturity of borrowing	Saudi Pak Leasing Company Limited	**2,000,000**	20,000,000
– Interest expensed	Saudi Pak Leasing Company Limited	**401,780**	493,644
– Dividend received	Saudi Pak Leasing Company Limited	**-**	114,112
– Rent received	Saudi Pak Leasing Company Limited	**542,080**	488,950
– Rent paid for generator	Saudi Pak Leasing Company Limited	**99,487**	
– Rent received	Saudi Pak Real Estate Company Limited	**3,681,830**	3,506,328
– Sale of Tricon Tower	Saudi Pak Real Estate Company Limited	**50,000,000**	-
– Rent received	SPI Insurance Company Limited	**-**	1,998,000
– Claims received	SPI Insurance Company Limited	**-**	20,000
– Premium paid	SPI Insurance Company Limited	**-**	113,281
– Fair value of shares classified as held for sale	SPI Insurance Company Limited	**-**	14,938,998
– Installment received	SPI Insurance Company Limited	**-**	39,450,000

	2014 Rupees	2013 Rupees
38 RELATED PARTY TRANSACTIONS (continued)		
Transactions during the year		
Key Management Personnel		
– Advances to executives	**8,164,200**	21,733,750
– Repayment of advances	**9,884,733**	6,006,870
Employee funds		
– Maturity of deposits against COIs	**3,000,000**	-
– Contribution to the employees provident fund	**3,925,576**	3,655,539
– Interest expense	**809,761**	1,035,157

39 CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

39.1 Capital Adequacy

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

Key risk categories for Saudi Pak include credit risk, market risk, operational risk, business risk (including tax and strategic risk), reputational risk and liquidity risk. The Company manages the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes. Saudi Pak's approach to identification and impact assessment aims to ensure that Company mitigate the impact of these risks on its financial results, long term strategic goals and reputation. The assessment of the potential impacts of the risks is made through stress tests which assess the Company's ability to absorb these events should they occur. The results of these tests showed that Saudi Pak currently has adequate capital and liquidity reserves to absorb the impact of these risks if they were to materialize in line with the tests' parameters.

The overall focus of risk and capital management throughout 2014 was on maintaining Saudi Pak's risk profile in line with the Company's risk strategy, increasing its capital base and supporting its strategic management initiatives with a focus on balance sheet optimization.

Saudi Pak has a comprehensive risk management framework to ensure that the risks taken are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and return. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions/ business units. Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Recovery planning provides for the escalation path for crisis management governance to improve the capital and liquidity positions in a stress event. Capital is managed above the Board-approved Capital Adequacy Ratio and is managed and monitored based on planned changes in the Company's strategy, identified changes in its operating environment or changes in its risk profile. The Company's capital adequacy assessment is evaluated on in its current position, expected future risk profile and its internal targets while considering the potential impact of various stress scenarios. The amount of capital required for the business risks and to meet regulatory requirements, is balanced against the goal of generating an appropriate value for the Company's shareholders. The Company deploys capital to support sustainable, long-term revenue and net income growth. All major initiatives to deploy capital are subject to rigorous analysis and evaluation of expected benefits.

Key financial criteria include impact on earnings per share, capital ratios, return on invested capital, expected payback period and internal rate of return based on discounted cash flows. Any potential business acquisitions, investments or strategic initiatives are reviewed and approved by the Company's Strategic Investment Committee, to ensure effective deployment of capital. The Company continues to maintain strong, high quality capital levels which positions as well for future business growth. The Company will continue to have a strong capital position in 2015.

39.2 Scope of Application

The Basel III framework has been applied in accordance with BPRD Circular No. 6 dated August 15, 2013 and further time to time instructions of State Bank of Pakistan thereon. These instructions are effective from December 31, 2013 in a phased manner with full implementatiaon intended by December 31, 2019. Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

The Company has two subsidiaries namely Saudi Pak Real Estate Company Limited (SPREL) and Saudi Pak Leasing Company Limited (SPLCL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the Company. SPLCL is included while calculating Capital Adequacy for the Company using full consolidation method. The fact that the Company has neither any significant minority investments in banking, securities, or any other financial entities nor does it has any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Company does not indulge in any securitization activity that shields it from the risk inherent in securitization.

39.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31

		2014 Rs. 000	2013 Rs. 000
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	919,927	688,160
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,666,254	669,446
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	CET 1 before Regulatory Adjustments	8,586,181	7,357,606
10	Total regulatory adjustments applied to CET1 (Note 39.3.1.1)	(1,152,101)	(256,725)
11	Common Equity Tier 1	7,434,080	7,100,881
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 39.3.1.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	7,434,080	7,100,881
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	765,404	635,942
29	of which: Unrealized gains/losses on AFS	245,219	99,696
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	1,010,623	735,638
33	Total regulatory adjustment applied to T2 capital (Note 39.3.1.3)	-	(250,000)
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	**Total Tier 2 capital admissible for capital adequacy**	1,010,623	485,638
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	8,444,703	7,586,519
39	**Total Risk Weighted Assets (RWA) (Note 39.6)**	21,847,618	12,717,277
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	34.03%	55.84%
41	**Tier-1 capital to total RWA**	34.03%	55.84%
42	**Total capital to total RWA**	38.65%	59.66%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	5.50%	5.00%
49	**Tier 1 minimum ratio**	7.00%	6.50%
50	**Total capital minimum ratio**	10.00%	10.00%

39.3.1 Regulatory Adjustments and Additional Information

		2014 Rs. 000	2014 Amount subject to pre Basel III treatment Rs.000	2013 Rs. 000
39.3.1.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	(6,047)	-	(6,725)
3	Shortfall in provisions against classified assets	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(14,287)	(57,146)	-
5	Defined-benefit pension fund net assets	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7	Cash flow hedge reserve	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-
9	Securitization gain on sale	-	-	-
		-		
10	Capital shortfall of regulated subsidiaries	(1,131,767)	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15	Amount exceeding 15% threshold	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	(250,000)
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(1,152,101)	(57,146)	(256,725)
39.3.1.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-
39.3.1.3	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-		(250,000)
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-	(250,000)

		2014 Rs. 000	2013 Rs. 000
39.3.1.4	**Additional Information**		
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
	(i) of which: deferred tax assets	-	-
	(ii) of which: Defined-benefit pension fund net assets	-	-
	(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
	(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.4 Capital Structure Reconciliation

39.4.1 Step-I of Capital Structure Reconciliation

	2014	
	Balance sheet as in published financial statements Rs. 000	Under regulatory scope of consolidation Rs. 000
ASSETS		
Cash and balances with treasury banks	48,473	48,473
Balances with other banks	693,285	693,285
Lendings to financial institutions	900,000	900,000
Investments	10,739,003	10,739,003
Advances	5,688,039	5,688,039
Operating fixed assets	2,255,080	2,255,080
Deferred tax assets	-	71,433
Other assets	1,849,060	1,849,060
TOTAL ASSETS	22,172,940	22,244,373
LIABILITIES AND EQUITY		
Bills payable	-	-
Borrowings	10,630,880	10,630,880
Deposits and other accounts	37,000	37,000
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	720,969	792,402
Other liabilities	393,227	393,227
TOTAL LIABILITIES	11,782,076	11,853,510
Share capital	6,000,000	6,000,000
Reserves	919,927	919,927
Unappropriated/ Unremitted profit	1,666,254	1,666,254
Minority Interest	-	-
Surplus on revaluation of assets	1,804,683	1,804,683
TOTAL EQUITY	10,390,863	10,390,863
TOTAL LIABILITIES AND EQUITY	22,172,940	22,244,373

39.4.2 Step-II of Capital Structure Reconciliation

	2014 Balance sheet as in published financial statements Rs. 000	2014 Under regulatory scope of consolidation Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	48,473	48,473	
Balanced with other banks	693,285	693,285	
Lending to financial institutions	900,000	900,000	
Investments	10,739,003	10,739,003	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	
of which: Mutual Funds exceeding regulatory threshold	-	-	
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	
of which: others (mention details)	-	-	
Advances	5,688,039	5,688,039	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	-	-	
Fixed Assets	2,255,080	2,255,080	
Deferred Tax Assets	-	71,433	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	14,287	*(a)*
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	1,849,060	1,849,060	
of which: Goodwill	-	-	
of which: Intangibles	6,047	6,047	(b)
of which: Defined-benefit pension fund net assets	-	-	
TOTAL ASSETS	22,172,940	22,244,373	
LIABILITIES AND EQUITY			
Bills payable	-	-	
Borrowings	10,630,880	10,630,880	
Deposits and other accounts	37,000	37,000	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	720,969	792,402	
of which: DTLs related to goodwill	-	-	
of which: DTLs related to intangible assets	2.4	2.4	(c)
of which: DTLs related to defined pension fund net assets	-	-	
of which: other deferred tax liabilities	-	-	
Other liabilities	393,227	393,227	
TOTAL LIABILITIES	11,782,076	11,853,510	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	(d)
of which: amount eligible for AT1	-	-	
Reserves	919,927	919,927	
of which: portion eligible for inclusion in CET1(provide breakup)	919,927	919,927	(e)
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profits	1,666,254	1,666,254	(f)
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	
of which: portion eligible for inclusion in AT1	-	-	
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	1,804,683	1,804,683	
of which: Revaluation reserves on Fixed Assets	1,366,792	1,366,792	(g)
of which: Unrealized Gains/Losses on AFS	437,890	437,890	
In case of Deficit on revaluation (deduction from CET1)	-	-	
TOTAL LIABILITIES AND EQUITY	22,172,940	22,244,373	

39.4.3 Step-III of Capital Structure Reconciliation

		2014 Component of regulatory capital reported by Company Rs. 000	2014 Source based on reference from step II
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	(d)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	919,927	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	1,666,254	(f)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	
8	**CET 1 before Regulatory Adjustments**	8,586,181	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	(6,047)	(b) - (c)
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(14,287)	(a)
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	(1,131,767)	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	(1,152,101)	
31	**Common Equity Tier 1**	7,434,080	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	
34	of which: Classified as liabilities	-	
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	-	

39.4.3 Step- III of Capital Structure Reconciliation (Continued)

		2014 Component of regulatory capital reported by Company Rs. 000	2014 Source based on reference from step II
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	7,434,080	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	765,404	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	245,219	
57	Foreign Exchange Translation Reserves	-	
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	1,010,623	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,010,623	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	8,444,703	

39.5 Main features of Regulatory Capital Instrument

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

39.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	2014	2013	2014	2013
	Capital Requirements		Risk Weighted Assets	
CREDIT RISK	Rs. 000	Rs. 000	Rs. 000	Rs. 000
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	-	-	-	-
Banks	**44,612**	14,289	**318,657**	102,061
Corporate	**711,014**	377,859	**5,078,673**	2,698,992
Retail	**2,682**	2,929	**19,156**	20,923
Residential Mortgages	**250**	174	**1,784**	1,246
Past Due loans	**48,821**	127,039	**348,721**	907,422
Operating Fixed Assets	**315,491**	325,569	**2,253,507**	2,325,491
Other assets	**1,035,019**	350,223	**7,392,991**	2,501,595
	2,157,889	1,198,082	**15,413,489**	8,557,730
Portfolios subject to Internal Rating Based (IRB) Approach	-	-	-	-
Total- on balance sheet portfolio for credit risk	**2,157,889**	1,198,082	**15,413,489**	8,557,730
Off-Balance sheet				
Non-market related	**220,102**	136,330	**1,572,158**	973,787
Market related	-	-	-	-
	220,102	136,330	**1,572,158**	973,787
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
Total- off balance sheet portfolio for credit risk	**220,102**	136,330	**1,572,158**	973,787
TOTAL CREDIT RISK	**2,377,991**	1,334,412	**16,985,647**	9,531,517

	2014	2013	2014	2013
	Capital Requirements		Risk Weighted Assets	
MARKET RISK	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	87,596	10,083	625,685	72,023
Equity position risk	372,325	262,278	2,659,463	1,873,413
Foreign Exchange risk	2,965	3,771	21,175	26,938
	462,886	276,132	3,306,322	1,972,373
Capital Requirement for portfolios subject to Internal Models Approach	-	-	-	-
TOTAL MARKET RISK	462,886	276,132	3,306,322	1,972,373
OPERATIONAL RISK				
Capital Requirement for operational risks	217,791	169,874	1,555,649	1,213,387
TOTAL OPERATIONAL RISK	217,791	169,874	1,555,649	1,213,387
TOTAL	3,058,668	1,780,418	21,847,618	12,717,277

	2014		2013	
Capital Adequacy Ratios	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	34.03%	5.00%	55.84%
Tier-1 capital to total RWA	7.00%	34.03%	6.50%	55.84%
Total capital to total RWA	10.00%	38.65%	10.00%	59.66%

40 RISK MANAGEMENT

Risk Management is a discipline that encompasses all the business and operational activities through a Risk Management Framework comprising strategy, processes, people, technology, knowledge and information aligned together for evaluating and managing all types of risks. Saudi Pak has a small setup and comparatively less complex products. Risk management at Saudi Pak is its core competency and helps to mitigate the risk and produce consistently high returns for its shareholders. Saudi Pak's aim is to manage all major types of risk by applying methods that always meet best practices. The effective risk management at Saudi Pak allows having increased confidence that delivers desired outcomes, managing risks and threats to an acceptable degree and making informed decisions about opportunities.

The risk taking decisions at Saudi Pak are in-line with the Corporate Objectives, Mission Statement and Company-wide approved strategy. Similarly, the risk exposure in each business activity is maintained within the risk appetite/limits approved by the Board. Business decisions optimize the risk-return trade-off. The individuals, who take or accept risks, fully understand them in order to protect the institution from avoidable risk. Capital of the Company is maintained at adequate level above the threshold figure in terms of regulatory requirements to act as a buffer against all types of risks inherent in the business activities.

The diversification of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities.

Saudi Pak Board provides overall risk & capital management supervision. Risk strategy and risk appetite are defined based on the Saudi Pak's strategic plans in order to align risk, capital, and performance targets. Reviews are conducted across the organization to verify that sound risk management practices and a holistic awareness of risk exists across the organization and to manage the balance between the risk appetite and reward. All major risk classes are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.

40.1 Credit risk

Credit/default risk is a chance or probability that counter-party cannot fulfill the agreed obligation, including a chance that the counterparty's credit risk will be downgraded, which may have effect on the earnings and capital fund. In Credit portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Credit risk emanates from dealings with an individual, corporate, or a bank/DFI

Credit is the core business activity of Saudi Pak with the most significant risk potential. In Saudi Pak's scenario, Credit Risk Management is managed in the defined manner as:

– Credit origination, approval and disbursement functions
– Credit review function
– Post disbursement handling, follow up and recovery; and
– Documentation and litigation.

The Board of Directors approves the authority matrices for sanctioning of credits as well as the risk limits. Internal Risk Rating Framework represents a mechanism on the basis of which the ability of each borrower/obligor to fulfill its credit obligations and assessment of potential loss in case of default by the borrower are assessed. This is generally carried out through a credit risk rating in terms of borrower/obligor rating and facility rating.

40.1.1 Segmental information

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

40.1.1.1 Segments by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	303,500	3.90	-	-	300,000	19.74
Paper and allied	40,476	0.52	-	-	350,000	23.03
Electrical goods	-	-	-	-	-	-
Dairy and poultry	42,847	0.55	-	-	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	855,191	10.99	-	-	-	-
Chemical and fertilizer	283,394	3.64	-	-	-	-
Energy, oil and gas	1,174,573	15.09	-	-	-	-
Construction	737,019	9.47	-	-		-
Hotels	238,577	3.06	-	-	-	-
Cement	471,852	6.06	-	-	-	-
Textile	1,896,712	24.37	-	-	350,000	23.03
Metal and allied products	408,471	5.25	-	-	500,000	32.90
Automobiles and allied	294,371	3.78	-	-	-	-
Transport/services and misc.	13,468	0.17	-	-	-	-
Telecommunication	-	-	-	-	-	-
Others	1,024,024	13.15	37,000	100.00	19,958	1.31
	7,784,475	100.00	37,000	100.00	1,519,958	100.00

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

40.1.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	7,784,475	100.00	37,000	100.00	1,519,958	100.00
	7,784,475	100.00	37,000	100.00	1,519,958	100.00

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

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

	2014		2013	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Financial institutions	**103,500**	**103,500**	103,500	103,500
Paper and allied	**40,476**	**40,476**	41,920	41,920
Electrical goods	**-**	**-**	-	-
Dairy and poultry	**42,847**	**42,847**	42,847	42,847
Banaspati and allied	**-**	**-**	-	-
Sugar and allied products	**-**	**-**	-	-
Chemical and fertilizer	**14,973**	**14,973**	46,348	14,973
Energy, oil and gas	**245,799**	**245,799**	251,642	251,642
Construction	**212,769**	**154,689**	333,284	196,781
Hotels	**-**	**-**	41,315	41,315
Cement	**116,207**	**116,207**	308,236	255,856
Textile	**815,259**	**815,259**	880,741	870,241
Metal and metal products	**172,437**	**172,437**	172,437	172,437
Automobiles and allied	**294,371**	**233,396**	294,371	229,936
Transport/services	**13,468**	**13,468**	14,501	14,501
Miscellaneous	**143,386**	**143,385**	143,760	143,760
	2,215,492	**2,096,436**	2,674,902	2,379,709

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	2,215,492	2,096,436	2,674,902	2,379,709
	2,215,492	2,096,436	2,674,902	2,379,709

40.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan	1,402,419	22,172,940	10,390,863	1,519,658
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	1,402,419	22,172,940	10,390,863	1,519,658

Total assets employed include intra group items of Rs. 500.000 million.

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

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

40.2 Market risk

Market Risk is the risk of loss resulting from changes in value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuation in risk factors such as interest rates, foreign exchange rates and stock prices and the risk loss resulting from changes in earnings generated from assets and liabilities.

An effective market risk management framework is in place at Saudi Pak which comprises organizational structure, risk identification, review of limits, risk monitoring, and risk reporting, etc. The Company's interest rate exposure is mitigated through the adoption of floating rate regime in assuming liabilities/building assets. The Company's interest rate risk exposure is maintained within self-imposed range of interest rates parameters. An appropriate limit and limit setting structure is put in place and breaches, if any, are made known to the respective forum/ Committee without any delay.

Market risks can be classified into three (03) types which are interest rate risk, foreign exchange risk, and price risk.

40.2.1 Interest rate risk

It is a risk that earnings or capital may be negatively affected from changes in interest rates of assets, debts, and off-balance sheet items, all of which are rate sensitive items. It can also affect net interest income, market value of the trading account, incomes and other expenses associated to interest rates such as loan fees and provision expenses, etc. As Saudi Pak is not at present in the complex/derivative transactions, rather its interest based instruments on asset and liability side are simple. Therefore simple methods are intended primarily to capture the risks arising from maturity and re-pricing mismatches together with gauging the vulnerability of the Company to Interest Rate Risk by using Duration GAP Analysis.

40.2.2 Foreign exchange risk

It is a risk that earning or capital may be negatively affected from the fluctuation of exchange rate, due to a transaction in a foreign currency or from holding an asset or debt in a foreign currency. In Saudi Pak's scenario foreign exchange risk is confined to asset side and most of the time is favorable.

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	2014 Rs. 000	2014 Rs. 000	2014 Rs. 000	2014 Rs. 000
Pakistan Rupee	22,151,763	11,782,076	1,519,658	8,850,029
United States Dollar	21,177	-	-	21,177
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	22,172,940	11,782,076	1,519,658	8,871,206

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	2013 Rs. 000	2013 Rs. 000	2013 Rs. 000	2013 Rs. 000
Pakistan Rupee	14,747,396	5,781,973	1,133,787	7,831,636
United States Dollar	26,935	-	-	26,935
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	14,774,331	5,781,973	1,133,787	7,858,571

40.2.3 Equity position/price risk

It is a risk that earning or capital may be negatively affected from the changes in the price of debt or equity instruments. This causes the value of the investment in the trading portfolio and profit to diminish.

Saudi Pak uses Value at Risk (VaR) model (Historical Simulation method) for management of Equity Price Risk besides Stop-loss and other limits to keep the Equity Price Risk to acceptable levels.

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	48,472,808	-	-	-	-	-	-	-	-	-	48,472,808
Balances with other banks	7.00	693,284,975	655,645,017	-	-	-	-	-	-	-	-	37,639,958
Lending to financial institutions	10.86	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-	-
Investments	11.49	10,739,002,841	69,253,397	299,532,188	415,024,669	17,194,700	640,680,091	481,503,283	4,810,385,087	1,742,807,499	-	2,262,621,927
Advances	11.37	5,688,038,698	99,321,364	3,177,101,207	2,380,977,680	326,000	1,932,582	-	-	28,379,865	-	-
Other assets	-	474,796,355	-	-	-	-	-	-	-	-	-	474,796,355
		18,543,595,677	1,324,219,778	3,876,633,395	2,796,002,349	17,520,700	642,612,673	481,503,283	4,810,385,087	1,771,187,364	-	2,823,531,048
Liabilities												
Borrowings from financial institutions	10.10	10,630,880,109	5,464,186,465	2,055,275,722	2,694,975,932	80,595,904	95,227,590	79,400,420	133,945,516	27,272,560	-	-
Deposits and other accounts	9.59	37,000,000	-	30,000,000	-	7,000,000	-	-	-	-	-	-
Other liabilities	-	306,374,915	-	-	-	-	-	-	-	-	-	306,374,915
		10,974,255,024	5,464,186,465	2,085,275,722	2,694,975,932	87,595,904	95,227,590	79,400,420	133,945,516	27,272,560	-	306,374,915
On-balance sheet gap		7,569,340,653	(4,139,966,687)	1,791,357,673	101,026,417	(70,075,204)	547,385,083	402,102,863	4,676,439,571	1,743,914,804	-	2,517,156,133
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		7,569,340,653	(4,139,966,687)	1,791,357,673	101,026,417	(70,075,204)	547,385,083	402,102,863	4,676,439,571	1,743,914,804	-	2,517,156,133
Cumulative yield/interest risk sensitivity gap		-	(4,139,966,687)	(2,348,609,014)	(2,247,582,597)	(2,317,657,801)	(1,770,272,718)	(1,368,169,855)	3,308,269,716	5,052,184,520	5,052,184,520	7,569,340,653

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

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

40.3 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 Com pany 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.

40.3.1 Maturities of assets and liabilities

		MATURITIES								
	Total	Upto 1 month	Over 1 - 3 months	Over 3 - 6 months	Over 6 - 12 months	Over 1 - 2 years	Over 2 - 3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	48,472,808	48,472,808	-	-	-	-	-	-	-	-
Balances with other banks	693,284,975	693,284,975	-	-	-	-	-	-	-	-
Lending to financial institutions	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-
Investments	10,739,002,841	69,253,397	324,849,037	415,024,669	1,321,611,029	640,680,091	481,503,283	4,810,385,087	2,173,196,248	502,500,000
Advances	5,688,038,698	99,321,364	321,868,182	407,079,083	842,577,252	1,444,223,392	1,021,446,243	1,154,251,694	397,271,488	-
Operating fixed assets	2,255,080,030	7,891,208	15,782,417	24,132,265	47,347,250	94,694,500	94,694,657	183,926,723	273,924,763	1,512,686,247
Other Assets	1,849,060,411	277,917,228	238,833,245	199,749,262	1,132,560,676	-	-	-	-	-
	22,172,939,763	1,696,140,980	1,301,332,881	1,045,985,279	3,344,096,207	2,179,597,983	1,597,644,183	6,148,563,504	2,844,392,499	2,015,186,247
Liabilities										
Borrowings	10,630,880,109	5,464,186,465	2,055,275,722	2,694,975,932	80,595,904	95,227,590	79,400,420	133,945,516	27,272,560	-
Deposits and other accounts	37,000,000	-	30,000,000	-	7,000,000	-	-	-	-	-
Deferred tax liabilities	720,969,052	6,008,076	18,024,229	18,024,229	36,048,459	72,096,917	72,096,917	144,193,834	180,242,293	174,234,097
Other Liabilities	393,227,127	39,893,492	79,786,984	62,338,392	181,274,607	-	-	8,980,096	20,953,556	-
	11,782,076,288	5,510,088,033	2,183,086,935	2,775,338,553	304,918,970	167,324,507	151,497,337	287,119,446	228,468,409	174,234,097
Net assets	10,390,863,475	(3,813,947,053)	(881,754,054)	(1,729,353,274)	3,039,177,237	2,012,273,476	1,446,146,846	5,861,444,058	2,615,924,090	1,840,952,150
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	919,926,516	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,666,254,393	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,804,682,566	-	-	-	-	-	-	-	-	-
	10,390,863,475	-	-	-	-	-	-	-	-	-

40.3 Liquidity risk (continued)

40.3.1 Maturities of assets and liabilities (continued)

		MATURITIES								
	Total 2013 Rupees	Upto 1 month 2013 Rupees	Over 1 - 3 months 2013 Rupees	Over 3 - 6 months 2013 Rupees	Over 6 - 12 months 2013 Rupees	Over 1 - 2 years 2013 Rupees	Over 2 - 3 years 2013 Rupees	Over 3-5 years 2013 Rupees	Over 5-10 years 2013 Rupees	Above 10 years 2013 Rupees
Assets										
Cash and balances with treasury banks	39,928,016	39,928,016	-	-	-	-	-	-	-	-
Balances with other banks	100,835,783	100,835,783	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	21,578,657	-	9,634,183	11,944,474	-	-	-	-	-	-
Lending to financial institutions	409,466,390	409,466,390	-	-	-	-	-	-	-	-
Investments	6,494,512,553	864,771,881	2,018,177,535	347,710,509	1,130,430,290	316,925,809	119,742,799	255,290,890	938,962,840	502,500,000
Advances	3,953,822,929	224,975,256	224,680,984	406,421,983	482,005,438	951,673,912	498,072,299	915,733,121	250,259,936	-
Operating fixed assets	2,327,502,014	8,506,047	16,512,094	24,768,141	49,536,282	99,072,564	99,072,767	193,158,073	296,358,059	1,540,517,986
Other Assets	1,426,684,000	225,263,039	150,814,437	125,130,515	925,476,010	-	-	-	-	-
	14,774,330,342	1,873,746,412	2,419,819,233	915,975,622	2,587,448,020	1,367,672,285	716,887,865	1,364,182,084	1,485,580,835	2,043,017,986
Liabilities										
Borrowings	4,326,237,792	255,732,387	807,192,389	532,515,858	379,099,634	908,199,268	842,235,050	601,263,206	-	-
Deposits and other accounts	762,000,000	452,000,000	300,000,000	10,000,000	-	-	-	-	-	-
Deferred tax liabilities	522,721,470	4,356,012	13,068,037	13,068,037	26,136,074	52,272,147	52,272,147	104,544,294	130,680,368	126,324,355
Other Liabilities	171,013,487	31,372,423	36,083,061	36,083,061	40,793,697	-	-	8,004,373	18,676,871	-
	5,781,972,749	743,460,822	1,156,343,487	591,666,956	446,029,405	960,471,415	894,507,197	713,811,873	149,357,239	126,324,355
Net assets	8,992,357,593	1,130,285,590	1,263,475,746	324,308,666	2,141,418,615	407,200,870	(177,619,332)	650,370,211	1,336,223,596	1,916,693,631
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	688,160,024	-	-	-	-	-	-	-	-	-
Unappropriated profit	669,446,458	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,634,751,111	-	-	-	-	-	-	-	-	-
	8,992,357,593	-	-	-	-	-	-	-	-	-

40.4 Liquidity Risk

Liquidity risk means risk resulted from a bank/DFI's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund, or, if it can, that the fund comes with an exceptionally high cost that may affect the bank/DFI's incomes and capital fund now and in the future. In addition, liquidity risk may be a result of a bank/DFI's inability to unwind or offset underlying risks from assets it currently holds, a situation which will force the bank/DFI to sell its assets at a loss as the assets are illiquid or the market is suffering a liquidity crunch.

Saudi Pak maintains its liquidity level at an acceptable and predetermined level to settle all its financial obligations in timely and economical manner. An effective risk management process is in place which consist of management information system, risk limits, internal controls, management reports and contingency funding plan.

40.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events (e.g., fraud, legal and compliance risks or damage to physical assets). Operational risk is associated with human error, system failures and inadequate procedures and controls. Operational risk excludes business and reputational risk. Legal, regulatory and compliance risks are included in the scope of operational risk.

Operational risk event types that have the potential to result in substantial losses have been segregated into seven broad categories in terms of Basel-II framework. The objective of operational risk management is to find out the extent of the Company's operational risk exposure, allocate capital against it and identify trends internally and externally that would help predicting it.

The Company controls its operational risk by using adequate internal control system and ensuring adherence to operating policies approved by the Board.

40.5.1 Operational Risk Disclosures- Basel III

The Company is in the process of development of Operational Risk Framework under the Standardized Approach to identify, measure, monitor and control risk across the Company. Under the Standardized Approach, Company's activities are divided into business lines and the gross income is measured for each business line, not the whole institution.

Effective operational risk management is essential to reduce the impact of operational risk incidents and mitigating legal, regulatory and reputational risks. The framework is continually evolving to account for changes in the Company and to respond to the changing regulatory and business environment. The Company is in the process to implement operational risk data and assessment systems to monitor and analyze internal and external operational risk events, business environment and internal control factors and to perform scenario analysis.

In addition, the Company employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a strong governance framework, a comprehensive risk management program and insurance. The Company continually undertakes measures to improve infrastructure and mitigate operational risk. The goal of the Operational Risk Management Framework is to identify and assess significant operational risks and to ensure that appropriate mitigation actions are undertaken. Mitigation actions are driven by the operational Risk Framework in that operational risks and associated risk exposures are assessed vis-à-vis the operational risk levels and are prioritized accordingly. The breadth and range of operational risk are such that the types of mitigating activities are wide-ranging. These activities include the use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; implementation of enhanced policies and procedures; exception management processing controls; and authorization and segregation of duties.

41 CREDIT RATING

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

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

42 GENERAL

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

43 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 24 FEB 2015 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **CHAIRMAN**

SAUDI PAK
STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2014

S.NO	NAME AND ADDRESS	NAME OF INDIVIDUAL/ PARTNERS / DIRECTORS	CNIC No.	FATHERS' / HUSBAND NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				PRINCIPAL WRITTEN OFF	MARK UP WAIVED	OTHER FINANCIAL RELIEF PROVIDED	TOTAL
					PRINCIPAL	MARK UP	OTHERS	TOTAL				
1	2	3	4	5	6	7	8	9	10	11	12	13
					NIL							
					-	-	-	-	-	-	-	-

Consolidated Financial Statements 2014

Auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Saudi Pak Industrial and Agricultural Investment Company Limited)'the Holding Company") and its subsidiary companies as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary companies namely Saudi Pak Real Estate Limited ("SPREL") and Saudi Pak Leasing Company Limited ("SPLCL"). These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary companies as at 31 December 2014 and the results of their operations for the year then ended.

We draw attention to the following matters:

a) Note 1.2 to the consolidated financial statements which states the SPLCL has accumulated losses of Rs.1,625.586 million as of the balance sheet date, resulting in a negative equity of Rs.467.779 million. Furthermore, due to the liquidity crisis, SPLCL was unable to meet its financial obligations of Rs.619.518 million in principal and Rs.246.237 million in accrued mark-up. These conditions, along with the fact that the SPLCL's license to carry out leasing business has expired since 18 May 2010, indicates the existence of a material uncertainly that may cast significant doubt about the SPLCL's ability to continue as a going concern and may affect the SPLCL's ability to borrow funds;

b) Note 11.2.2.2 to the consolidated financial statements, which states that management of SPLCL intends to carry out fresh valuations for the determination of existence of all movable leased assets against which FSV benefit of Rs.146.657 million has been recognized in the consolidated financial statements;

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

d) Note 1.4 to the consolidated financial statements, which describes that the non-redeemable preference shares have been treated by SPLCL as part of equity, in view of requirements of the Companies Ordinance, 1984;

e) Note 42 to the consolidated financial statements, which describes that SPLCL has not been able to make timely contributions to provident fund in accordance with the requirements of section 227 (3) of the Companies Ordinance, 1984;

f) Note 13.1.3 to the consolidated financial statements wherein it is stated that SPREL has receivable from Divine Developers (Private) Limited ('DDPL'). SPREL has been pursuing recovery of these trade receivables with DDPL, however, due to non-payment by DDPL, the recovery matter has been taken to court which is pending final decision. The management expects a favorable outcome in the regard.

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

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

Islamabad
25 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Cash and balances with treasury banks	6	48,584,577	40,075,406
Balances with other banks	7	702,528,078	110,901,129
Non-current asset classified as held for sale	8	67,936,844	115,515,501
Lendings to financial institutions	9	900,000,000	409,466,390
Investments	10	10,307,306,443	6,322,209,818
Advances	11	6,588,745,208	5,172,048,404
Operating fixed assets	12	2,432,288,351	2,449,947,364
Deferred tax assets	17	-	-
Other assets	13	2,192,183,694	1,767,708,867
Development properties	14	174,419,530	-
		23,413,992,725	16,387,872,879
LIABILITIES			
Bills payable		-	-
Borrowings	15	11,224,671,255	5,065,095,770
Deposits and other accounts	16	577,975,620	1,335,010,969
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	801,008,091	600,745,241
Other liabilities	18	697,814,291	462,342,656
		13,301,469,257	7,463,194,636
NET ASSETS		10,112,523,468	8,924,678,243
REPRESENTED BY			
Share capital	19	6,000,000,000	6,000,000,000
Reserve fund		739,191,770	530,335,980
General reserve		358,662,940	358,662,940
Unappropriated profit		1,636,983,163	694,290,841
		8,734,837,873	7,583,289,761
Non-controlling interest		(440,310,197)	(305,342,554)
Surplus on revaluation of AFS securities - net of tax	20	439,530,172	221,560,520
Surplus on revaluation of operating fixed assets - net of tax	21	1,378,465,620	1,425,170,516
		10,112,523,468	8,924,678,243
CONTINGENCIES AND COMMITMENTS	22		

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, 2014

	Note	2014 Rupees	2013 Rupees
Mark-up/Return/Interest Earned	23	1,370,132,050	1,007,723,217
Mark-up/Return/Interest Expensed	24	724,450,042	523,062,594
Net Mark-up/Interest Income		645,682,008	484,660,623
Reversals against non-performing loans and advances		(85,991,605)	(44,706,411)
Provision for diminution in the value of investments	25	72,352,259	114,942,192
Bad debts written off directly		10,470,884	20,150,542
		(3,168,462)	90,386,323
Net Mark-up/Interest income after provisions		648,850,470	394,274,300
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		16,379,253	5,658,960
Dividend Income		53,641,377	58,788,188
(Loss)/ gain from dealing in foreign currencies		(1,224,908)	2,229,685
Net gain on dealing in quoted securities		219,733,015	190,979,802
Gain on dealing in government securities		405,424,281	-
Gain on dealing in mutual funds		7,633,692	3,621,623
Impairment loss reversal on asset classified as held for sale at its fair value		1,290,118	2,633,958
Unrealized gain on investments classified as held for trading	10.6	5,638,289	15,489,470
Income from sale of development properties - net	26	-	79,937,185
Other Income	27	144,524,740	298,364,008
Total non mark-up/interest Income		853,039,857	657,702,879
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	28	351,586,635	333,840,496
Other (reversals)/ provisions and write offs	29	(38,012,563)	-
Other charges	30	270,000	759,000
Total non-markup/interest expenses		313,844,072	334,599,496
Share of profit of associate - net of dilution		-	16,237,903
Loss on disposal of associate		-	(7,020,911)
Extra ordinary/unusual items		-	-
		-	9,216,992
PROFIT BEFORE TAXATION		1,188,046,255	726,594,675
Taxation – Current		119,940,047	31,567,866
– Prior years		265,511	-
– Deferred		124,479,360	(356,785,650)
	31	244,684,918	(325,217,784)
PROFIT AFTER TAXATION		943,361,337	1,051,812,459
Attributable to:			
Equity holders of the Company		1,080,603,140	903,823,959
Non-controlling interests		(137,241,803)	147,988,500
		943,361,337	1,051,812,459
Basic and diluted earning per share	32	1.801	1.506

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, 2014

	2014 Rupees	2013 Rupees
Profit after taxation	**1,080,603,140**	903,823,959
Other comprehensive income		
Items that will never be reclassified to consolidated profit and loss account		
Effect of recognition of acturial (loss)/ gain- net	**(1,885,716)**	513,737
Comprehensive income transferred to equity	**1,078,717,424**	904,337,696
Components of comprehensive income not reflected in equity		
Surplus/ (defecit) on revaluation of available-for-sale securities	**319,517,075**	(6,175,230)
Deferred tax	**(104,904,185)**	2,090,898
	214,612,890	(4,084,332)
Total comprehensive income	**1,293,330,314**	900,253,364

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, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,188,046,255**	726,594,675
Less: dividend income		**(53,641,377)**	(58,788,188)
		1,134,404,878	667,806,487
Adjustments:			
Depreciation and amortization		**124,504,575**	135,678,756
Reversal against non-performing loans and advances		**(85,991,605)**	(84,834,966)
Provision for diminution in the value of investments		**72,352,259**	114,942,192
Bad debts written off directly		**10,470,884**	20,150,542
Other (reversals)/ provisions and write offs		**(38,012,563)**	-
Reversal of impairment on AFS securities		**(160,098,672)**	(199,088,883)
Net loss/ (gain) on disposal of operating fixed assets - property and equipment		**667,313**	(7,829,349)
Impairment loss reversal on asset classified as held for sale at its fair value		**(1,290,118)**	(2,633,958)
Share of profit of associate - net of dilution		**-**	(16,237,903)
Provision for gratuity		**9,150,931**	5,236,253
Provision for compensated absences		**2,158,391**	1,425,860
Unrealized gain on investment classified as held for trading		**(5,638,289)**	(15,489,470)
		(71,726,894)	(48,680,925)
		1,062,677,984	619,125,562
(Increase)/ decrease in operating assets			
Lendings to financial institutions		**(490,533,610)**	(124,466,390)
Development properties		**(174,419,530)**	184,673,844
Advances		**(1,336,969,375)**	1,276,475,362
Other assets		**(295,500,430)**	(175,084,639)
		(2,297,422,945)	1,161,598,177
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		**6,159,575,485**	(1,969,079,776)
Deposits		**(757,035,349)**	5,879,574
Other liabilities		**95,753,959**	(17,820,234)
Deferred liabilities - advance rental income		**26,967,230**	(22,071,178)
		5,525,261,325	(2,003,091,614)
		4,290,516,364	(222,367,875)
Gratuity paid		**(6,122,000)**	(13,231,725)
Compensated absences paid		**(1,719,183)**	(1,886,644)
Excise duty paid		**(24,000,000)**	-
Income tax paid		**(81,801,371)**	(105,222,165)
		(113,642,554)	(120,340,534)
Net cash generated from/ (used in) operating activities		**4,176,873,810**	(342,708,409)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities		**(4,255,804,372)**	(121,376,007)
Investment in Held-To-Maturity (HTM) securities		**425,952,884**	227,983,597
Investment in Held-for-trading (HFT) securities		**257,656,640**	(133,378,027)
Non-current asset classified as held for sale		**47,578,657**	49,039,805
Dividend received		**55,391,377**	56,843,188
Investment in operating fixed assets - net		**(200,623,380)**	(59,551,157)
Sale proceeds on disposal of operating fixed assets - property and equipment		**93,110,504**	19,364,310
Net cash (used in)/ generated from investing activities		**(3,576,737,690)**	38,925,709
CASH FLOW FROM FINANCING ACTIVITIES		**-**	-
Increase/ (decrease) in cash and cash equivalents		**600,136,120**	(303,782,700)
Cash and cash equivalents at beginning of the year		**150,976,535**	454,759,235
Cash and cash equivalents at end of the year	33	**751,112,655**	150,976,535

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, 2014

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated (Loss) / Profit Rupees	Sub - total Rupees	Non-controlling interest Rupees	Total Rupees
Balance as at January 01, 2013	6,000,000,000	324,838,150	358,662,940	(64,123,532)	6,619,377,558	(644,095,429)	5,975,282,129
Profit for the year	-	-	-	903,823,959	903,823,959	147,988,500	1,051,812,459
Effect of recognition of acturial gain				513,737	513,737	-	513,737
Total comprehensive income	-	-	-	904,337,696	904,337,696	147,988,500	1,052,326,196
Appropriation from reserve fund	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to reserve fund*	-	152,916,323	-	(152,916,323)	-	-	-
Transfer to reserve fund - Saudi Pak Leasing Company Limited	-	52,581,507	-	(52,581,507)	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	59,574,507	59,574,507	4,219,074	63,793,581
Issuance of preference shares by Saudi Pak Leasing Company Limited	-	-	-	-	-	195,000,000	195,000,000
Non controling interest share of surplus on revaluation of assets	-	-	-	-	-	(8,454,699)	(8,454,699)
Balance as at December 31, 2013	6,000,000,000	530,335,980	358,662,940	694,290,841	7,583,289,761	(305,342,554)	7,277,947,207
Balance as at January 01, 2014	**6,000,000,000**	**530,335,980**	**358,662,940**	**694,290,841**	**7,583,289,761**	**(305,342,554)**	**7,277,947,207**
Profit for the year	-	-	-	**1,080,603,140**	**1,080,603,140**	**(137,241,803)**	**943,361,337**
Effect of recognition of acturial loss- net	-	-	-	**(1,885,716)**	**(1,885,716)**	**1,716,658**	**(169,058)**
Total comprehensive income	-	-	-	**1,078,717,424**	**1,078,717,424**	**(135,525,145)**	**943,192,279**
Appropriation from reserve fund	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to reserve fund*	-	**231,766,492**	-	**(231,766,492)**	-	-	-
Transfer to reserve fund - Saudi Pak Leasing Company Limited	-	**(22,910,702)**	-	**22,910,702**	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	**72,830,688**	**72,830,688**	**557,502**	**73,388,190**
Balance as at December 31, 2014	**6,000,000,000**	**739,191,770**	**358,662,940**	**1,636,983,163**	**8,734,837,873**	**(440,310,197)**	**8,294,527,676**

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

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

CHIEF EXECUTIVE | **DIRECTOR** | **DIRECTOR** | **CHAIRMAN**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1 LEGAL STATUS AND OPERATIONS

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

Saudi Pak Industrial and Agricultural Investment Company Limited

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

Saudi Pak Leasing Company Limited (''SPLCL")

Saudi Pak Leasing Company Limited (''SPLCL") was incorporated in Pakistan on January 08, 1991 and is listed on all the three Stock Exchanges in Pakistan. The registered office of SPLCL is situated at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of SPLCL is the leasing of assets. SPLCL's license to carry out the business of leasing had expired on May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan. The Company holds 35.06% (2013: 35.06%) ordinary shares of SPLCL. However, SPLCL is considered subsidiary company because of the management control of the Company.

Saudi Pak Real Estate Limited, ("SPREL")

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

1.2 Material uncertainty regarding SPLCL

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

During the year ended 31 December 2014, SPLCL has earned a loss after tax of Rs. 211.336 million (2013: profit of Rs. 227.884 million) . Moreover, as at the year end, its accumulated losses stood at Rs. 1,625.586 million (2013: Rs. 1,441.466 million), whereas the equity stood at negative Rs. 467.779 million (2013: Rs. 260.773 million), as against the minimum equity requirement of Rs. 700 million. Furthermore its total liabilities exceeded total assets by Rs. 434.483 million (2013: 226.644 million).

– As of 31 December 2014 impairment loss of Rs. 984.436 million (2013: Rs. 791.878 million) on lease and loans portfolio has been recognised by SPLCL and is included in the above mentioned accumulated loss figure.

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

– SPLCL also defaulted in making payments of certain financial obligations due to liquidity problems. As of 31 December 2014, total outstanding principal on which defaults were made amounts to Rs, 619.518 million (2013: Rs. 365.757 million) and defaulted mark-up repayments amounts to Rs. 246.237 million (2013: Rs. 139.382 million). The management of SPLCL is in the process of negotiating the restructuring terms of such borrowings.

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

  Although uncertainty exists due to the above factors which may cast doubt on SPLCL's ability to continue as a going concern, the management of SPLCL is confident that due to steps / measures as explained in the next paragraphs, which are in line with the Board's approved rehabilitation plan for capital management and the approved financial projections, the going concern assumption is appropriate and has as such prepared its financial statements on a going concern basis. Furthermore, in order to improve the financial health including equity position of SPLCL, the management of SPLCL is in the process of identifying strategic investors to inject funds into SPLCL. This will generally help to revive the liquidity position of SPLCL.

– The Board of Directors support SPLCL in negotiating the terms of restructuring of various borrowings amounting to Rs. 492.920 million (including markup thereon) (2013: Rs. 505.138 million) from SPLCL's lenders (including financial institutions, term finance certificate holders, holders of certificates of investment, etc.) which will help SPLCL to continue as a going concern.

– The settlement agreements finalised as of 31 December 2014 will result in reduction of borrowings by Rs. 95.132 million (2013: Rs. 91.976 million) including waiver of principal of Rs. 27.5 million (2013: Rs. 85.9 million). These are subject to performance of certain terms.

– The borrowings (including mark-up thereon) of SPLCL has been brought down to Rs. 1,004 million from Rs. 1,021.236 million during the year through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers as well as cash settlements and timely repayments as per the revised and restructured terms negotiated with the lenders. The management of SPLCL has finalised certain loans settlement agreements and is under negotiation with the remaining borrowers for the settlement of the SPLCL's obligation through surrendering of its assets/collateral held by the SPLCL against its non-performing exposure or otherwise.

– Since previous financial years, the management of SPLCL has managed to generate liquidity from the existing business through recovery drive and has not opted for any further borrowing from the market. Furthermore, the management of SPLCL has also prepared a contingent plan and identified certain assets which might be considered for sale if SPLCL needs to generate additional liquidity to finance its business.

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

– In order to improve the equity position of SPLCL, the management of SPLCLhas engaged an independent consultant with the scope to;

- Undertake and negotiate settlement of liabilities of SPLCL with creditors and COI/TFC holders
- To maximize the assets build up through recovery from bad doubtful borrowers of debt
- Post structuring from the settlement of liabilities and recovery of debts
- To seek and identify a strategic buyer/investor for acquisition of SPLCL

1.3 Certain non-compliances of NBFC Regulations 2008 by SPLCL

Due to the fact that at 31 December 2014, SPLCL's equity is negative by Rs. 465.063 million (2013: Rs. 260.773 million), SPLCL could not meet the regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above), including the following:

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

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

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

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

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

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

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

1.4 Minimum Capital Requirement

Minimum equity requirement of SPLCL

Capital requirements applicable to SPLCL are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement as per NBFC Regulations, 2008 vide SRO 764(I)/2009 dated 2 September 2009 wherein SPLCL is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 30 June 2011, 30 June 2012 and 30 June 2014 respectively.

SPLCL has requested the SECP for relaxation in the above requirements and is hopeful that this request will be accepted based on the conditions of the business environment and SPLCL's position in the overall leasing sector as well as its past performance and the reasons given in note 1.2.

The shareholders of SPLCL through special resolution in Extra Ordinary General Meeting held on 11 July 2012 approved the decision of the Board of Directors to convert the sub-ordinated debt from the Company and loan from Bank of Khyber into non-voting, non-cumulative, convertible unlisted preference shares at Rs. 10 each. The SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, also approved the conversion.

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

The preference shares have been treated as part of equity by SPLCL on the following basis:

- the preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- the authorized capital of SPLCL and the issue of the preference shares were duly approved by the shareholders of SPLCL in the Extra Ordinary General Meeting held on 11 July 2012.
- return of allotment in respect of these preference shares was filed under section 73(1) of the Ordinance.
- the preference share holders have the right to convert these shares into ordinary shares at Rs. 10 each.
- dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- the requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

2 BASIS OF PRESENTATION

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

2.1 Functional and presentation currency

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

3 STATEMENT OF COMPLIANCE

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

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

4 BASIS OF MEASUREMENT

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

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

4.2 Use of critical accounting estimates and judgments

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

(a) Provision against non performing loans and advances

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

(b) Classification of investments

– **Held-For-Trading (HFT)**

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

– **Held-To-Maturity (HTM)**

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

– **Available-For-Sale (AFS)**

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

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

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

(d) Taxation

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

(e) Fair value of derivatives

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

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

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

(g) Staff retirement benefits

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

(h) Provision against other assets and receivables

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

(i) Development properties

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

(j) Transfer of equitable interest in development properties

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

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

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

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

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

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

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 Non-current assets classified as held for sale

Non-current assets classified as held for sale comprises of assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in consolidated profit or loss, except assets which are stated at revalued amounts.

5.4 Sale and repurchase agreements

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

5.5 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) Held-To-Maturity (HTM)

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

(c) Available-For-Sale (AFS)

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

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

5.6 Development properties

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

5.7 Advances

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

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

5.8 Net investment in finance lease

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

5.9 Operating fixed assets and depreciation/ amortization

(a) Tangible assets

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

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

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

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

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

(b) Intangibles

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

(c) Capital work in progress

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

(d) Leased assets

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

5.10 Deposits

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

5.11 Taxation

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

(a) Current

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

(b) Deferred

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

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

5.12 Provisions

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

5.13 Staff retirement benefits

(a) Defined benefit plan

The Company operates an un-funded gratuity scheme for all of its permanent employees who have put in three years of continues service with the Company.

SPREL operates an approved funded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date. Under the gratuity scheme, gratuity is payable on retirement, resignation or death. Contributions are to be made annually on the basis of actuarial valuation carried out every year using the Projected Unit Credit Method. Provision is made to cover the obligations under the fund on the basis of actuarial valuation and are charged to income of SPREL. Actuarial gains and losses are recognized immediately in the period they arise in other comprehensive income of SPREL under the relevant provisions of IAS 19 "Employee Benefits".

SPLCL operates an approved gratuity fund for its permanent employees who complete the eligible period of service. SPLCL makes provisions in accordance with acturial recommendations using the "Projected Unit Credit Method". Remeasurements of the net defined benefit liability/ assets which comprise acturial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in SPLCL's profit and loss account when the plan ammendment occours.

(b) Defined contribution plan

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

(c) Compensated absences

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

5.14 Revenue recognition

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

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

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

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

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

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

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

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

(i) Sale of properties

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;

– the amount of revenue, cost incurred or to be incurred in respect of the transaction can be measured reliably; and

– it is probable that the economic benefit associated with the transaction will flow to the Group;

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

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

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold.

- the amount of revenue, cost incurred or to be incurred in respect of the transaction can be measured reliably.

- it is probable that the economic benefits associated with the transaction will flow to the Group.

- Revenue from sales agreements, where significant risks and rewards are not passed on to the buyer as construction progresses, is recognized when possession is handed over to the buyer and the Group does not expect any further future economic benefits from such property.

(j) Rendering of services

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

(k) Finance leases income

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

(l) Operating lease

Rental income from assets given under operating leases is recognized on accrual basis.

5.15 Foreign currency transactions

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

5.16 Impairment

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

5.17 Financial instruments

Financial assets and financial liabilities

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

5.18 Off-setting of financial instruments

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

5.19 Borrowing costs

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

5.20 Segment Reporting

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

(a) Business Segment

- **Corporate finance**

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

- **Trading and Sales**

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

- **Building Rental Services**

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

– **Real Estate Services**

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

(b) Geographical Segment

The Group conducts all its operations in Pakistan.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

– Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are not likely to have an impact on Group's financial statements.

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's financial statements.

– IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Group's financial statements.

– IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Group's financial statements.

– IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Group's financial statements.

– IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Group's financial statements.

– Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

a) - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

b) - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

c) - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

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

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

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

a) - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

b) - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

c) - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

d) - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2014 Rupees	2013 Rupees
In hand :			
– Local currency		**225,596**	284,745
– Foreign currency		**-**	-
		225,596	284,745
With State Bank of Pakistan in :			
– Local currency current accounts	6.1	**48,358,981**	39,790,661
– Foreign currency current account		**-**	-
		48,358,981	39,790,661
With National Bank of Pakistan in :			
– Foreign currency deposit account		**-**	-
		48,584,577	40,075,406

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

7 BALANCES WITH OTHER BANKS

	Note	2014 Rupees	2013 Rupees
In Pakistan			
On current accounts – local currency		**37,674,003**	3,415,822
On deposit accounts:			
– Local currency	7.1	**643,677,461**	80,550,734
– Foreign currency	7.2	**21,176,614**	26,934,573
		702,528,078	110,901,129

7.1 These deposit accounts carry interest rate of 5.00% to 11.50% per annum (2013: 5.00% to 7.25% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2013: 0.25% per annum).

8 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Note	2014 Rupees	2013 Rupees
Investment in SPI Insurance Company Limited		**-**	21,578,657
Office premises of Saudi Pak Leasing Company Limited		**67,936,844**	93,936,844
		67,936,844	115,515,501

8.1 Offices of Subsidiary Company

	Note	2014 Rupees	2013 Rupees
Offices- Company occupied	8.1	**67,936,844**	67,936,844
Repossessed Property		**-**	26,000,000
		67,936,844	93,936,844

8.1.1 The management of the SPLCL has prepared a contingent plan for generating liquidity in case need arises. Keeping in view this requirement, the Board of Directors of the SPLCL, as part of aforementioned contingency plan, approved the decision to dispose SPLCL's office premises. Further in the meeting, the Chief Executive Officer of SPLCL was authorised to sell the said premises. The market value of the property was determined by the independent valuer, Maricon Consultants (Pvt) Limited on 30 June 2014, the market value of the office premises net of cost to sell as of that date amounts to Rs. 68.728 million (2013: Rs. 73.211 million).

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2014 Rupees	2013 Rupees
Call money lendings	9.1	-	200,000,000
Repurchase agreements lendings (reverse repo)	9.2	900,000,000	209,466,390
		900,000,000	409,466,390

9.1 This includes clean placements and term deposit receipts. These carry markup rate 11.00% per annum.

9.2 These are secured against Pakistan Investment Bonds (PIBs) and Treasury Bills (T-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 ranging from 9.65% to 10.40% (2013: 10.40%) per annum and having maturity from January 02, 2015 to February 13, 2015.

9.3 Particulars of lendings

	2014 Rupees	2013 Rupees
In local currency	900,000,000	409,466,390
In foreign currencies	-	-
	900,000,000	409,466,390

9.4 Securities held as collateral against lendings to financial institutions

	Note	2014			2013		
		Held by the Company Rupees	Further given as collateral Rupees	Total Rupees	Held by the Company Rupees	Further given as collateral Rupees	Total Rupees
Pakistan Investment Bonds / Market Treasury Bills	9.4.1	500,000,000	400,000,000	900,000,000	210,000,000	-	-
		500,000,000	400,000,000	900,000,000	210,000,000	-	210,000,000

9.4.1 These represent the securities obtained under reverse repo transactions.

10 Investments

10.1 Investment by types:

	Note	2014			2013		
		Held by Company Rupees	Given as collateral Rupees	Total Rupees	Held by Company Rupees	Given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		19,721,387	-	19,721,387	8,378,027	-	8,378,027
Mutual funds		4,000,000	-	4,000,000	273,000,000	-	273,000,000
Available-For-Sale securities (AFS)							
Quoted shares		1,115,222,488	-	1,115,222,488	881,111,707	-	881,111,707
Un-quoted shares		728,747,986	-	728,747,986	733,247,986	-	733,247,986
Market Treasury Bills		674,052,100	-	674,052,100	2,873,639,200	-	2,873,639,200
Pakistan Investment Bonds (PIBs)		1,737,326,277	4,774,212,673	6,511,538,950	-	195,241,900	195,241,900
Ijara Sukuk		-	-	-	-	-	-
Term Finance Certificates (TFCs)		150,797,898	-	150,797,898	245,814,257	-	245,814,257
Commercial Paper		-	-	-	-	-	-
Mutual Funds		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	2,500,000	-	2,500,000	2,500,000	-	2,500,000
Sub-total for AFS securities		4,458,646,749	4,774,212,673	9,232,859,422	4,786,313,150	195,241,900	4,981,555,050
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)	10.3	-	-	-	200,730,504	-	200,730,504
Market Treasury Bills		19,267,566	-	19,267,566	21,664,903	-	21,664,903
Term Finance Certificates (TFCs)		1,170,322,047	-	1,170,322,047	1,377,657,620	-	1,377,657,620
Sub-total for HTM securities		1,189,589,613	-	1,189,589,613	1,600,053,027	-	1,600,053,027
Investment at cost		5,671,957,749	4,774,212,673	10,446,170,422	6,667,744,204	195,241,900	6,862,986,104
Provision for diminution in value of investments	10.5	(799,709,770)	-	(799,709,770)	(891,956,183)	-	(891,956,183)
Investments (net of provisions)		4,872,247,979	4,774,212,673	9,646,460,652	5,775,788,021	195,241,900	5,971,029,921
Surplus on revaluation of AFS securities	10.4	655,207,502	-	655,207,502	335,690,427	-	335,690,427
Surplus on revaluation of HFT securities	10.4	5,638,289	-	5,638,289	15,489,470	-	15,489,470
		5,533,093,770	4,774,212,673	10,307,306,443	6,126,967,918	195,241,900	6,322,209,818

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

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

Since the par value of shares received by the Company is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value. As per the requirements of Section 12 of Stock Exchanges (Corporatization, demutualization & integration) Act, 2012 ('the Act'), the Securities and Exchange Commission of Pakistan (SECP) may at any time not later than two years from the date of demutualization will direct the stock exchanges to sell these 60% blocked shares in the manner as prescribed in the Act. This period of two year expired in August 2014, however SECP has extended the timeline for the execution of the demutualisation of stock exchanges by another one year with the power to further extend if reasons for incompletion are given next year.

10.3 This includes premium of Rs. 0.731 million on purchase of PIB's which has been amortized in 2014. Investment in PIB's carried coupon interest rates of 8% per annum.

10.4	Investment by segments	Note	2014 Rupees	2013 Rupees
	Federal Government securities			
	– Pakistan Investment Bonds (PIBs)	10.4.5	**6,511,538,950**	395,972,404
	– Market Treasury Bills	10.4.5	**693,319,666**	2,895,304,103
			7,204,858,616	3,291,276,507
	Fully paid up ordinary shares			
	– Listed securities	10.4.1	**1,134,943,875**	889,489,734
	– Unlisted securities	10.4.2	**728,747,986**	733,247,986
			1,863,691,861	1,622,737,720
	Term Finance Certificates (TFCs)			
	– Listed TFCs	10.4.3	**833,909,274**	974,982,811
	– Unlisted TFCs	10.4.4	**487,210,671**	648,489,066
			1,321,119,945	1,623,471,877
	Other investments			
	Mutual Funds	10.4.6	**54,000,000**	323,000,000
	Other - ISE Membership	10.2	**2,500,000**	2,500,000
			56,500,000	325,500,000
	Total investment at cost		**10,446,170,422**	6,862,986,104
	Less: Provision for diminution in value of investments	10.5	**(799,709,770)**	(891,956,183)
	Investments (net of provisions)		**9,646,460,652**	5,971,029,921
	Surplus on revaluation of Available-For-Sale securities (AFS)	20	**655,207,502**	335,690,427
	Surplus on revaluation of Held- For- Trading securities (HFT)	10.6	**5,638,289**	15,489,470
			10,307,306,443	6,322,209,818

10.4.1 Investment in fully paid up ordinary shares – listed

2014	2013	Name of investee companies	2014 Rupees	2013 Rupees
Number of ordinary shares				
4,304,051	4,304,051	Agritech Limited	**125,107,483**	140,021,486
504,638	254,638	Adamjee Insurance	**21,495,104**	9,166,355
1,350,000	-	Askari Bank Limited	**25,388,283**	-
1,000,000	300,000	Bank of Punjab	**8,324,490**	3,245,237
2,500,000	750,000	Bank Al-Falah Limited	**65,001,585**	13,038,836
		Sub-Total carried forward	**245,316,945**	165,471,914

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

2014	2013	Name of investee companies	2014	2013
Number of ordinary shares			Rupees	Rupees
		Sub-Total brought forward	**245,316,945**	165,471,914
250,000	99,000	Cherat Cement limited	**16,771,720**	4,911,781
-	415,000	Crescent Steel & Allied Products Limited	**-**	9,265,800
4,000,000	4,000,000	Dewan Salman Fiber Limited	**21,661,280**	21,661,280
300,000	500,000	Descom Oxychem Limited	**1,624,832**	2,707,720
1,000,000	1,000,000	Engro Polymer & Chemicals Limited	**13,288,670**	13,288,666
1,000,000	1,000,000	Fatima Fertilizer Company Limited	**24,214,360**	24,214,364
560,000	-	Engro Corporation Limited	**108,922,340**	-
750,000	-	Engro Fertilizer Limited	**47,810,785**	-
1,500,000	1,500,000	Fauji Cement Company Limited	**29,705,075**	19,109,955
700,000	500,000	Fauji Fertilizer Company Limited	**46,719,480**	23,153,386
1,000,000	1,475,000	Fauji Fertilizer Bin Qasim Limited	**28,753,960**	42,412,091
-	1,125,000	Faysal Bank Limited	**-**	12,360,730
-	1,100,000	Fecto Cement Limited	**-**	24,593,844
500,000	-	Golden Arrow Selected Stocks Fund Limited	**5,030,155**	-
110,000	-	Hascol Petroleum Limited	**8,753,690**	-
100,000	50,000	The Hub Power Company Limited	**6,344,368**	3,004,770
50,000	-	International Steels Limited	**1,084,838**	-
11,572,199	11,572,199	Japan Power Generation Limited	**48,001,481**	48,003,442
250,000	7,000	Kohinoor Energy Limited	**10,893,162**	221,009
2,000,000	-	Kohinoor Spinning Mills Limited	**47,642,760**	-
400,000	450,000	Kott Addu Power Company Limited	**17,862,680**	20,095,515
1,500,000	-	Lafarge Pakistan Cement Limited	**23,670,687**	-
495	495	MCB Bank Limited	**85,934**	85,934
500,000	1,000,000	National Bank of Pakistan Limited	**29,006,283**	56,181,539
1,000,000	1,000,000	Nishat Chunian Power Limited	**14,389,050**	14,389,050
250,000	-	Nishat (Chunian) Limited	**13,335,812**	-
400,000	750,000	Nishat Power Limited	**6,418,320**	12,034,350
200,000	-	Oil & Gas Development Company Limited	**46,928,240**	-
500,000	-	Pakistan International Bulk Terminal Limited	**10,752,500**	-
175,000	250,000	Pakistan State Oil Company Limited	**51,519,002**	68,695,717
-	550,000	Pakistan Telecommunication Company Limited	**-**	14,074,610
600,000	480,900	Pakistan Petroleum Limited	**87,477,864**	51,216,152
1,000,000	2,000,000	Pace Pakistan Limited	**12,860,840**	25,721,680
-	1,000,000	Pakgen Power Limited	**-**	26,105,863
500,000	351,000	Pak Reinsurance Limited	**18,242,528**	13,174,848
75,000	448,500	Pakistan Refinery Limited	**8,445,661**	50,505,055
500,100	500,270	Pak Elektron Limited	**12,959,915**	7,779,913
75,000	-	Pakistan National Shipping Corporation Limited	**7,610,044**	-
10,000,000	10,000,000	Silk Bank Limited	**22,743,900**	22,743,871
71,400	60,000	Security Papers Limited	**1,980,000**	1,980,000
-	100,000	Sitara Chemicals Industries Limited	**-**	30,087,238
1,000,000	854,000	Standard Chartered Bank	**17,606,955**	14,092,447
125,000	100,000	Shell Pakistan Limited	**18,507,759**	18,507,760
-	4,000,000	World Call Telecom Limited	**-**	27,637,440
			1,134,943,875	889,489,734

10.4.2 Investment in fully paid up ordinary shares – unlisted

2014	2013	Name of investee companies	Note	2014	2013
Number of ordinary shares				Rupees	Rupees
571,000	571,000	Ali Paper Board Industries Limited		**5,710,000**	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited		**10,000,000**	10,000,000
650,000	650,000	Bela Chemical Industries Limited		**6,500,000**	6,500,000
400,000	400,000	Fruit Sap Limited		**4,000,000**	4,000,000
630,000	630,000	Equity International (Pvt) Limited	**10.4.2.1**	**6,000,000**	6,000,000
1,125,000	1,125,000	Taurus Securities Limited		**11,250,000**	11,250,000
-	450,000	Highnoon Textiles Limited		**-**	4,500,000
5,000,000	5,000,000	Pakistan Textile City Limited		**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited		**50,000,000**	50,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**10.4.2.1**	**40,000,000**	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited		**50,000,000**	50,000,000
17,300,000	17,300,000	Pace Barka Properties Limited		**173,000,000**	173,000,000
3,762,304	3,762,304	Innovative Investment Bank Limited		**37,623,048**	37,623,048
2,000,000	2,000,000	Trust Investment Bank Limited		**20,000,000**	20,000,000
100,000,000	100,000,000	Silk Bank Limited		**250,000,000**	250,000,000
2,500,000	2,500,000	SPI Insurance Company Limited		**14,664,938**	14,664,938
				728,747,986	733,247,986

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

Name of the Company	Name of the Chief Executive	As per Accounts	% age Held	breakup Value of Investment	Total Rupees
Pak Kuwait Takaful Company	**Mr. Imtiaz Bhatti**	**31-Dec-13**	**10.00**	15.67	40,000,000
Equity International (Pvt) Limited*	**Mr. Syed Farhan Abbas**	**30-Jun-14**	**19.05**	4.39	6,000,000

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

10.4.3 Investment in Term Finance Certificates – listed

2014	2013	Name of company	Original face Value (Rs.)	2014	2013
Number of ordinary shares				Rupees	Rupees
59,839	59,839	Allied Bank Limited	5,000	**298,446,610**	298,566,288
44,419	44,419	Azgard Nine Limited	5,000	**136,614,140**	136,614,140
48,780	48,780	Engro Corporation Pakistan Limited	4,957	**222,175,000**	241,777,560
32,300	32,300	Maple Leaf Cement (Sukuk) Limited	5,000	**85,765,977**	135,512,851
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	3,748,500
10,000	10,000	World Call Telecom Limited	5,000	**21,415,716**	21,415,716
15,000	15,000	World Call Telecom Limited	2,150	**22,486,485**	22,486,485
250	250	Pakistan Mobile Communications Limited	100,000	**13,823,125**	20,073,125
6,000	6,000	Summit Bank Limited	5,000	**29,433,721**	29,447,521
-	51,500	Pak Arab Fertilizer Ltd	-	**-**	65,340,625
				833,909,274	974,982,811

10.4.3.1 These carry rate of return ranging from 10.65% to 13.44% per annum (2013: 10.45% to 13.86% per annum) and having maturity upto 6 years.

10.4.4 Investment in Term Finance Certificates – unlisted

2014	2013	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2014 Rupees	2013 Rupees
Number of certificates						
-	40,000	Avari Hotels Limited	Mr. Byram D. Avari	-	-	74,460,000
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**34,062,500**	40,468,750
-	5,000	Gharibwal Cement Limited	Mr. Muhammad Tausif Paracha	-	-	24,355,500
-	10,000	JDW Sugar Mills Limited	Mr. Jahangir Tareen	-	-	5,555,560
-	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	-	-	4,600,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,283,751
-	7,045	Sitara Energy (Sukuk)	Mr. Javed Iqbal	-	-	21,136,362
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**99,364,420**	124,129,143
					487,210,671	648,489,066

10.4.4.1 These carry rate of return ranging from 9.84% to 13.90% (2013: 10.18% to 13.90%) per annum and having maturity of upto 5 years.

10.4.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	July 2016 to July 2022	On maturity	11.25% to 12.00%	Semi-annually
Market Treasury Bills	February 2015 to April 2015	On maturity	9.50% to 10.00%	On maturity

10.4.6 Investments in mutual funds

Name of investee	2014	2013	Note	2014 Rupees	2013 Rupees
	Number of units				
Meezan Cash Fund	-	1,025,287		-	48,000,000
Askari Sovereign Cash Fund	-	475,034		-	47,000,000
HBL Money Market Fund	-	259,218		-	26,000,000
ABL Cash Fund	**386,334**	2,618,278		4,000,000	26,000,000
NAFA Money Market Fund	-	2,617,545		-	26,000,000
Pak Oman Advantage Fund	**5,000,000**	5,000,000		50,000,000	50,000,000
UBL Fund Managers Limited	-	547,180		-	50,000,000
Arif Habib Investments Limited	-	1,082,084		-	50,000,000
				54,000,000	323,000,000

	Note	2014 Rupees	2013 Rupees
10.5 Provision for diminution in value of investments			
Opening balance		891,956,183	986,026,786
Charge for the year		169,618,608	163,353,982
Reverse for the year		(101,766,349)	(58,335,702)
Reversals (related to quoted AFS securities)		(160,098,672)	(199,088,883)
Written off		-	-
Closing balance	**10.5.1**	799,709,770	891,956,183
10.5.1 Particulars of provision in respect of type and segments			
Available-For-Sale (AFS) securities			
Impairment on quoted securities		171,088,435	331,187,108
Un-quoted securities		251,444,299	251,466,950
Term Finance Certificates (TFCs)		48,564,627	36,333,191
Held-To-Maturity (HTM) securities			
Term Finance Certificates (TFCs)		328,612,409	272,968,934
		799,709,770	891,956,183
10.6 Unrealized gain on revaluation of investments classified as held for trading	**10.4**	5,638,289	15,489,470

10.7 Quality of available for sale securities

(a) Quoted Securities

Companies	2014 Rating	2014 Market value Rupees	2013 Rating	2013 Market value Rupees
Adamjee Insurance Company Limited	AA	49.46	AA	37.37
Agritech Limited	unrated	7.75	D	12.67
Askari Bank Limited	AA/A-1+	23.07	-	-
Bank Alfalah Limited	AA/A-1+	34.88	AA/A-1+	27.04
The Bank of Punjab	AA-/A-1+	10.95	-	-
Crescent Steel & Allied Products Limited	-	-	unrated	47.16
Cherat Cement Company Limited	unrated	68.68	-	-
Engro Corporation Limited	AA-/A1+	221.51	-	-
Engro Fertilizer Limited	A+/A1	78.10	-	-
Engro Polymer & Chemicals Limited	A/A1	12.00	unrated	13.41
Dewan Salman Fiber Limited	unrated	1.91	unrated	2.62
Descom Oxychem Limited	A/A1	6.00	unrated	5.40
Fauji Cement Company Limited	unrated	25.84	unrated	15.95
Fatima Fertilizer Company Limited	AA-/A1+	35.77	A+/A1	28.56
Faysal Bank	-	-	AA/A1+	11.39
Fecto Cement Limited	-	-	unrated	44.63
Fauji Fertilizer Bin Qasim Limited	unrated	45.21	unrated	43.81
Fauji Fertilizer Company Limited	unrated	117.11	unrated	111.96
Golden Arrow Selected Stocks Fund Limited	5 Star/ 4 Star	11.05	-	-
Hascol Petroleum Limited	A+/A1	74.10	-	-
Hub Power Company Limited	AA+/A1+	78.36	AA+/A1+	60.72
International Steels Limited	unrated	25.45	-	-
Japan Power Generation Limited	unrated	3.45	unrated	2.61
Kohinoor Energy Limited	AA/A1+	49.35	-	-
Kohinoor Spinning Mills Limited	unrated	24.45	-	-
Kot Addu Power Company Limited	AA+/A1+	78.94	AA+/A-1+	61.75
Lafarge Pakistan Cement Limited	unrated	17.35	-	-
Maple Leaf Cement Limited	-	-	BB/B	-
MCB Bank Limited	AAA/A1+	305.65	AAA/A1+	281.17
National Bank of Pakistan Limited	AAA/A1+	69.46	AAA/A1+	58.06
Nishat Power Limited	A+/A1	45.60	A+/A1	30.06
Nishat (Chunian) Limited	A-/A-2	45.42	-	-
Nishat Chunian Power Limited	A+/A-2	49.55	A+/A-2	34.78
Oil and Gas Development Company Limited	AAA/A1+	205.87	-	-
Pakistan International Bulk Terminal Limited	unrated	24.69	-	-
Pakistan Telecommunication Company Limited	-	-	unrated	28.44
Pakistan Petroleum Limited	unrated	176.52	unrated	213.96
Pakistan State Oil Company Limited	AA+/A1+	357.91	AA+/A1+	332.22
Pakgen Power Limited	-	-	AA/A1+	21.71
Pace Pakistan Limited	unrated	3.33	Withdrawn	3.79
Pakistan Reinsurance Company Limited	AA	30.34	unrated	28.45
Pak Refinery Limited	A-/A2	162.75	A-/A2	76.14
Pak Elektron limited	A-/A2	40.93	unrated	19.99
Sitara Chemicals Industries Limited	-	-	A+/A1	245.01

	2014		2013	
(a) Quoted Securities (continued)	**Rating**	**Market value Rupees**	Rating	Market value Rupees
Silk Bank Limited	**A-/A2**	**2.22**	A-/A2	2.10
Standard Chartered Bank	**AAA/A1+**	**23.60**	AAA/A1+	24.90
Security Papers Limited	**unrated**	**77.40**	AAA/A1+	70.30
Shell Pakistan Limited	**unrated**	**258.88**	unrated	190.43
World Call Telecom Limited	**-**	**-**	D	2.48
(b) Mutual Funds				
Companies				
Meezan Cash Fund	**-**	**-**	AA(f)	50.09
Askari Sovereign Cash Fund	**-**	**-**	AAA(f)	100.80
HBL Money Market Fund	**-**	**-**	AA(f)	101.09
ABL Cash Fund	**AA(f)**	**10.46**	AA(f)	10.01
NAFA Money Market Fund	**-**	**-**	AA(f)	10.01
Pak Oman Advantage Fund	**A+(f)**	**10.96**	A+(f)	10.83
UBL Fund Managers Limited	**-**	**-**	AM2	100.57
Arif Habib Investments Limited	**-**	**-**	AM2	50.02

11 ADVANCES

	Note	2014 Rupees	2013 Rupess
– In Pakistan		**7,888,097,781**	6,511,104,952
– Outside Pakistan		**-**	-
		7,888,097,781	6,511,104,952
Net investment in finance lease			
– In Pakistan		**2,132,637,453**	2,199,403,812
– Outside Pakistan		**-**	-
	11.2	**2,132,637,453**	2,199,403,812
Bills discounted and purchased		**-**	-
Advances – gross	**11.1**	**10,020,735,234**	8,710,508,764
Provision for non-performing advances	**11.1.6**	**(2,087,649,325)**	(2,383,465,341)
Provision for non-performing lease finance	**11.2.3**	**(1,344,340,701)**	(1,154,995,019)
Advances – net of provision		**6,588,745,208**	5,172,048,404

11.1 Particulars of advances - gross

		2014	2013
11.1.1 – In local currency		**9,983,507,446**	8,673,280,976
– In foreign currencies		**37,227,788**	37,227,788
		10,020,735,234	8,710,508,764
11.1.2 Long term advances (for over one year)	**11.1.3**	**8,120,766,567**	6,786,891,928
Short term advances (for upto one year)	**11.1.4**	**1,867,339,749**	1,888,449,896
Staff advances		**32,628,918**	35,166,940
		10,020,735,234	8,710,508,764

11.1.3 These includes advances which are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 22.66% per annum (2013: 7.00% to 22.66% per annum). These also include term loans due from customers secured against property and equipments etc.

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 10.90% to 25.00% per annum (2013: 11.36% to 17.86% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2,385.358 million (2013: Rs. 2,881.396 million) which have been placed under non-performing status as detailed below:-

Category of classification	2014 Classified advances Rupees	2014 Provision required Rupees	2014 Provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	**2,385,358,440**	**2,087,649,325**	**2,087,649,325**
	2,385,358,440	**2,087,649,325**	**2,087,649,325**

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

11.1.6 Particulars of provisions against non-performing advances

	2014 Rupees Specific	2013 Rupees Specific
Opening balance	**2,383,465,341**	2,324,089,748
Charge for the year	**42,054,605**	247,176,167
Amounts written off	**-**	-
Reversals	**(337,870,621)**	(187,800,574)
Closing balance	**2,087,649,325**	2,383,465,341

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

The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing further benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non–performing advances. The FSV benefit recognised in these unconsolidated financial statements is not available for payment of cash or stock dividend. As on December 31, 2014, total FSV benefit availed by the Company stands at Rs. 119.056 million (2013: Rs. 255.908 million).Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 119.056 million and Rs.79.76 million respectively. Reserves to this extent are not available for distribution by way of cash or stock dividend.

11.1.6.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 178.653 million (31 December 2013: Rs. 202.827 million) considered by the SPLCL for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the SPLCL, the specific provision against non-performing loans would have been higher by Rs. 178.653 million (31 December 2013: Rs. 202.827 million) and the SPLCL's profit for the period (before taxation) would also have been lower by the same amount.

		Note	2014 Rupees	2013 Rupees
11.1.7	**Particulars of write offs:**			
	Against provisions		-	-
	Directly charged to the unconsolidated profit and loss account		-	20,150,542
			-	20,150,542
11.1.8	**Particulars of amounts written off against provisions**			
	Write offs of Rs. 500,000 and above		-	20,150,542
	Write offs of below Rs. 500,000		-	-
			-	20,150,542
11.2	**Net investment in finance lease**			
	Minimum lease payments receivables		**1,781,891,476**	1,821,514,862
	Add: Residual value of leased assets		**437,085,650**	459,565,381
			2,218,977,126	2,281,080,243
	Less: Unearned finance income		**(86,339,673)**	(81,676,431)
	Present value of minimum lease payments	11.2.1	**2,132,637,453**	2,199,403,812
	Less: Provision for potential lease losses	11.2.2	**(1,344,340,701)**	(1,154,995,019)
	Net investment in lease		**788,296,752**	1,044,408,793

11.2.1 Present value of minimum lease payments

	2014		
	Less than one year	**One year to five year**	**Total**
	Rupees	**Rupees**	**Rupees**
Lease rental receivable	**2,105,457,454**	**113,519,672**	**2,218,977,126**
Less: Unearned finance income	**(78,900,091)**	**(7,439,582)**	**(86,339,673)**
Present value of minimum lease payments	**2,026,557,363**	**106,080,090**	**2,132,637,453**

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

11.2.2 Investment in lease finance includes Rs. 1,654 million (2013: Rs. 1,721.055 million) which has been placed under non-performing status as detailed below:-

	2014		
Category of classification	**Classified advance**	**Specific provision required**	**Specific provision held**
	Rupees	**Rupees**	**Rupees**
Substandard	-	-	-
Doubtful	-	-	-
Loss	**1,653,999,779**	**1,344,340,701**	**1,344,340,701**
	1,653,999,779	**1,344,340,701**	**1,344,340,701**

11.2.2 Continued

Category of classification	2013 Classified advance Rupees	2013 Specific provision required Rupees	2013 Specific provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	1,721,054,897	1,154,995,019	1,154,995,019
	1,721,054,897	1,154,995,019	1,154,995,019

11.2.2.1 The internal rate of return on leases disbursed by SPLCL ranges from 12.50% to 20.01% per annum (2013: 12.5% to 20.01%). Certain lease rentals have been hypothecated against long term finances obtained.

11.2.2.2 During 2014, the management of SPLCL initiated an exercise to verify the existence of all moveable leased assets held against the finance lease facilities on periodic basis. Due to lack of in house facilities for monitoring and supervision of collaterals, management of SPLCL is considering to engage independent experts. The management of SPLCL intends to carry out inspection for all movable assets against which FSV benefit has been recognised as an ongoing exercise and its impact is being accounted for accordingly.

11.2.2.3 As per NBFC Regulation 28 (a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 31 December 2014, SPLCL's investment in lease assets was 68.46% (31 December 2013: 72.25%) of the total assets (less allowable deductions).

11.2.3 Particulars of provisions against non-performing lease finance	**2014 Rupees Specific**	2013 Rupees Specific
Opening balance	**1,154,995,019**	1,299,205,578
Charge for the year	**240,167,013**	81,068,921
Amounts written off	**4,999,078**	(32,376,040)
Reversals	**(55,820,409)**	(192,903,440)
Closing balance	**1,344,340,701**	1,154,995,019

11.2.3.1 During the year, net reduction in FSV benefit for parent company amounted to Rs. 136.852 million (2013: Rs. 102.072 million) resulting in increased charge for specific provision for the year ended by the same amount.

11.2.3.2 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 283.117 million (2013: Rs. 564.042 million) considered by SPLCL for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the SPLCL, specific provision against non-performing lease portfolio would have been higher by Rs. 283.117 million (2013 : Rs. 563.177 million) and SPLCL's profit for the period before taxation would also have been lower by the same amount.

		Note	2014 Rupees	2013 Rupees
11.2.4	**Particulars of amounts written off against provisions**		**Specific**	Specific
	Write offs of Rs. 500,000 and above		**4,999,078**	32,376,040
	Write offs of below Rs. 500,000		**-**	-
			4,999,078	32,376,040
11.3	**Particulars of loans and advances to directors and associated companies etc.**			
	Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons		**32,628,918**	35,166,940
	Debts due by companies or firms in which the directors of the Company are interested as directors, partners		**-**	-
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		**-**	-
12	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	**12.1**	**458,640**	250,000
	Property and equipment	**12.1**	**2,430,256,975**	2,447,686,486
	Intangible assets	**12.2**	**1,572,736**	2,010,878
			2,432,288,351	2,449,947,364

12.1 Property and equipment

	2014												
	COST/REVALUATION						DEPRECIATION						
	Opening balance Rupees	" Additions / Transfers " Rupees	Disposals / Transfers Rupees	Adjustments	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals / Transfers Rupees	Adjustments	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	-	8,088,120	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	-	-	1,248,493,750	1.19	14,857,075	14,857,075	-	-	29,714,150	1,218,779,600
Building - Islamabad	714,790,136	5,327,566	-	-	720,117,702	4	28,547,224	28,655,118	-	-	57,202,342	662,915,360
Building	135,319,231	143,466,000	75,999,680	(4,252,428)	198,533,123	4	38,968,548	7,968,390	1,124,920	(20,079,434)	25,732,584	172,800,539
Building - Islamabad- ISE towers	25,500,000	-	-	-	25,500,000	1.14	290,700	290,700	-	-	581,400	24,918,600
Heating and air-conditioning	129,244,640	1,146,600	-	-	130,391,240	15	22,510,227	18,821,743	-	(166,964)	41,165,006	89,226,234
Elevators	64,932,976	-	-	(299,941)	64,633,035	15	9,645,623	9,739,941	-	-	19,385,564	45,247,471
Electrical fittings	156,924,089	1,020,150	18,121,914	-	139,822,325	15	19,170,111	20,829,548	2,718,286	-	37,281,373	102,540,952
Fire fighting equipment	3,937,591	-	138,996	-	3,798,595	15	590,553	576,659	27,790	-	1,139,422	2,659,173
Leasehold improvement	6,302,839	-	-	-	6,302,839	15	4,107,986	918,347	-	-	5,026,333	1,276,506
Motor vehicles	68,248,717	43,357,600	14,115,923	-	97,490,394	20	38,169,318	8,618,563	10,733,191	(295,794)	35,758,896	61,731,498
Furniture, fixture and fittings	22,343,771	263,780	370,633	-	22,236,918	20	20,011,439	461,457	370,548	(1,084)	20,101,264	2,135,654
Office equipment	61,582,284	4,698,120	3,764,699	299,941	62,815,646		55,705,027	2,879,414	3,764,639	96,803	54,916,605	7,899,041
Telephone installation	2,209,736	-	-	-	2,209,736	33.33	613,963	352,696	-	-	966,659	1,243,077
Electrical appliances	5,006,487	547,530	83,240	-	5,470,777	15	1,887,089	641,596	83,228	-	2,445,457	3,025,320
Loose tools	1,170,325	-	-	-	1,170,325	15	740,560	143,250	-	-	883,810	286,515
Miscellaneous	843,569	-	38,800	-	804,769	15	818,459	8,533	33,465	-	793,527	11,242
Security systems	13,399,065	-	-	-	13,399,065	15	1,990,231	2,009,806	-	-	4,000,037	9,399,028
Leasehold Plant and Machinery	114,962,080	-	-	(16,472,183)	98,489,897	15	76,988,787	5,706,203	-	(278,138)	82,416,852	16,073,045
	2,783,299,406	199,827,346	112,633,885	(20,724,611)	2,849,768,256		335,612,920	123,479,039	18,856,067	(20,724,611)	419,511,281	2,430,256,975
Capital work in progress	250,000	208,640	-	-	458,640		-	-	-	-	-	458,640
	2,783,549,406	200,035,986	112,633,885	-	2,850,226,896		335,612,920	123,479,039	18,856,067	-	419,511,281	2,430,715,615

12.2 Intangible assets

	2014											
	COST/REVALUATION						DEPRECIATION					
	Opening balance Rupees	" Additions / Transfers " Rupees	Disposals / Transfers Rupees	Adjustments	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals / Transfers Rupees	Adjustments	Closing balance Rupees	Net Book value Rupees
Software and others	14,207,590	587,394	-	-	14,794,984	33.33	12,196,712	1,025,536	-	-	13,222,248	1,572,736

12.1 Property and equipment (continued)

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

12.2 Intangible assets (continued)

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

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Puma Generator 600 KVA	9,060,957	1,359,143	7,701,814	7,141,814	950,000	(6,751,814)	Auction	Pak Islamic Industries
Puma Generator 600 KVA	9,060,957	1,359,143	7,701,814	7,141,814	950,000	(6,751,814)	Auction	Pak Islamic Industries
Dell Laptop E-6400 (8 Nos.)	1,083,153	1,083,145	8	-	47,390	47,382	Auction	Saudi Pak Executives
Office Equipment (Misc items)	2,681,546	2,681,494	52	-	146,280	146,228	Auction	Muhammad Tanveer Abbasi
Toyota Corolla GLI AU-449	1,823,190	60,774	1,762,416	-	1,782,000	19,584	Auction	Insurance Claim
T0yota Corolla 2 D NU-667	1,687,268	1,687,267	1	-	1,277,800	1,277,799	Auction	Rizwan Mazhar
Toyota Corolla GLI PA-840	1,450,067	1,450,066	1	-	704,667	704,666	Auction	Muhammad Tariq Masud
Toyota Corolla GLI NJ-451	1,156,192	1,156,191	1	-	508,667	508,666	Auction	Muhammad Tanveer
Toyota Corolla GLI WG-156	1,730,358	605,624	1,124,734	-	1,084,000	(40,734)	Auction	Nasir A. Malik
Furniture (Misc items)	370,633	370,548	85	-	100,000	99,915	Auction	Raja Awais
Electrical Appliances (Misc items)	83,240	83,228	12	-	20,000	19,988	Auction	Raja Awais
Tank for diesel (1000 gallons)	38,800	33,465	5,335	-	20,000	14,665	Auction	Raja Awais
Fire Extinguisher DCP 6kg & CO2 5kg	138,996	27,790	111,206	-	90,000	(21,206)	Auction	Raja Awais
Toyota Corolla GLI NJ-449	1,155,742	1,155,741	1	-	654,500	654,499	Auction	Sheikh Aftab Ahmed
Property of SPLCL	4,999,680	1,124,920	3,874,760	-	10,600,000	6,725,240	Negotiation	Global Fiancial solutions
Property of SPLCL	45,000,000	-	45,000,000		45,000,000	-	Negotiation	Pak Oman
Property of SPLCL	26,000,000	-	26,000,000		26,300,000	300,000	Negotiation	Mr. Habib ullah
Coure - (Adjustment)	399,000	359,100	39,900	-	240,000	200,100	As per SPLCL's policy	Mr. Imdad
Yamaha Bike - KBP 5904	62,500	56,250	6,250	-	15,200	8,950	Negotiation	Mr. Faisal Hussain
Honda Bike - KCT 1374	42,267	38,040	4,227	-	15,000	10,773	Negotiation	Mr. Waqar ul Hassan
Super Star Bike	42,000	42,000	-	-	-	-	Insurance Claim	
Trakker - AFQ-451	37,000	37,000	-	-	-	-	Write-Off	
Trakker - Corolla AHQ-895	40,825	40,825	-	-	-	-	Write-Off	
Pak Hero Bike	37,514	37,514	-	-	-	-	Sold	
Coure - LEB 06-5111	434,000	390,600	43,400	-	300,000	256,600	As per SPLCL's policy	Mr. Awais Ahmed
Coure - AHT 477	480,000	432,000	48,000	-	300,000	252,000	As per SPLCL's policy	Mr. Mansoor Ahmed
Coure - ALJ 2	434,000	390,600	43,400	-	300,000	256,600	As per SPLCL's policy	Mr. Zahir Uddin Kazi
Coure - AQD 326	466,000	419,400	46,600	-	300,000	253,400	As per SPLCL's policy	Mr. Khurshid
Honda City - ARJ 243	1,080,000	972,000	108,000	-	470,000	362,000	As per SPLCL's policy	Mr. Manzar Masud
Lancer: ALJ - 295	999,000	899,100	99,900	-	635,000	535,100	Negotiation	
Hyundai Santro: AFX 609	559,000	503,100	55,900	-	300,000	244,100	As per SPLCL's policy	Mr. Omer Ikram
	112,633,885	18,856,067	93,777,817	14,283,628	93,110,504	(667,313)		

12.4 The cost / revalued amount of fully depreciated assets that are still in use:

	2014 Rupees	2013 Rupees
Furniture, fixtures and fittings, electrical fittings, office equipment and computer equipments	**84,215,289**	84,143,195
Building improvement	**3,526,371**	-
Vehicles	**14,929,475**	19,432,498
Loose tools	**215,330**	215,330
	102,886,465	103,791,023

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

The property, plant and equipment of SPLCL were revalued as at September 28, 2008, June 27, 2012 and June 30, 2012. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and resulted in surplus of Rs.33,769,445, Rs.41,486,216 and Rs.10,006,600 respectively over the written down values.

12.6 Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:

	Note	2014 Rupees	2013 Rupees
Land		**1,021,224**	1,033,673
Office premises		**11,311,396**	11,311,396
Building and other assets		**140,706,483**	138,004,853
Properties of SPLCL		**2,900,568**	33,709,583
		155,939,671	184,059,505

13 OTHER ASSETS

	Note	2014 Rupees	2013 Rupees
Accrued income and receivables	13.1	**916,322,114**	570,047,407
Advances, deposits, prepayments and other receivables	13.2	**1,275,861,580**	1,197,661,460
		2,192,183,694	1,767,708,867

13.1 Accrued income and receivables

	Note	2014 Rupees	2013 Rupees
Dividend Income		**500,000**	2,250,000
Accrued income from advances	13.1.1	**121,636,382**	130,119,308
Accrued income from investments	13.1.2	**452,220,277**	98,313,100
Accrued income from lendings to financial institutions		**3,967,096**	150,068
Other receivables	13.1.3	**337,998,359**	339,214,931
		916,322,114	570,047,407

13.1.1 Accrued income from advances

	2014 Rupees	2013 Rupees
Long term advances	**730,540,702**	774,852,043
Short term advances	**165,599,948**	174,227,464
Lease financing	**143,124,584**	143,742,507
Others	**13,432,817**	5,004,426
	1,052,698,051	1,097,826,440
Less: provision for doubtful accrued income from advances	**(931,061,669)**	(967,707,132)
	121,636,382	130,119,308

13.1.2 Accrued income from investments

	2014 Rupees	2013 Rupees
Government Securities	**354,469,447**	52,868,149
Term Finance Certificates (TFCs)	**236,055,487**	195,155,431
Income on equity (preference shares)	**62,424,658**	27,424,658
	652,949,592	275,448,238
Less: provision for doubtful accrued income from investments	**(200,729,315)**	(177,135,138)
	452,220,277	98,313,100

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

13.2 Advances, deposits, prepayments and other receivables

	Note	2014 Rupees	2013 Rupees
Advances to suppliers		**14,769,283**	13,000,780
Security deposits		**7,388,245**	7,675,548
Prepayments and other receivables		**6,107,251**	7,817,391
Receivable from stock brokers		**3,332,711**	3,869,995
Advance tax - net		**968,047,451**	901,093,671
Excise duty		**24,000,000**	-
Non banking assets acquired in satisfaction of claims		**355,964,909**	413,102,345
Advance for purchase of shares		**256,792**	256,792
		1,379,866,642	1,346,816,522
Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
Less: provision for non banking assets acquired in satisfaction of claims		**(99,930,000)**	(145,080,000)
	13.2.2	**(104,005,062)**	(149,155,062)
		1,275,861,580	1,197,661,460

13.2.1 These represent the amount of assets acquired against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited. Market value assessed amounts to Rs. 285.911 million. Provision has been created against the shortfall.

13.2.2 Provision against doubtful receivable balances

	Note	2014 Rupees	2013 Rupees
Opening balance		**149,155,062**	149,155,062
Charge for the year		**-**	-
Reversals		**45,150,000**	-
Closing balance		**104,005,062**	149,155,062

14 DEVELOPMENT PROPERTIES

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		**-**	184,673,844
Development properties purchased during the year	**14.1**	**174,419,530**	-
Development properties sold during the year		**-**	(184,673,844)
Balance at end of the year		**174,419,530**	-

14.1 This mainly represents cost of project land consisting of thirty five ("35"), ten ("10") marla plots situated at Paragon City Lahore. SPREL intends to construct and sell them in market on installment basis. The design work of the project is completed. Construction is expected to be started in the first quarter of 2015.

15	BORROWINGS	Note	2014 Rupees	2013 Rupees
	In Pakistan		11,224,671,255	5,065,095,770
	Outside Pakistan		-	-
		15.1	11,224,671,255	5,065,095,770

15.1 Particulars of borrowings with respect to currencies

In local currency		11,224,671,255	5,065,095,770
In foreign currency		-	-
		11,224,671,255	5,065,095,770
Long term borrowings	15.2	3,405,297,141	3,142,048,114
Short term borrowings	15.3	7,819,374,114	1,923,047,656
		11,224,671,255	5,065,095,770

15.2 Long term borrowings

Against book debts/receivables	15.2.1	2,902,555,551	2,457,905,161
Term finance certificates - secured		-	157,905,161
Clean / letter based financing	15.2.2	5,703,696	-
Against SBP refinance schemes :			
- Long term financing of export oriented projects (LT-EOP)		-	16,341,000
- Long term financing facility (LTFF)		497,037,894	509,896,792
	15.2.3	497,037,894	526,237,792
		3,405,297,141	3,142,048,114

15.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 4,000 million (2013: Rs. 3,167 million). The mark up is charged at varying rates ranging from 10.21% to 10.93% per annum (2013: 10.21% to 10.81% per annum). These facilities will mature during March 2015 to June 2019 (2013: September 2014 to December 2018).

15.2.2 This represents finance of Rs. 15.7 million obtained from Silk Bank Limited by SPLCL on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. SPLCL paid Rs. 4.04 million upto 31 March 2011. The finance has been restructured by way of a settlement agreement dated 12 September 2012. As per the agreement loan was to be settled by making down payment of Rs. 0.707 million and balance of Rs. 11 million was to be paid in 54 equal monthly installments of Rs. 0.204 per month The down payment and monthly installments have been timely paid by SPLCL. As of 31 December 2014, SPLCL has accrued a mark up of Rs. 4.192 million on this borrowing.

15.2.3 These represent facilities obtained by the holding company against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 7.90% to 10.10% per annum (2013: 5.00% to 10.10% per annum). These facilities will mature during January 2015 to June 2020 (2013: January 2014 to November 2018).

15.3	Short term borrowings	Note	2014 Rupees	2013 Rupees
	Holding company	15.3.1	7,215,842,215	1,500,000,000
	Subsidiary company -SPLCL	15.3.2	603,531,899	423,047,656
			7,819,374,114	1,923,047,656
15.3.1	**Particulars of borrowings - holding company**			
	Against book debts/receivables	15.3.1.1	1,000,000,000	500,000,000
	Repurchase agreements under PIBs - repo	15.3.1.2	5,015,842,215	200,000,000
	Clean/ letter based financing	15.3.1.3	400,000,000	-
	Morahaba finance	15.3.1.4	800,000,000	800,000,000
			7,215,842,215	1,500,000,000

15.3.1.1 These represent facilities obtained by the Company against charge on book debts / receivables valuing Rs. 1,333.333 million (2013: 833.333 million). The mark-up is charged at the rate of 10.08% (2013 : 9.67% to 10.40%) per annum . These facilities will mature in September 2015 (2013: June 2014).

15.3.1.2 These facilities are secured against Pakistan Investment Bonds. These carry markup rates ranaging from 9.75% to 10.30% (2013: 9.45%) per annum and will mature in January 2015 (2013: January 2014).

15.3.1.3 These represent overnight borrowing in local currency by the Company from various financial institutions. These carry interest rates ranging from 9.5% to 10.50% per annum. These facilities will mature in January 2015.

15.3.1.4 This represent morahaba finance arranged from an Islamic Bank by the Company. These carry markup rates ranging from 10.06% to 10.19% (2013: 9.51% to 9.94%) per annum. These will mature in January 2015 (2013: February 2014 to March 2014).

15.3.2 Particulars of borrowings - SPLCL	**Note**	**2014 Rupees**	2013 Rupees
Clean / letter based financing	**15.3.2.1**	**177,693,232**	179,193,232
Against book debts/receivables	**15.3.2.2**	**177,505,951**	243,854,424
Term finance certificates - secured	**15.3.2.3**	**248,332,716**	-
		603,531,899	423,047,656

15.3.2.1 SPLCL has availed clean/ letter based financing from various parties as per following details:

a) SPLCL has obtained finance of Rs. 77.50 million from National Bank of Pakistan on 1 April 2010 through a letter of placement carrying mark-up at a rate of 11.2% for a period of 140 days. SPLCL has not paid any amount in respect of this finance. As of 31 December 2014, SPLCL has accrued a mark-up of Rs. 41.283 million on this borrowing. The management of SPLCL intends to settle / restructure this borrowing.

b) SPLCL has obtained finance of Rs. 63 million from Innovative Investment Bank Limited on 3 December 2010 through a letter of placement carrying mark-up at a rate of 8% for a period of 90 days. The facility was rolled over for a further period of 184 days on 14 March 2011. Since the disbursement of facility, SPLCL has paid an amount of Rs. 3 million on account of principal repayment. As of 31 December 2014, SPLCL has accrued a mark-up of Rs. 23.241 million on this borrowing. The management of SPLCL intends to settle / restructure this borrowing.

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

The remaining amount of Rs. 69 million was restructured by way of a settlement agreement on 22 April 2011 whereby SPLCL transferred a lease portfolio of Rs. 32 million. On 16 September 2012, a revised settlement agreement was signed. As per the revised settlement agreement, loan was to be settled by way of transferring of SPLCL's assets / collateral held by SPLCL against one of its non-performing borrowers and cash payment of Rs. 9.870 million as down payment. SPLCL made the down payment on 06 September 2012 and the collateral held by SPLCL against the non-performing borrower is yet to be transferred after the execution of a tripartite agreement between SPLCL, MEBL and the said borrower. The management of SPLCL is currently under negotiation for an early execution of the said agreement. As per the restructuring terms, this finance carries no mark-up.

d) SPLCL has obtained finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through a letter of placement for a period of 30 days at a rate of 10% per annum. On 24 December 2012, SPLCL restructured the loan by way of a settlement agreement. As per the latest agreement, SPLCL is required to settle the loan through following terms:

- Down payment of Rs. 1.237 million.
- 14 equal monthly cash payments of Rs. 1.33 million starting from January 2013.
- Transfer of shares of Pace Barka held by SPLCL.

SPLCL made down payment of Rs. 1.237 million on 31 December 2012 and has paid the monthly installments on the agreed dates as per the revised agreement. The transfer of share is yet to be executed. As of 31 December 2014, SPLCL has accrued a mark-up of Rs. 4.59 million on this borrowing.

e) SPLCL has obtained finance of Rs. 117 million from KASB Funds (KASB Income Opportunity Fund and KASB Asset Allocation Fund) on 13 July 2009. The finance was restructured by way of settlement agreement dated 28 December 2011. As per the agreement, loan is to be settled by way of transferring of assets / collateral held by SPLCL against its non-performing borrowers, lease receivables of SPLCL and cash payment of Rs. 23.085 million in twenty four equal monthly installments. SPLCL has paid all the monthly installments. However, the transfer of lease portfolio is still pending.

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

a) SPLCL has obtained finance of Rs. 100 million from National Bank of Pakistan on 21 March 2005 mainly for lease financing activities. As per the agreement, loan was payable in semi annual installments of Rs. 12.5 million each from 21 September 2005 to 21 March 2009. The agreement was further amended with the maturity date to March 2010. As of 31 December 2012, all installments were paid except for the last installment which was due on 21 March 2009 and is still outstanding. As per agreement the finance carries mark-up at 6 month KIBOR + 1.5%, payable semi-annually. As of 31 December 2014, SPLCL has accrued mark up of Rs. 8.602 million on this borrowing. The management of SPLCL intends to negotiate to settle / restructure this borrowing.

b) SPLCL has obtained finance of Rs. 127 million from First Women Bank Limited on 31 December 2008 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 01 March 2010. As per the rescheduling terms, the entire principal was payable in unequal monthly installments upto 31 December 2012. SPLCL paid the installments up to 31 December 2010 and afterwards no amount has been paid. As per rescheduling agreement the finance carries mark-up at 12% per annum, payable monthly. As of 31 December 2014, SPLCL has accrued mark-up of Rs. 37.69 million on this borrowing. The management of SPLCL intends to settle / restructure this borrowing.

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

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

On 7 May 2013, SPLCL again restructured the loan by way of settlement agreement. As per the latest agreement, SPLCL required to settle the loan through following terms:

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against a non-performing borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million.

- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against a non-performing borrower).

- Cash payment of Rs. 5 million in 12 equal monthly installments of Rs. 0.416 million each commencing from the date of execution of settlement agreement.

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

e) SPLCL has obtained finance of Rs. 468 million from Bank of Khyber on 12 March 2009 mainly for lease financing activities. The finance was restructured by way of settlement agreements on 22 March 2009, 24 August 2011 and 21 June 2012. As per the latest agreement dated 21 June 2012, SPLCL was required to settle the loan through following terms:

- Transfer of a property (held as collateral of Rs. 150 million against the borrower).

- Issue of preference shares of Rs. 195 million (for conversion of liability of Rs. 195 million).

- Cash payment of Rs. 55 million including down payment of Rs. 10 million and Rs. 45 million in monthly instalments of Rs. 1 million each.

The transfer of property amounting to Rs. 150 million was completed on 19 July 2012, whereas the issuance of preference shares amounting to Rs. 195 million was also completed on 25 June 2013. Further, monthly installments of Rs. 1 million each are being paid regularly by SPLCL. As per latest restructuring terms this finance carries no mark-up.

f) SPLCL has obtained finance of Rs. 100 million from HSBC Bank Middle East Limited on 16 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 12 September 2011 and 21 June 2012. As per the latest restructuring agreement dated 21 June 2012, loan is payable as Rs. 1.8 million down payment and Rs. 37 million in monthly installments of Rs. 1.4 million each. On fully complying with the terms of the settlement agreement SPLCL shall be entitled with a waiver of Rs. 28 million in principal and Rs. 3.8 million in mark-up. As per rescheduling agreement the finance carries no mark-up. As of 31 December 2014 SPLCL has fully complied with revised terms of the restructuring agreement.

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

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

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

Principal redemption

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

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

Mark-up on TFCs

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

- One month KIBOR per annum for remaining 27 months (from 13 January 2015 to 13 March 2017).
- Mark-up shall be paid on monthly basis starting from 25th month till the maturity of the TFC.
- Mark-up payments on TFCs for first 24 months is deferred till 13 December 2013. Deferred mark-up is the sum of deferred mark-up payments for the first 24 months and the outstanding deferred mark-up (relating to first restructuring as of 13 September 2011) and amounts to Rs.25.368 million.
- Mark-up on TFCs is deferred till 13 December 2013 and is payable in 3 equal instalments in December 2014, 2015 and 2016.

Trustee

In order to protect the interests of TFC holders, First Dawood Investment Bank Limited has been appointed as trustee under a trust deed with power to enforce the SPLCL's obligations in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Declaration of Trust.

During 2014, SPLCL has made default in complying with revised terms of restructuring and is under process of negotiations with its TFC holders.

15.4	Details of borrowings secured/unsecured	Note	2014 Rupees	2013 Rupees
	Secured			
	Borrowings from State Bank of Pakistan :			
	– Against SBP refinance schemes		**497,037,894**	526,237,792
	Repurchase agreement borrowings		**5,015,842,215**	200,000,000
	Against book debts/receivables		**4,080,061,502**	3,201,759,585
	Term finance certificates		**248,332,716**	157,905,161
	Morahaba finance		**800,000,000**	800,000,000
			10,641,274,327	4,885,902,538
	Unsecured			
	Call borrowings		**583,396,928**	179,193,232
			11,224,671,255	5,065,095,770

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2014 Rupees	2013 Rupees
Certificate of Investments (COIs)	16.1	**161,744,301**	762,000,000
Security deposits against finance leases	16.2	**416,231,319**	573,010,969
		577,975,620	1,335,010,969

16.1 These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 9.50% to 10.00% per annum (2013: 9.25% to 10.17% per annum). These are repayable in period ranging from February 2015 to November 2015 (2013: January 2014 to June 2014).

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

17 DEFERRED TAX LIABILITIES

	Note	2014 Rupees	2013 Rupees
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		**35,816,439**	50,029,049
Surplus on revaluation of operating fixed assets	21	**679,481,844**	724,504,811
Provision against employee benefits		**330,913**	-
Net investment in leases		**64,296,560**	41,945,716
Investment property		**2,655,940**	(3,882,584)
Investments - held for trading		**14,989**	4,906,040
Investments - available for sale		**565,924**	-
Surplus on revaluation of securities	20	**215,677,330**	114,129,907
		998,839,939	931,632,939
Deferred tax debits arising due to following deductible temporary differences:			
Provision for investment in TFCs		**(124,468,422)**	-
Trade receivable- net of provision for doubtful debts		**(706,946)**	-
Accumulated tax losses		**(77,390,639)**	(331,218,154)
		(202,566,007)	(331,218,154)
		796,273,932	600,414,785
Valuation reserves		**4,734,159**	330,456
		801,008,091	600,745,241

In view of the uncertianity about timings of taxable profits in the foreseable future against which the tax losses can be utilised, SPREL has not recognised deferred tax asset and therefore, has created an equivalent amount of valuation reserve amounting to Rs. 4.734 million (2013: Rs. 0.330 million)

18	OTHER LIABILITIES	Note	2014 Rupees	2013 Rupees
	Mark-up/return/interest accrued on borrowings	18.1	**381,942,798**	310,793,519
	Creditors, accrued and other liabilities	18.2	**226,673,899**	96,506,579
	Deferred liabilities	18.3	**89,197,594**	55,042,558
			697,814,291	462,342,656
18.1	**Mark-up/return/interest accrued on borrowings**			
	Long term borrowings		**103,753,931**	117,446,785
	Short term borrowings		**225,919,556**	188,686,460
	Securities purchased under Repurchase agreements - repo		**52,269,311**	4,660,274
			381,942,798	310,793,519
18.2	**Creditors, accrued and other liabilities**			
	Directors' remuneration		**2,522,554**	2,747,618
	Other payables		**43,781,945**	18,836,662
	Payable on employees account		**(1,376,848)**	1,285,616
	Corporate income tax payable -net		**115,658,490**	10,566,034
	Accrued liabilities		**66,087,758**	63,070,649
			226,673,899	96,506,579
18.3	**Deferred liabilities**			
	Provision for staff gratuity	34.1	**29,207,286**	22,458,688
	Provision for compensated absences		**4,759,254**	4,320,046
	Advance rental income	18.3.1	**55,231,054**	28,263,824
			89,197,594	55,042,558

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

19	SHARE CAPITAL		2014 Rupees	2013 Rupees
	Authorized capital:			
	1,000,000,000 ordinary shares of Rs. 10 each (2013: 1,000,000,000 ordinary shares of Rs. 10 each)		**10,000,000,000**	10,000,000,000
	Issued, subscribed and paid up capital:			
	400,000,000 ordinary shares of Rs. 10 each issued for cash (2013: 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 (2013: 200,000,000 bonus shares of Rs. 10 each)		**2,000,000,000**	2,000,000,000
			6,000,000,000	6,000,000,000

19.1	Reconciliation of number of ordinary shares of Rs. 10 each	Number of shares 2014	2013
	Opening balance	600,000,000	600,000,000
	Issued during the year	-	-
	Closing balance	600,000,000	600,000,000

20	SURPLUS / DEFICIT ON REVALUATION OF AFS SECURITIES - NET OF TAX	Note	2014	2013
	Quoted securities		**305,591,122**	377,030,656
	Government securities		**375,971,103**	(5,786,914)
	Term Finance Certificates (TFCs)		**(3,154,723)**	296,685
	Un-quoted securities		**(28,000,000)**	(40,000,000)
	Mutual fund units		**4,800,000**	4,150,000
		10.4	**655,207,502**	335,690,427
	Less: related deferred tax libility	17	**(215,677,330)**	(114,129,907)
			439,530,172	221,560,520

21	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**	**Note**	**2014 Rupees**	2013 Rupees
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		**2,149,675,327**	2,247,161,194
	Surplus realized on disposal - transferred to unappropriated profit		**(14,283,628)**	-
	Transferred to unappropriated profit in respect of			
	– Incremental depreciation charged during the year		**(58,547,060)**	(63,793,581)
	– Adjustments		**9,952,860**	-
	– Deferred tax		**(28,850,035)**	(33,692,286)
			(77,444,235)	(97,485,867)
	Surplus on revaluation of operating fixed assets		**2,057,947,464**	2,149,675,327
	Related deferred tax liability		**(724,504,811)**	(784,316,976)
	Impact of change in tax rate		**26,125,792**	26,119,879
	Adjustments		**(9,952,860)**	-
	Transferred to unconsolidated profit and loss account in respect of incremental depreciation		**28,850,035**	33,692,286
		17	**(679,481,844)**	(724,504,811)
	Closing balance		**1,378,465,620**	1,425,170,516
22	**CONTINGENCIES AND COMMITMENTS**			
22.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		**350,000,000**	207,385,000
22.2	Non disbursed commitment for term and working capital finance		**1,150,000,000**	911,098,000
22.3	Claims against the Group not acknowledged as debts		**193,558,675**	168,034,208
22.4	Commitments for the acquisition of operating fixed assets (intangibles assets)		**19,658,034**	15,303,712
			1,713,216,709	1,301,820,920

22.5 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006

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

(b) Tax year 2008 and 2009

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

(c) Tax year 2010

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 147 million out of which the Company paid Rs. 67 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Company's favor.

(d) Tax year 2012 and 2013

Provision for NPL, realised exchange loss and other expenses for tax years 2012 and 2013 were disallowed by tax authority vide assessment orders No 003/005 and 004/005 both dated May 21, 2014 and demand of Rs 97,862,792 for tax year 2012 and Rs 118,789,036 for tax year 2013 has been created against the Company. The Company has filed appeal against the aforesaid orders dated May 21, 2014 before the Commissioner Inland Revenue (Appeals), Islamabad . The appeal is still pending for adjudication. It is likely that the appeals will be decided in favour of the Company.

(e) Sales Tax & Federal Excise Duty

The Deputy Commissioner Inland Revenue, Audit - VI, Large Taxpayers Unit, Islamabad (DCIR) through Order in Original 08/52 dated April 30, 2014 imposed federal excise duty amounting to Rs 71,314,266. An appeal against the aforesaid order dated April 30, 2014 were filed before the Commissioner Inland Revenue - (Appeals) [CIR(Appeals)]. The CIR (Appeals) vide his order ST/FED-530/2014/562 dated June 17, 2014 has upheld the action of DCIR. The Company filed appeal before ATIR which is pending adjudication. Further, the Company has deposited Rs 24 million in government treasury in connection with the recovery notice issued by the DCIR . The Company has obtained stay from the High Court against the recovery of outstanding demand.

(f) SPLCL tax contingency

SPLCL has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that SPLCL has not paid Federal Excise Duty (FED) in terms of section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal Excise Act 2005 for the periods 2007-08, 2008-09 and 2009-10 on services provided including both funded and non-funded services. Accordingly, Rs. 126.205 million has been alleged to be recoverable. The above amount of FED has been imposed on all the incomes of SPLCL for the said three years including mark-up income earned on finance lease contracts.

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

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

22.6 Other contingencies

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

Due to negative e-CIB reported by the Bank of Punjab, Saudi Pak did not disburse to Ceco, the finance facility of Rs.30 million sanctioned on 20.10.2008. Feeling aggrieved, Ceco filed on 27.7.2009, the subject damages suit in the Lahore High Court, Lahore, against Saudi Pak for allegedly suffering business losses. Evidence of both the parties has been recorded but the customer lawyer sought to produce customs authorities for recording evidence. The request of customer has not yet been allowed by the Court. After completion of evidence of both the parties, the matter will be fixed by the Court for final arguments for a decision on merits.

(b) MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.629 million)

Macpac Films Limited (MFL) Karachi is a former customer of Saudi Pak who had availed a term finance facility of Rs.125.00 million (for 04 years) in the year 2003/04. Customer was irregular in payments. As on 30.9.2011, a sum of Rs. 195.795 million was overdue therefore a legal notice dated 2.11.2011 was served upon the Customer. However, the Customer negotiated a settlement which was approved by Saudi Pak vide letter dated 13.5.2011. The settlement involved waiver/write-off of liquidated damages of Rs.43.930 million and 50% frozen Markup of Rs.28.729 million (total Rs.72.659 million) on payment of agreed settlement amount of Rs.100.141 million. The customer accepted it and paid the settlement amount of Rs.100.141 million to Saudi Pak (net of liquidated damages and 50% of frozen markup). Thereafter in compliance with the circular/ instructions of State Bank of Pakistan (SBP), the data of amount written off/waived off was communicated by Saudi Pak to the SBP in ordinary course. Since then, the amount written /waived off was appearing in the SBP's eCIB every month. The Customer requested Saudi Pak as well as SBP to stop reporting it on eCIB as it was reflecting bad on the Customer. However owing to the SBP's circulars/instructions, neither Saudi Pak nor SBP agree with the Customer.

Feeling aggrieved, the Customer filed the titled suit on 27.03.2014 against Saudi Pak in the Sindh High Court, Karachi. On receipt of Court Notice dated 29.3.2014, Saudi Pak filed its reply (PLA) and prayed to dismiss the frivolous suit. The Customer has now filed a stay application the reply of which will be filed by Saudi Pak's counsel before next date of hearing. The High Court will hear the stay application on 17.2. 2015.

(c) Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs.200.00 million)

Through publication in national dailies on 27.04.2014, Saudi Pak invited bids for the sale of a Farm House at Gadap Town and three (03) other plots (Plots No.9-C, 17-C, 20-C) at DHA Karachi. Bids of Mr. Sultan Paracha and some other bidders were found lower than the bid of Syed Mudassar Hussain who, after acceptance of his bid, also entered into a Sale Agreement dated 02.6.2014 (through his nominee) in regard to three (03) plots situated at DHA only. Mr. Paracha offered an aggregate bid of Rs.93.00 million against all the four (04) properties whereas the successful bidder agreed to pay Rs.134.500 million (enhanced from Rs.127.600 million) against only three plots in DHA Karachi. Therefore all lower bids including that of Mr. Zafar Sultan Paracha were rejected by Saudi Pak. The successful bidder also paid to Saudi Pak a down payment of Rs.26.900 million as provided in the Sale Agreement. Mr. Paracha attempted to frustrate the sale and filed the subject suit in the Sindh High Court, Karachi, on 01.07.2014. Mr. Paracha also obtained an interim stay on 05.07.2014 from the august Court against creation of third party interest in the suit properties. On receipt of Court Notice, Saudi Pak filed counter-affidavit/reply of the Stay Application in the High Court, sought vacation of the interim stay and prayed for dismissal of the frivolous suit. Pursuant thereto, the High Court heard arguments of counsels of parties on 20.8.2014 and reserved the judgment. The Court has not yet announced the judgment.

(d) SPLCL other contingencies

Cases of Rs 127.341 million are filed against the SPLCL as counter claims. Cases of Rs. 66.218 million are also filed against SPLCL in lieu of rendition of accounts. In view of the legal advisor, SPLCL is not likely to suffer any loss on account of the aforementioned cases.

The ex-employees of SPLCL have filed two cases against SPLCL before High Court of Sindh claiming an amount of Rs. 65.935 million in lieu of gratuity and other retirement benefits. In view of the legal advisor, SPLCL is not likely to suffer any loss on account of the aforementioned cases.

		Note	2014 Rupees	2013 Rupees
23	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	**23.1**	**609,934,728**	507,252,464
	On investments	**23.2**	**581,830,357**	434,252,665
	On lendings to financial institutions		**133,360,141**	10,273,265
	On lease financing - net		**27,330,746**	49,516,941
	On profit and loss saving accounts		**17,676,078**	6,427,882
			1,370,132,050	1,007,723,217
23.1	**On advances**			
	Long term advances		**553,929,001**	462,898,012
	Short term advances		**54,840,972**	43,367,471
	Staff advances		**1,164,755**	986,981
			609,934,728	507,252,464
23.2	**On investments**			
	Term Finance Certificates		**141,771,539**	153,146,177
	Government securities		**405,058,818**	253,681,830
	Return on equity (preference shares)		**35,000,000**	27,424,658
			581,830,357	434,252,665
24	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	**24.1**	**710,320,508**	507,520,771
	Deposits		**9,615,262**	12,396,250
	PIB's premium amortization		**730,504**	2,191,505
	Brokerage fee		**3,783,768**	954,068
			724,450,042	523,062,594
24.1	**Mark-up/return/interest expensed**			
	Long term borrowings		**381,224,569**	237,921,808
	Short term borrowings		**202,188,993**	195,503,845
	Securities purchased under repurchase agreements - repo		**126,906,946**	74,095,118
			710,320,508	507,520,771
25	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions is as under:			
	Term Finance Certificates (TFCs)		**67,874,910**	109,645,733
	Un-quoted Investment		**4,477,349**	5,296,459
			72,352,259	114,942,192
26	**INCOME FROM SALE OF DEVELOPMENT PROPERTIES - NET**			
	Revenue from sale of development properties	**26.1**	-	263,765,205
	Revenue from lease rentals of properties		-	845,824
	Less: cost incurred on development properties	**26.2**	-	(184,673,844)
			-	79,937,185
26.1	**Revenue from sale of development properties**			
	Residential Project		-	151,717,500
	Commercial Project		-	112,047,705
			-	263,765,205

26.2	Cost incurred on development properties	Note	2014 Rupees	2013 Rupees
	Residential Project		-	103,606,140
	Commercial Project		-	81,067,704
			-	184,673,844
27	**OTHER INCOME**			
	Net rental income	27.1	65,372,201	48,418,451
	Net gain on disposal of operating fixed assets - property and equipment		(667,313)	7,829,349
	Waiver on settlement of long term finances		69,140,457	237,516,141
	Others	27.2	10,679,395	4,600,067
			144,524,740	298,364,008
27.1	**Net rental income**			
	Rental income		215,066,311	188,192,718
	Less: Operating expenses			
	Salaries, allowances and employee benefits		16,106,808	11,636,360
	Traveling and conveyance		2,300	3,200
	Medical		290,690	111,988
	Janitorial services		5,258,876	4,528,754
	Security services		10,601,877	9,533,515
	Insurance		1,551,654	1,696,490
	Postage, telegraph, telegram and telephone		68,982	18,274
	Printing and stationery		173,934	187,143
	Certification services		49,500	25,000
	Utilities		13,364,231	11,944,269
	Consultancy and professional charges		-	-
	Repairs and maintenance		3,172,764	3,596,340
	Rent, rates and taxes		1,415,600	1,397,333
	Depreciation		97,244,382	94,964,828
	Office general expenses		392,512	130,773
			149,694,110	139,774,267
			65,372,201	48,418,451

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

28	ADMINISTRATIVE EXPENSES	Note	2014 Rupees	2013 Rupees
	Salaries, allowances and employee benefits	28.1	195,122,910	166,200,041
	Traveling and conveyance	28.2	26,484,383	31,356,655
	Vehicle running expenses		7,755,456	8,950,343
	Utilities		18,407,750	13,377,403
	Advertisement and publicity		3,176,865	2,849,557
	Postage, telegram, telephone and telex		6,766,528	6,940,320
	Printing, stationery and periodical		3,752,436	4,216,892
	Legal and professional charges		12,421,703	26,423,862
	Consultancy, custodial and rating services		14,494,456	7,022,207
	Auditor's remuneration	28.3	2,125,850	1,803,955
	Repair and maintenance		6,620,638	8,179,542
	Office and general expenses		29,515,670	30,984,069
	Bank charges		613,562	596,445
	Professional training		1,812,730	2,119,498
	Depreciation		22,015,698	22,819,707
	Donations	28.4	500,000	-
			351,586,635	333,840,496

28.1 This includes the followings staff benefits for the Group:

28.1.1 Rs. 4.365 million (2013: Rs. 3.656 million) on account of employee provident fund expense;

28.1.2 Rs. 9.150 million (2013: Rs. 5.265 million) on account of gratuity expense (also refer note 34.3 below); and

28.1.3 Rs. 2.158 million (2013: Rs. 1.426 million) on account of compensated absences expense.

28.2 This includes payments made to Directors of the Company for attending Board / Board's committee meetings amounting to Rs. 13.711 million (2013: Rs. 17.592 million).

		2014 Rupees	2013 Rupees
28.3	**Auditors' remuneration**		
	Audit fee - Parent	**770,000**	670,000
	- Subsidiaries	**825,000**	853,955
	Half yearly review	**200,000**	100,000
	Code of Corporate Governance review	**30,000**	30,000
	Fee for regulatory return / certifications	**50,000**	-
	Out of pocket expenses	**250,850**	150,000
		2,125,850	1,803,955

28.4 The donation was given to the Behbud Association of Pakistan and Poor Patients Welfare Society (Regd.) for providing skill training, educational / health facilities and community service to needy women and children.

		2014 Rupees	2013 Rupees
29	**OTHER PROVISIONS/(REVERSALS)/WRITE OFFS - NET**		
	Reversals against non banking assets acquired in satisfaction of claims - net	**(38,012,563)**	-
		(38,012,563)	-
30	**OTHER CHARGES**		
	Penalties imposed by the State Bank of Pakistan	**270,000**	759,000
31	**TAXATION**		
	– Current year	**119,940,047**	31,567,866
	– Prior years	**265,511**	-
	– Deferred	**124,479,360**	(356,785,650)
		244,684,918	(325,217,784)
31.1	**Relationship between tax expense and accounting Loss**		
	Accounting profit for the year	**1,188,046,255**	726,594,675
	Tax rate	**33%**	34%
	Tax on accounting profit	**392,055,264**	247,042,190
	Tax effect on income subject to lower rate of taxation	**(108,605,826)**	(14,105,772)
	Impact of change in tax rate	**-**	25,572,393
	Tax effect of permanent differences	**(38,764,520)**	(583,726,595)
		244,684,918	(325,217,784)

31.2 Tax status

The Company is subject to charge of Alternative Corporate Tax introduced through Finance Act, 2014 amounting to Rs. 180 million. No liability is recognized as ACT as management expects that ACT will be adjustable within 10 year as allowed under the tax law.

For tax related contingencies - refer note 22.5.

		Note	2014 Rupees	2013 Rupees
32	**BASIC AND DILUTED EARNING PER SHARE**			
	Profit for the year attributable equity holders of the company		**1,080,603,140**	903,823,959
	Weighted average number of ordinary shares - Number		**600,000,000**	600,000,000
	Basic and diluted earning per share - Rupees		**1.801**	1.506
33	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	**6**	**48,584,577**	40,075,406
	Balance with other banks	**7**	**702,528,078**	110,901,129
			751,112,655	150,976,535
34	**EMPLOYEE BENEFITS – Staff gratuity**			
34.1	**The amounts recognized in the statements of consolidated statement of financial position are determined as follows:**			
	Present value of defined benefit obligation	**34.2**	**29,207,286**	22,458,688
	Unrecognized actuarial loss		**-**	-
	Benefits payable to outgoing members	**18.3**	**-**	-
			29,207,286	22,458,688
34.2	**Movement in the Present value of defined benefit obligation in the consolidated statement of financial position are determined as follows:**			
	Opening balance		**22,458,688**	24,406,687
	Impact of disposal of associate		**-**	(4,145,569)
	Service cost		**6,508,262**	2,722,965
	Interest cost		**2,642,669**	2,542,861
	Actuarial loss / (gain)		**4,189,850**	(763,309)
	Contributions		**(470,183)**	(394,947)
	Benefits payable to outgoing members		**-**	-
	Benefits paid		**(6,122,000)**	(1,910,000)
	Closing balance		**29,207,286**	22,458,688

		Note	2014 Rupees	2013 Rupees
34.3	**The amounts recognized in the consolidated profit and loss account are as follows:**			
	Service cost		6,508,262	2,722,965
	Interest cost		2,642,669	2,542,861
	Expected return on plan assets		-	-
	Recognition of actuarial loss / (gain)		-	-
		28.1.2	9,150,931	5,265,826

		2014	2013
34.4	**The principal actuarial assumptions used are as follows:**		
	Discount rate	10.5% - 12.5%	12.5 - 12.75%
	Expected rate of increase in salary	8.5% - 9.5%	10.25% - 11.5%
	Expected interest on plan assets	-	-
	Mortality rate	SLIC (2001-2005)-1	SLIC (2001-2005)

35 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014	2013	**2014**	2013	**2014**	2013
	Chief Executive		Directors		Executives	
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Fees	-	-	**3,367,554**	3,857,618	-	-
Managerial remuneration	**12,571,427**	10,449,996	-	-	**27,626,362**	27,140,392
Post employment benefits	**720,000**	720,000	-	-	**2,387,057**	2,206,629
Utilities, rent and house maintenance	**6,178,096**	6,607,519	-	-	**14,795,427**	16,410,098
Medical	**144,677**	143,665	-	-	**3,359,242**	3,136,548
Bonus and others	**5,819,984**	4,232,981	-	-	**18,295,767**	16,519,174
	25,434,184	22,154,161	**3,367,554**	3,857,618	**66,463,855**	65,412,841
Number of persons	**3**	3	**18**	18	**35**	36

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

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2014		2013	
	Book value	**Fair value**	Book value	Fair value
	Rupees	**Rupees**	Rupees	Rupees
Assets				
Cash balances with treasury banks	**48,584,577**	**48,584,577**	40,075,406	40,075,406
Balances with other banks	**702,528,078**	**702,528,078**	110,901,129	110,901,129
Lendings to financial institutions	**900,000,000**	**900,000,000**	409,466,390	409,466,390
Investments	**10,307,306,443**	**10,307,306,443**	6,322,209,818	6,322,209,818
Advances	**6,588,745,208**	**6,588,745,208**	5,172,048,404	5,172,048,404
Other assets	**915,836,555**	**915,836,555**	570,099,132	570,099,132
	19,463,000,861	**19,463,000,861**	12,624,800,279	12,624,800,279

36.1 On-balance sheet financial instruments (continued)

	2014		2013	
	Book value	**Fair value**	Book value	Fair value
	Rupees	**Rupees**	Rupees	Rupees
Liabilities				
Borrowings	**11,224,671,255**	**11,224,671,255**	5,065,095,770	5,065,095,770
Deposits and other accounts	**577,975,620**	**577,975,620**	1,335,010,969	1,335,010,969
Other liabilities	**492,958,207**	**492,958,207**	396,734,064	396,734,064
	12,295,605,082	**12,295,605,082**	6,796,840,803	6,796,840,803

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

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

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

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

37 DERIVATIVE INSTRUMENTS

The Group 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**	**Real Estate services**	**Total**
	2014	**2014**	**2014**	**2014**
	Rs. in mn	**Rs. in mn**	**Rs. in mn**	**Rs. in mn**
Total income	**825.37**	**1,304.26**	**243.24**	**2,372.86**
Total expenses	**401.24**	**612.59**	**170.99**	**1,184.82**
Net income	**424.13**	**691.67**	**72.25**	**1,188.04**
Segment assets	**12,913.00**	**12,778.51**	**2,799.19**	**28,490.69**
Segment non performing loans	**3,959.62**	**79.74**	**-**	**4,039.36**
Segment provision required	**3,383.43**	**48.57**	**-**	**3,431.99**
Segment liabilities	**6,161.03**	**6,363.59**	**776.85**	**13,301.47**
Segment Return On net Assets (ROA) (%)	**3.28**	**5.41**	**2.58**	**4.17**
Segment cost of funds (%)	**3.11**	**4.79**	**6.11**	**4.16**

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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 6.76 % (2013: 6.77 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 5.09 % (2013: 1.67 %) of the total liabilities have been allocated to segments based on their respective assets.

39 RELATED PARTY TRANSACTIONS

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

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

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

39.2 Following are the transactions and balances with related parties

	2014 Rupees	2013 Rupees
Nature of balances / transactions		
Outstanding balances at year end with associated undertakings		
Employee funds		
– Deposits against COIs	**7,000,000**	10,000,000
– Interest and other payables	**72,877**	414,337
Transactions during the year with associated undertakings		
Key Management Personnel		
– Advances to executives	**8,164,200**	21,733,750
– Repayment of advances	**9,884,733**	6,006,870
Employee funds		
– Maturity of deposits against COIs	**3,000,000**	-
– Contribution to the employees provident fund/ gratuity fund	**5,200,481**	6,538,421
– Interest expense	**809,761**	1,035,157

40 CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

40.1 Capital Adequacy

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

Key risk categories for Saudi Pak include credit risk, market risk, operational risk, business risk (including tax and strategic risk), reputational risk and liquidity risk. The Company manages the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes. Saudi Pak's approach to identification and impact assessment aims to ensure that Company mitigate the impact of these risks on its financial results, long term strategic goals and reputation. The assessment of the potential impacts of the risks is made through stress tests which assess the Company's ability to absorb these events should they occur. The results of these tests showed that Saudi Pak currently has adequate capital and liquidity reserves to absorb the impact of these risks if they were to materialize in line with the tests' parameters.

The overall focus of risk and capital management throughout 2014 was on maintaining Saudi Pak's risk profile in line with the Company's risk strategy, increasing its capital base and supporting its strategic management initiatives with a focus on balance sheet optimization.

Saudi Pak has a comprehensive risk management framework to ensure that the risks taken are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and return. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions/ business units. Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Recovery planning provides for the escalation path for crisis management governance to improve the capital and liquidity positions in a stress event. Capital is managed above the Board-approved Capital Adequacy Ratio and is managed and monitored based on planned changes in the Company's strategy, identified changes in its operating environment or changes in its risk profile. The Company's capital adequacy assessment is evaluated on in its current position, expected future risk profile and its internal targets while considering the potential impact of various stress scenarios. The amount of capital required for the business risks and to meet regulatory requirements, is balanced against the goal of generating an appropriate value for the Company's shareholders. The Company deploys capital to support sustainable, long-term revenue and net income growth. All major initiatives to deploy capital are subject to rigorous analysis and evaluation of expected benefits.

Key financial criteria include impact on earnings per share, capital ratios, return on invested capital, expected payback period and internal rate of return based on discounted cash flows. Any potential business acquisitions, investments or strategic initiatives are reviewed and approved by the Company's Strategic Investment Committee, to ensure effective deployment of capital. The Company continues to maintain strong, high quality capital levels which positions as well for future business growth. The Company will continue to have a strong capital position in 2015.

40.2 Scope Of Application

The Basel III framework has been applied in accordance with BPRD Circular No. 6 dated August 15, 2013 and further time to time instructions of State Bank of Pakistan thereon. These instructions are effective from December 31, 2013 in a phased manner with full implementatiaon intended by December 31, 2019. Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

The Company has two subsidiaries namely Saudi Pak Real Estate Company Limited (SPREL) and Saudi Pak Leasing Company Limited (SPLCL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the Company. SPREL and SPLCL are consolidated under the financial reporting framework. Only SPLCL is included (under regulatory scope of consolidation) while calculating consolidated Capital Adequacy for the Company using full consolidation method. As SPREL is a commercial entity, hence it is not included while calculating consolidated Capital Adequacy. The fact that the Company has neither any significant minority investments in banking, securities, or any other financial entities nor does it has any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Company does not indulge in any securitization activity that shields it from the risk inherent in securitization.

40.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31

S.No	Common Equity Tier 1 capital (CET1): Instruments and reserves	2014 Rs. 000	2013 Rs. 000
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	919,927	758,574
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,666,254	164,068
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	195,000	(305,342)
9	**CET 1 before Regulatory Adjustments**	8,781,181	6,617,300
10	Total regulatory adjustments applied to CET1 (Note 40.3.1.1)	(1,188,113)	(256,725)
11	**Common Equity Tier 1**	7,593,068	6,360,575
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	**AT1 before regulatory adjustments**	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 40.3.1.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	**Additional Tier 1 capital recognized for capital adequacy**	-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	7,593,068	6,360,575
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	765,404	641,327
29	of which: Unrealized gains/losses on AFS	245,219	99,702
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	1,010,623	741,029
33	Total regulatory adjustment applied to T2 capital (Note 40.3.1.3)	-	(250,000)
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	**Total Tier 2 capital admissible for capital adequacy**	1,010,623	491,029
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	8,603,691	6,851,604
39	**Total Risk Weighted Assets (RWA) (Note 40.6)**	23,042,513	14,135,873
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	32.95%	45.00%
41	**Tier-1 capital to total RWA**	32.95%	45.00%
42	**Total capital to total RWA**	37.34%	48.47%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	5.50%	5.00%
49	**Tier 1 minimum ratio**	7.00%	6.50%
50	**Total capital minimum ratio**	10.00%	10.00%

40.3.1 Regulatory Adjustments and Additional Information

		2014		
		Rs. 000	Amounts subject to Pre-Basel III treatment Rs. 000	2013 Rs. 000
40.3.1.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	**(6,047)**	-	(6,725)
3	Shortfall in provisions against classified assets	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(14,287)**	**(57,146)**	-
5	Defined-benefit pension fund net assets	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7	Cash flow hedge reserve	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-
9	Securitization gain on sale	-	-	-
10	Capital shortfall of regulated subsidiaries	**(1,167,779)**	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15	Amount exceeding 15% threshold	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	(250,000)
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	**(1,188,113)**	**(57,146)**	(256,725)
40.3.1.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-
40.3.1.3	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-		(250,000)
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-	(250,000)

40.3.1.4 Additional Information

		2014 Rs. 000	2013 Rs. 000
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
	(i) of which: deferred tax assets	-	-
	(ii) of which: Defined-benefit pension fund net assets	-	-
	(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
	(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.4 Capital Structure Reconciliation

40.4.1 Step-I of Capital Structure Reconciliation

	2014	
	Balance sheet as in published financial statements Rs. 000	**Under regulatory scope of consolidation Rs. 000**
ASSETS		
Cash and balances with treasury banks	48,585	48,584
Balances with other banks	702,528	701,964
Non-current asset classified as held for sale	67,937	-
Lendings to financial institutions	900,000	900,000
Investments	10,307,306	10,277,295
Advances	6,588,745	6,588,745
Operating fixed assets	2,432,288	2,316,092
Deferred tax assets	-	71,433
Other assets	2,192,184	1,925,150
Development properties	174,420	-
TOTAL ASSETS	23,413,993	22,829,263
LIABILITIES AND EQUITY		
Bills payable	-	-
Borrowings	11,224,671	11,224,671
Deposits and other accounts	577,976	577,976
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	801,008	872,441
Other liabilities	697,814	697,837
TOTAL LIABILITIES	13,301,469	13,372,926
Share capital	6,000,000	6,000,000
Reserves	1,097,855	425,712
Unappropriated/ Unremitted profit	1,636,983	1,666,254
Non-controlling interest	(440,310)	(440,310)
Surplus on revaluation of assets	1,817,996	1,804,682
TOTAL EQUITY	10,112,523	9,456,338
TOTAL LIABILITIES AND EQUITY	23,413,993	22,829,263

40.4.2 **Step-II of Capital Structure Reconciliation**

	2014 Balance sheet as in published financial statements Rs. 000	2014 Under regulatory scope of consolidation Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	48,585	48,584	
Balanced with other banks	702,528	701,964	
Non-current asset classified as held for sale	67,937	-	
Lending to financial institutions	900,000	900,000	
Investments	10,307,306	10,277,295	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	
of which: Mutual Funds exceeding regulatory threshold	-	-	
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	
of which: others (mention details)	-	-	
Advances	6,588,745	6,588,745	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	-	-	
Fixed Assets	2,432,288	2,316,092	
Deferred Tax Assets	-	71,433	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	14,287	(a)
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	2,192,184	1,925,150	
of which: Goodwill	-	-	
of which: Intangibles	6,047	6,047	(b)
of which: Defined-benefit pension fund net assets	-	-	
Development properties	174,420	-	
TOTAL ASSETS	23,413,993	22,829,263	
LIABILITIES AND EQUITY			
Bills payable	-	-	
Borrowings	11,224,671	11,224,671	
Deposits and other accounts	577,976	577,976	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	801,008	872,441	
of which: DTLs related to goodwill	-	-	
of which: DTLs related to intangible assets	2.4	2.4	
of which: DTLs related to defined pension fund net assets	-	-	
of which: other deferred tax liabilities	-	-	
Other liabilities	697,814	697,837	
TOTAL LIABILITIES	13,301,469	13,372,926	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	(c)
of which: amount eligible for AT1	-	-	
Reserves	1,097,855	425,712	
of which: portion eligible for inclusion in CET1(provide breakup)	919,927	919,927	(d)
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profits	1,636,983	1,666,254	(e)
Non-controlling interest	(440,310)	(440,310)	
of which: portion eligible for inclusion in CET1	-	-	
of which: portion eligible for inclusion in AT1	195,000	195,000	(h)
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	1,817,996	1,804,682	
of which: Revaluation reserves on Fixed Assets	765,404	765,404	(f)
of which: Unrealized Gains/Losses on AFS	245,219	245,219	
In case of Deficit on revaluation (deduction from CET1)	-	-	
TOTAL LIABILITIES AND EQUITY	23,413,993	22,829,263	

40.4.3 Step- III of Capital Structure Reconciliation

		2014 Component of regulatory capital reported by Company Rs. 000	2014 Source based on reference from step II
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	**6,000,000**	(c)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	**919,927**	(d)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	**1,666,254**	(e)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	**195,000**	(h)
8	**CET 1 before Regulatory Adjustments**	**8,781,181**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	**(6,047)**	(b)
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(14,287)**	(a)
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	**(1,167,779)**	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	**(1,188,113)**	
31	**Common Equity Tier 1**	**7,593,068**	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	
34	of which: Classified as liabilities	-	
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	-	

40.4.3 Step- III of Capital Structure Reconciliation (continued)

		2014	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**7,593,068**	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	765,404	portion of (f)
56	of which: Unrealized Gains/Losses on AFS	245,219	
57	Foreign Exchange Translation Reserves	-	
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	1,010,623	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,010,623	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**8,603,691**	

40.5 Main features of Regulatory Capital Instrument

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

40.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
CREDIT RISK	**2014 Rs. 000**	2013 Rs. 000	**2014 Rs. 000**	2013 Rs. 000
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	-	-	-	-
Banks	**44,855**	14,534	**320,392**	103,815
Corporate	**777,089**	519,508	**5,550,638**	3,710,770
Retail	**2,891**	3,291	**20,648**	23,509
Residential Mortgages	**250**	174	**1,784**	1,246
Past Due loans	**92,139**	151,953	**658,137**	1,085,375
Operating Fixed Assets	**324,033**	336,480	**2,314,519**	2,403,432
Other assets	**1,049,644**	368,089	**7,497,455**	2,629,206
	2,290,901	1,394,029	**16,363,573**	9,957,353
Portfolios subject to Internal Rating Based (IRB) Approach	-	-	-	-
Total- on balance sheet portfolio for credit risk	**2,290,901**	1,394,029	**16,363,573**	9,957,353
Off-Balance sheet				
Non-market related	**251,265**	136,330	**1,794,751**	973,787
Market related	-	-	-	-
	251,265	136,330	**1,794,751**	973,787
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
Total- off balance sheet portfolio for credit risk	**251,265**	136,330	**1,794,751**	973,787
TOTAL CREDIT RISK	**2,542,166**	1,530,359	**18,158,324**	10,931,140

	Capital Requirements		Risk Weighted Assets	
	2014	2013	**2014**	2013
	Rs. 000	Rs. 000	**Rs. 000**	Rs. 000
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**87,831**	10,084	**627,364**	72,028
Equity position risk	**372,356**	262,313	**2,659,688**	1,873,662
Foreign Exchange risk	**2,965**	3,771	**21,175**	26,935
	463,152	276,168	**3,308,226**	1,972,625
Capital Requirement for portfolios subject to Internal Models Approach	**-**	-	**-**	-
TOTAL MARKET RISK	**463,152**	276,168	**3,308,226**	1,972,625
OPERATIONAL RISK				
Capital Requirement for operational risks	**220,635**	172,495	**1,575,963**	1,232,108
TOTAL OPERATIONAL RISK	**220,635**	172,495	**1,575,963**	1,232,108
TOTAL	**3,225,953**	1,979,022	**23,042,513**	14,135,873

	2014		2013	
Capital Adequacy Ratios	**Required**	**Actual**	Required	**Actual**
CET1 to total RWA	**5.50%**	32.95%	5.00%	45.00%
Tier-1 capital to total RWA	**7.00%**	32.95%	6.50%	45.00%
Total capital to total RWA	**10.00%**	37.34%	10.00%	48.47%

41 RISK MANAGEMENT

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

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

41.1 Credit risk

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

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

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

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

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

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	303,500	3.03	-	-	300,000	17.51
Paper and allied	143,194	1.43	31,235	5.40	350,000	20.43
Electrical goods	12,227	0.12	4,734	0.82	-	-
Dairy and poultry	86,204	0.86	5,649	0.98	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	855,850	8.54	659	0.11	-	-
Chemical and fertilizer	315,370	3.15	10,639	1.84	-	-
Energy, oil and gas	1,281,618	12.79	14,131	2.44	-	-
Construction	939,541	9.38	60,368	10.44	-	-
Hotels	255,542	2.55	4,897	0.85	-	-
Cement	521,164	5.20	23,200	4.02	-	-
Textile	2,349,568	23.45	86,357	14.94	350,000	20.43
Metal and allied products	567,004	5.66	42,023	7.27	500,000	29.18
Automobiles and allied	294,371	2.94	-	-	-	-
Transport/services and misc.	663,249	6.62	61,694	10.68	-	-
Telecommunication	260,284	2.60	49,916	8.64	-	-
Others	1,172,049	11.69	182,474	31.57	213,217	12.45
	10,020,735	100.00	577,976	100.00	1,713,217	100.00

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	203,500	2.34	-	-	-	-
Paper and allied	145,188	1.67	-	-	-	-
Electrical goods	13,377	0.15	-	-	200,000	15.36
Dairy and poultry	70,204	0.81	-	-	-	-
Banaspati and allied	119,771	1.38	-	-	-	-
Sugar and allied products	566,571	6.50	-	-	311,098	23.90
Chemical and fertilizer	404,826	4.65	-	-	-	-
Energy, oil and gas	1,600,632	18.38	-	-	207,385	15.93
Construction	623,058	7.15	-	-	-	-
Hotels	52,565	0.60	-	-	-	-
Cement	376,568	4.32	-	-	-	-
Textile	2,190,177	25.14	-	-	200,000	15.36
Metal and allied products	506,342	5.81	-	-	-	-
Automobiles and allied	384,237	4.41	-	-	-	-
Transport/services and misc.	530,853	6.09	-	-	-	-
Telecommunication	115,044	1.32	-	-	-	-
Others	807,596	9.27	1,335,011	100.00	383,337	29.45
	8,710,509	100.00	1,335,011	100.00	1,301,820	100.00

41.1.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	10,020,735	100.00	577,976	100.00	1,713,217	100.00
	10,020,735	100.00	577,976	100.00	1,713,217	100.00

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	8,710,509	100.00	1,335,011	100.00	1,301,820	100.00
	8,710,509	100.00	1,335,011	100.00	1,301,820	100.00

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial institutions	103,500	103,500	156,369	103,500
Paper and allied	111,959	105,128	41,920	84,486
Electrical goods	7,493	7,493	6,654	6,654
Dairy and poultry	80,554	56,740	59,429	48,377
Banaspati and allied	-	-	80,112	18,438
Sugar and allied products	-	-	-	-
Chemical and fertilizer	35,468	27,466	67,452	28,074
Energy, oil and gas	338,713	280,746	296,754	257,438
Construction	355,424	245,603	441,024	238,932
Hotels	12,505	7,085	41,315	41,315
Cement	142,588	142,588	326,815	256,798
Textile	1,193,758	1,103,570	1,129,578	1,001,968
Metal and metal products	289,546	279,881	207,445	196,095
Automobiles and allied	294,371	233,396	349,287	272,077
Transport/services	589,712	431,696	334,567	201,159
Telecommunication	209,173	200,466	-	-
Others	274,594	206,632	1,063,730	783,149
	4,039,358	3,431,990	4,602,451	3,538,460

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	4,039,358	3,431,990	4,602,451	3,538,460
	4,039,358	3,431,990	4,602,451	3,538,460

41.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan	**1,188,046**	**23,413,993**	**10,112,523**	**1,713,217**
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	1,188,046	**23,413,993**	**10,112,523**	**1,713,217**

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

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

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

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 Group and is primarily attributable to the foreign currency assets, held in the form of foreign currency deposits with other banks. The Group manages its foreign exchange risk by keeping the data on foreign currency assets and liabilities, proposing limits, planning and determining yield as well as hedging the risk in the case of adverse movement in currency exchange rates and identifies the transactions which will be subject to market risk capital charge.

41.2.2 Foreign exchange risk (continued)

	Assets 2014 Rs. 000	Liabilities 2014 Rs. 000	Off-balance sheet items 2014 Rs. 000	Net currency exposure 2014 Rs. 000
Pakistan Rupee	23,392,816	13,301,469	1,713,217	8,378,130
United States Dollar	21,177	-	-	21,177
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	23,413,993	13,301,469	1,713,217	8,399,307

	Assets 2013 Rs. 000	Liabilities 2013 Rs. 000	Off-balance sheet items 2013 Rs. 000	Net currency exposure 2013 Rs. 000
Pakistan Rupee	16,360,939	7,463,195	1,301,821	7,595,923
United States Dollar	26,935	-	-	26,935
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	16,387,873	7,463,195	1,301,821	7,622,858

41.2.3 Equity position Risk

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

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	48,584,577	-	-	-	-	-	-	-	-	-	48,584,577
Balances with other banks	7.00	702,528,078	664,409,300	-	-	535,986	-	-	-	-	-	37,582,792
Lending to financial institutions	10.86	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-	-
Investments	11.49	10,307,306,443	69,253,397	318,799,754	415,024,669	47,738,630	640,680,091	481,503,283	4,810,385,087	1,742,807,499	-	1,781,114,033
Advances	11.37	6,588,745,208	279,146,466	3,177,324,403	2,381,424,072	712,896,957	9,573,445	-	-	28,379,865	-	-
Other assets	-	915,836,555	-	-	-	-	-	-	-	-	-	915,836,555
		19,463,000,861	1,512,809,163	3,896,124,157	2,796,448,741	761,171,573	650,253,536	481,503,283	4,810,385,087	1,771,187,364	-	2,783,117,957
Liabilities												
Borrowings from financial institutions	10.10	11,224,671,255	5,446,186,465	2,055,275,722	2,694,975,932	506,434,571	281,180,069	79,400,420	133,945,516	27,272,560	-	-
Deposits and other accounts	9.59	577,975,620	-	30,000,000	-	541,919,294	6,056,326	-	-	-	-	-
Other liabilities	-	492,958,207	-	-	-	-	-	-	-	-	-	492,958,207
		12,295,605,082	5,446,186,465	2,085,275,722	2,694,975,932	1,048,353,865	287,236,395	79,400,420	133,945,516	27,272,560	-	492,958,207
On-balance sheet gap		7,167,395,779	(3,933,377,302)	1,810,848,435	101,472,809	(287,182,292)	363,017,141	402,102,863	4,676,439,571	1,743,914,804	-	2,290,159,750
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
							-					
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		7,167,395,779	(3,933,377,302)	1,810,848,435	101,472,809	(287,182,292)	363,017,141	402,102,863	4,676,439,571	1,743,914,804	-	2,290,159,750
Cumulative yield/interest risk sensitivity gap		-	(3,933,377,302)	(2,122,528,867)	(2,021,056,058)	(2,308,238,350)	(1,945,221,209)	(1,543,118,346)	3,133,321,225	4,877,236,029	4,877,236,029	7,167,395,779

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

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

41.3 Liquidity risk

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

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

41.3.1 Maturities of assets and liabilities

	MATURITIES									
	Total 2014 Rupees	Upto 1 month 2014 Rupees	Over 1 - 3 months 2014 Rupees	Over 3 - 6 months 2014 Rupees	Over 6 - 12 months 2014 Rupees	Over 1 - 2 years 2014 Rupees	Over 2 - 3 years 2014 Rupees	Over 3-5 years 2014 Rupees	Over 5-10 years 2014 Rupees	Above 10 years 2014 Rupees
Assets										
Cash and balances with treasury banks	48,584,577	48,584,577	-	-	-	-	-	-	-	-
Balances with other banks	702,528,078	702,528,078	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	67,936,844	2,830,702	5,661,404	8,492,106	16,984,211	33,968,422	-	-	-	-
Lending to financial institutions	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-
Investments	10,307,306,443	69,253,397	344,116,603	415,024,669	1,370,647,065	640,680,091	481,503,283	4,810,385,087	2,173,196,248	2,500,000
Advances	6,588,745,208	279,146,466	322,091,378	407,525,475	1,555,148,209	1,451,864,255	1,021,446,243	1,154,251,694	397,271,488	-
Operating fixed assets	2,432,288,351	10,844,680	21,689,361	32,992,681	65,068,082	130,136,164	130,136,321	254,810,052	273,924,763	1,512,686,247
Development properties	174,419,530	14,534,961	29,069,922	43,604,883	87,209,765	-	-	-	-	-
Other Assets	2,192,183,694	306,466,554	295,931,897	285,397,240	1,304,388,003	-	-	-	-	-
	23,413,992,725	1,934,189,415	1,418,560,565	1,193,037,054	4,399,445,335	2,256,648,932	1,633,085,847	6,219,446,833	2,844,392,499	1,515,186,247
Liabilities										
Borrowings	11,224,671,255	5,446,186,465	2,055,275,722	2,694,975,932	506,434,571	281,180,069	79,400,420	133,945,516	27,272,560	-
Deposits and other accounts	577,975,620	-	30,000,000	-	541,919,294	6,056,326	-	-	-	-
Deferred tax liabilities	801,008,091	6,675,068	20,025,205	20,025,205	40,050,411	80,100,821	80,100,821	160,201,642	200,252,053	193,576,864
Other Liabilities	697,814,291	65,275,781	130,551,562	138,485,259	333,568,338	-	-	8,979,795	20,953,556	-
	13,301,469,257	5,518,137,314	2,235,852,489	2,853,486,396	1,421,972,615	367,337,216	159,501,241	303,126,953	248,478,169	193,576,864
Net assets	10,112,523,468	(3,583,947,899)	(817,291,925)	(1,660,449,342)	2,977,472,720	1,889,311,716	1,473,584,606	5,916,319,880	2,595,914,330	1,321,609,383
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,097,854,710	-	-	-	-	-	-	-	-	-
Unappropriated profitp	1,636,983,163	-	-	-	-	-	-	-	-	-
Non-controlling interest	(440,310,197)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,817,995,792	-	-	-	-	-	-	-	-	-
	10,112,523,468	-	-	-	-	-	-	-	-	-

41.3 Liquidity risk (continued)

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

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

41.3.1 Maturities of assets and liabilities (continued)

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

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 Group controls its operational risk by the following techniques:

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

Operational Risk Disclosures- Basel III

The Company is in the process of development of Operational Risk Framework under the Standardized Approach to identify, measure, monitor and control risk across the Company. Under the Standardized Approach, Company's activities are divided into business lines and the gross income is measured for each business line, not the whole institution.

Effective operational risk management is essential to reduce the impact of operational risk incidents and mitigating legal, regulatory and reputational risks. The framework is continually evolving to account for changes in the Company and to respond to the changing regulatory and business environment. The Company is in the process to implement operational risk data and assessment systems to monitor and analyze internal and external operational risk events, business environment and internal control factors and to perform scenario analysis.

In addition, the Company employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a strong governance framework, a comprehensive risk management program and insurance. The Company continually undertakes measures to improve infrastructure and mitigate operational risk. The goal of the Operational Risk Management Framework is to identify and assess significant operational risks and to ensure that appropriate mitigation actions are undertaken. Mitigation actions are driven by the operational Risk Framework in that operational risks and associated risk exposures are assessed vis-à-vis the operational risk levels and are prioritized accordingly. The breadth and range of operational risk are such that the types of mitigating activities are wide-ranging. These activities include the use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; implementation of enhanced policies and procedures; exception management processing controls; and authorization and segregation of duties.

42 EMPLOYEES PROVIDENT FUND

	Note	2014 Rupees	2013 Rupees
Size of the fund	**42.3**	62,506,766	65,924,513
Investments made		57,415,583	60,778,755
Percentage of investments made		91.85%	92.19%

Breakup of investments is as follows:

	2014		2013	
	Rupees	(%)	Rupees	(%)
Certificates of investments- COIs	23,500,000	40.93%	28,500,000	46.89%
Term deposit receipts- TDRs	29,500,000	51.38%	26,000,000	42.78%
Mutual fund	684,234	1.19%	250,000	0.41%
Bank deposits	231,349	0.40%	28,755	0.05%
Certificate of deposits	3,500,000	6.10%	6,000,000	9.87%
	57,415,583	100%	60,778,755	100%

42.1 All the investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

42.2 SPLCL has set up a provident fund for its permanent employees and the contributions were made by SPLCL to the trust in accordance with the requirements of Companies Ordinance, 1984. During the period SPLCL has not deposited the contribution collected from employees as well as its own contribution within 15 days as required under Section 227 of the Companies Ordinance, 1984. However, the unpaid contribution was deposited after the stipulated time and markup on the delayed payments have been accrued at KIBOR.

Further, SPLCL had suspended the contributions to provident fund as per the decision of Trustees of the fund and Board of Directors for a period from October 2009 to June 2012. However, SPLCL has reinstated the provident fund from 01 July 2012 and is contributing the amounts to fund on monthly basis.

42.3 This includes size of the fund of the Company, SPREL and SPLCL amounting to Rs. 56.363 million, Rs. 0.915 million and Rs. 5.228 million respectively.

43 CREDIT RATING

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

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

44 GENERAL

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

45 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 25, 2015 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

NOTE

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