FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2012

PakLibya

PAK-LIBYA HOLDING COMPANY (PVT.) LTD.

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Pak Libya Holding Company (Private) Limited** (the Company) as at **31 December 2012** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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 statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the loss, comprehensive loss, cash flows and changes in equity for the year then ended; and

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

We draw attention to the following matters:

(i) note 1.2 to the accompanying financial statements which states that the State Bank of Pakistan (SBP) has granted exemption to the Company from the prescribed requirement in respect of the minimum paid-up capital (free of losses) till 31 December 2013 and has advised the Company to complete the process of capital injection of Rs.4 billion by 31 December 2013; and

(ii) note 11.2 to the accompanying financial statements relating to deferred tax asset amounting to Rs.293.577 million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of the above matters.

The financial statements of the Company for the year ended 31 December 2011 were audited by another firm of Chartered Accountants whose audit report dated 14 March 2012 expressed an unmodified opinion on those financial statements. However, the audit report included an emphasis of matter paragraph in respect of the delay in commencement of commercial operations by Kamoki Energy Limited, a joint venture.

Ernst & Young Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 30 March 2013

Karachi

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Note	2012	2011
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	5	**63,387**	42,643
Balances with other banks	6	**38,636**	41,177
Lendings to financial institutions	7	**-**	200,000
Investments	8	**7,706,331**	6,187,323
Advances	9	**4,841,011**	7,039,113
Operating fixed assets	10	**97,945**	68,568
Deferred tax assets	11	**293,577**	404,497
Other assets	12	**424,720**	900,555
		13,465,607	14,883,876
LIABILITIES			
Bills payable		**-**	-
Borrowings	14	**5,880,572**	4,537,471
Deposits and other accounts	15	**4,088,500**	3,652,844
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	16	**346,744**	336,334
		10,315,816	8,526,649
NET ASSETS		**3,149,791**	6,357,227
REPRESENTED BY			
Share capital	17	**6,141,780**	6,141,780
Reserves	18	**-**	474,801
Accumulated loss		**(2,983,638)**	(29,595)
		3,158,142	6,586,986
Deficit on revaluation of assets - net of tax	19	**(8,351)**	(229,759)
		3,149,791	6,357,227

CONTINGENCIES AND COMMITMENTS 20

The annexed notes 1 to 44 and Annexures-I & II form an integral part of these financial statements.

Chief Financial Officer **Managing Director**

Director **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	22	**1,229,133**	1,728,763
Mark-up / return / interest expensed	23	**983,847**	1,100,691
Net mark-up / interest income		**245,286**	628,072
Provision / (reversal of provision) against non-performing advances - net	9.3.1	**1,752,648**	(55,106)
Reversal of provision against lendings to financial institutions	7.3	**(3,756)**	(10,017)
Provision for diminution in the value of investments - net	8.16	**1,234,710**	249,894
Bad debts written-off directly	9.3.5	**-**	320
		2,983,602	185,091
Net mark-up / interest income after provisions		**(2,738,316)**	442,981
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**6,226**	15,673
Dividend income		**13,018**	12,745
Income from dealing in foreign currencies		**-**	-
Gain on sale of securities - net	24	**99,030**	9,395
Unrealised gain / (loss) on revaluation of investments classified as 'held-for-trading'		**74**	-
Other income	25	**1,592**	31,979
Total non-mark-up / interest income		**119,940**	69,792
		(2,618,376)	512,773
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	**281,437**	341,014
Other provisions / write offs	27	**366,959**	18,210
Other charges	28	**18,071**	14,394
Total non-mark-up / interest expenses		**666,467**	373,618
Share of loss on interest in joint venture		**(32,856)**	(23,604)
		(3,317,699)	115,551
Extraordinary / unusual items		**-**	-
(LOSS) / PROFIT BEFORE TAXATION		**(3,317,699)**	115,551
Taxation			
- current		**6,676**	139,791
- prior years		**-**	71,001
- deferred		**104,469**	(31,350)
	29	**111,145**	179,442
LOSS AFTER TAXATION		**(3,428,844)**	(63,891)
		------------ (Rupees) ------------	
Loss per share - basic	30	**(5,583)**	(104)

The annexed notes 1 to 44 and Annexures-I & II form an integral part of these financial statements.

Chief Financial Officer | **Managing Director**

Director | **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	------- (Rupees in '000) -------	
Loss after taxation	**(3,428,844)**	(63,891)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**(3,428,844)**	(63,891)

The surplus / (deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes 1 to 44 and Annexures-I & II form an integral part of these financial statements.

Chief Financial Officer **Managing Director**

Director **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(3,317,699)**	115,551
Less: Dividend income		**(13,018)**	(12,745)
		(3,330,717)	102,806
Adjustments:			
Depreciation	10.2	**17,231**	26,095
Amortisation	10.4	**12**	1
Provision / (reversal) against non-performing advances - net	9.3.1	**1,752,648**	(55,106)
Unrealised (gain) / loss on revaluation of investments classified as 'held-for trading'		**(74)**	-
Reversal of provision against lendings to financial institutions	7.3	**(3,756)**	(10,017)
Other provisions / write offs	27	**366,959**	18,210
Share of loss on interest in joint venture		**32,856**	23,604
Provision for diminution in the value of investments - net	8.16	**1,234,710**	249,894
Gain on sale of operating fixed assets	25	**(525)**	(1,020)
		3,400,061	251,661
		69,344	354,467
(Increase) / decrease in operating assets			
Lendings to financial institutions		**203,756**	1,292,431
Investment classified as 'held-for-trading'		**(75,027)**	564,151
Advances		**445,454**	426,774
Other assets (excluding advance taxation)		**75,335**	(330,181)
		649,518	1,953,175
Increase / (decrease) in operating liabilities			
Borrowings		**1,343,101**	(446,319)
Deposits and other accounts		**435,656**	(1,004,846)
Other liabilities		**10,410**	61,969
		1,789,167	(1,389,196)
		2,508,029	918,446
Income tax paid		**(27,747)**	(191,650)
Net cash generated from operating activities		**2,480,282**	726,796
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in 'available-for-sale' securities		**(2,451,499)**	(690,837)
Net investments in 'held to maturity' securities		**23,750**	22,208
Investment in a joint venture	8.15.2	**-**	(100,000)
Dividend received		**11,766**	10,370
Investments in operating fixed assets - net		**(48,471)**	472
Proceeds on sale of operating fixed assets		**2,375**	1,974
Net cash used in investing activities		**(2,462,079)**	(755,813)
Increase / (decrease) in cash and cash equivalents		**18,203**	(29,017)
Cash and cash equivalents at beginning of the year		**83,820**	112,837
Cash and cash equivalents at end of the year	31	**102,023**	83,820

The annexed notes 1 to 44 and Annexures-I & II form an integral part of these financial statements.

Chief Financial Officer **Managing Director**

Director **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

		Reserves			
		Capital reserves	Revenue reserve		
	Issued, subscribed and paid-up capital	Statutory reserve (refer note 18.1)	Unappropriated profit / (accumulated loss)	Total reserves	Total
	---------------------------------- (Rupees in '000) ----------------------------------				
Balance as at January 01, 2011	6,141,780	474,801	34,296	509,097	6,650,877
Total comprehensive loss for the year					
Loss after taxation for the year ended December 31, 2011	-	-	(63,891)	(63,891)	(63,891)
Other comprehensive income	-	-	-	-	-
	-	-	(63,891)	(63,891)	(63,891)
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2011	6,141,780	474,801	(29,595)	445,206	6,586,986
Total comprehensive loss for the year					
Loss after taxation for the year ended December 31, 2012	-	-	(3,428,844)	(3,428,844)	(3,428,844)
Other comprehensive income	-	-	-	-	-
	-	-	(3,428,844)	(3,428,844)	(3,428,844)
Transfer from statutory reserve	-	(474,801)	474,801	-	-
Balance as at December 31, 2012	**6,141,780**	**-**	**(2,983,638)**	**(2,983,638)**	**3,158,142**

The annexed notes 1 to 44 and Annexures-I & II form an integral part of these financial statements.

Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

1.1 Pak Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further thirty years upto October 14, 2038. The objective of the Company interalia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a development financial institution (DFI) under the BPD Circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has two sales and service centers located in Lahore and Islamabad. Effective August 05, 2012, activities of Islamabad sales and service centre have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated September 05, 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs.6 billion. The paid-up capital of the Company (free of losses) as of December 31, 2012 amounted to Rs.3.158 billion after utilisation of capital reserves as allowed by the SBP's letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012.

The Board of Directors (BOD) of the Company in its meeting held on December 09, 2012 and December 10, 2012, recommended the shareholders for increase in paid-up capital by Rs.4 billion in the year 2013. Further, in their meeting held on February 01, 2013, the BOD has approved the financial projections for the next three years. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company. The Company intends to seek shareholders' approval for injection of capital in the forthcoming Annual General Meeting of the Company.

Further, SBP vide its letter no. BPRD/BAID/2947/2013 dated March 14, 2013, has granted exemption from meeting the minimum capital requirement till December 31, 2013 and advised:

- to take up the matter with Ministry of Finance (MoF) for necessary budgetary provision for capital injection of Rs.2 billion as Government of Pakistan (GoP) share at the earliest; and

- to complete the process of capital injection of Rs.4 billion in the Company by December 31, 2013 and submit a quarterly progress report until the subject capital injection is materialised.

The necessary procedural work in this respect is currently underway.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance), the Banking Companies Ordinance 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). The approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. Wherever the requirements of the Ordinance, the Banking Companies Ordinance, 1962 or the directives issued by SECP and SBP differ with the requirements of these standards, the requirements of the Ordinance or the said directives prevail.

The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 ‘Financial Instruments: Recognition and Measurement’, and IAS 40 ‘Investment Property’ for Non-Bank Financial Institutions (NBFIs) in Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	**Effective date (annual periods beginning on or after)**
IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 - Employee Benefits (Revised)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application other than the revision to IAS 19 'Employee Benefits' as described below:

The significant changes to IAS 19 are as follows:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

- The distinction between short-term and long-term employee benefits will be based on the expected timing of settlement rather than the employee’s entitlement to the benefits.

- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the full impact of the above amendments to IAS 19 on its financial statements. It is expected that the adoption of the said amendments, which are effective only from January 01, 2013, will result in a change in the Company's accounting policy related to recognition of actuarial gains and losses (note 4.8). For the year 2013, as a result of this change in accounting policy, there will be a net increase of Rs.5.457 million in defined benefit obligation with a corresponding decrease in other comprehensive income.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

Standard or Interpretation	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below in note 4.1:

4.1 New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective during the current year:

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.3 Revenue recognition

Dividend income is recognised when the Company’s right to receive payment is established.

Gain on sale of shares and income from loans, term finance certificates, sukuks, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis, except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates and sukuks is recognised on an accrual basis using the effective interest method.

Premium or discount on debt securities is amortised using the effective interest method and taken to profit and loss account.

The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

4.4 Advances including net investment in finance leases

Advances are stated net of provisions for bad and doubtful debts, if any, which are charged to the profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets are transferred to the lessee, such leases are classified as finance lease.

A receivable is recognised at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

General provision

The Company maintains a general reserve (provision) in accordance with the applicable requirement of the ‘Prudential Regulations for Consumer Financing’ issued by the SBP.

4.5 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

The Company has classified its investments, except for strategic investment in joint venture, into ‘held-for-trading’, ‘held to maturity’ and ‘available-for-sale’ portfolios as follows:

Held-for-trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to profit and loss account.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale

These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost which includes transaction costs associated with the investment. These are carried at market value except for unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to ‘surplus / (deficit) on revaluation of assets’ account shown below equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' below equity is included in the profit and loss account for the period.

Unlisted securities where active market does not exist are stated at the lower of cost and break-up value.

The cost of acquisition of ‘dealing securities’ (i.e. listed securities purchased and sold on the same day) is not considered for calculating the ‘moving average cost’ of other listed securities (i.e. listed securities sold after the date of purchase).

The Company amortises the premium on acquisition of government securities using the effective yield method.

Provision for diminution in value of investments for unquoted debt securities is calculated as per the SBP's Prudential Regulations.

The Company follows the ‘Settlement date’ accounting for investments.

Gains and losses arising on sale of investments are recognised in the profit and loss account.

Interest in Joint Venture

Interest in joint venture is accounted for using the equity method of accounting less provision for impairment, if any.

4.6 Operating fixed assets

4.6.1 Owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

Maintenance and normal repairs are charged to income as and when incurred.

Assets are derecognised when no future economic benefit is expected from its use or disposal. Profit or loss on sale or retirement of fixed assets is included in the profit and loss account.

4.6.2 Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight line method over their estimated useful lives after taking into account the residual value, if any.

Amortisation on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

Amortisation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no amortisation is charged on additions during the second half of the month and disposals in the first half of the month.

4.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.8 Staff retirement benefits

Defined benefit plan

Gratuity Fund

The Company operates a funded gratuity scheme for all its permanent employees in accordance with the human resource policy of the Company and terms of employment for managing director and deputy managing director. Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in accordance with the actuary's recommendation.

The last actuarial valuation of the scheme was carried out as at December 31, 2012. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

Benevolent Fund

The Company operates a benevolent fund scheme for its employees where equal fixed contributions are being made by employees and the Company. Employees or their legal heirs are entitled to certain pre-defined benefits on happening of specified events including retirement, incapacitation, marriage and death etc. as per their entitlement. Contributions paid by Company to the fund are included in expenses for the period.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at a rate of 3.5 and 4 (2011: 3.5) percent and 10 percent of salary for the managing director and deputy managing director, as applicable. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of the future payments is available.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the statement of financial position date.

The Company recognises provision for compensated absences on the basis of actuarial valuation under Projected Unit Credit Method. The last actuarial valuation was carried out as at December 31, 2012.

4.9 Securities under repurchase / resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

4.10 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4.11 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Exchange gains and losses are included in the profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

4.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Company to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the provision is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.13 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.14 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for bad and doubtful advances including net investment in lease (note 4.4)

b) Classification and provisioning of investments (note 4.5)

c) Depreciation of property and equipment and amortisation of intangible assets (note 4.6)

d) Assumptions and estimation in recognition of deferred taxation (note 4.7)

e) Accounting for defined benefit plan and compensated absences (note 4.8)

f) Impairment (note 4.20)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.16 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Business segments

- Retails banking

  Consists of retail lending services to private individuals and small businesses.

- Corporate / commercial banking

  Consists of investments, lending for project finance, trade finance, corporate customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatisations and securitisation and rest of the business.

4.17 Borrowing cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to Ordinary shareholders and the weighted average number of Ordinary shares outstanding for the effects of all dilutive potential Ordinary shares, if any.

4.19 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

4.20 Impairment

The carrying amounts of the Company's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

	Note	2012	2011
		------ (Rupees in '000) ------	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2012	2011
Cash in hand			
Local currency		**3**	1
Foreign currency		**87**	-
Balances with State Bank of Pakistan (SBP)			
Local currency current account	5.1	**63,154**	42,201
Balances with National Bank of Pakistan			
Local currency current account		**143**	441
		63,387	42,643

5.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

6. BALANCES WITH OTHER BANKS

	Note	2012	2011
In Pakistan			
Current accounts		**5,232**	8,168
Deposit accounts	6.1	**33,404**	33,009
		38,636	41,177

6.1 The return on these balances ranges from 6 to 8 (2011: 5 to 11) percent per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2012	2011
Placements	7.1	**50,824**	254,580
Less: Provision against lendings	7.3	**(50,824)**	(54,580)
		-	200,000

7.1 The agreed profit rates on these placements were 18 to 21.5 (2011: 12.50 to 21.50) percent per annum.

7.2 Particulars of lendings

	2012	2011
In local currency	**50,824**	254,580
In foreign currencies	**-**	-
	50,824	254,580

7.3 Provision against lendings

	2012	2011
Opening balance	**54,580**	64,597
Charge for the year	**-**	-
Less: Reversal for the year	**(3,756)**	(10,017)
Net reversal for the year	**(3,756)**	(10,017)
Closing balance	**50,824**	54,580

8. INVESTMENTS

8.1 Investments by types

	Note	2012 Held by the Company	2012 Given as collateral	2012 Total	2011 Held by the Company	2011 Given as collateral	2011 Total
		----------	----------	(Rupees in '000)	----------	----------	----------
Held-for-trading securities							
Listed Term Finance Certificates (TFCs)	8.3	**75,027**	**-**	**75,027**	-	-	-
Available-for-sale securities							
Market treasury bills	8.4	**631,355**	**3,711,745**	**4,343,100**	372,478	1,774,645	2,147,123
Pakistan investment bonds	8.5	**256,263**	**307,814**	**564,077**	157,234	129,524	286,758
Listed Ordinary shares	8.6	**697,057**	**-**	**697,057**	1,202,023	-	1,202,023
Unlisted Ordinary shares	8.7	**162,341**	**-**	**162,341**	107,191	-	107,191
Listed Preference shares	8.8	**50,715**	**-**	**50,715**	53,300	-	53,300
Unlisted Preference shares	8.9	**300,000**	**-**	**300,000**	300,000	-	300,000
Listed TFCs	8.10	**375,830**	**-**	**375,830**	305,163	214,850	520,013
Unlisted TFCs	8.11	**1,398,559**	**-**	**1,398,559**	1,497,980	8,804	1,506,784
Listed Mutual fund units	8.12	**589,230**	**-**	**589,230**	19,230	-	19,230
Unlisted Sukuks	8.13	**338,134**	**-**	**338,134**	501,625	-	501,625
Held-to maturity securities							
Participation Term Certificates (PTCs)	8.14	**7,913**	**-**	**7,913**	7,913	-	7,913
Commercial paper		**-**	**-**	**-**	23,750	-	23,750
Strategic Investment in joint venture - Kamoki Energy Limited							
Unlisted Ordinary shares - net	8.15	**404,867**	**-**	**404,867**	437,723	-	437,723
Investment at cost		**5,287,291**	**4,019,559**	**9,306,850**	4,985,610	2,127,823	7,113,433
Less: Provision for diminution in the value of investments	8.16	**1,590,503**	**-**	**1,590,503**	688,161	-	688,161
Investments (net of provisions)		**3,696,788**	**4,019,559**	**7,716,347**	4,297,449	2,127,823	6,425,272
Unrealised gain on revaluation of 'held-for-trading' securities		**74**	**-**	**74**	-	-	-
Deficit on revaluation of 'available-for-sale' securities		**(9,593)**	**(497)**	**(10,090)**	(233,854)	(4,095)	(237,949)
Total investments		**3,687,269**	**4,019,062**	**7,706,331**	4,063,595	2,123,728	6,187,323

8.2 Investments by segments

	Note	2012	2011
		---- (Rupees in '000) ----	
Federal government securities			
Market treasury bills	8.4	**4,343,100**	2,147,123
Pakistan investment bonds	8.5	**564,077**	286,758
Fully paid-up Ordinary shares			
Listed	8.6	**697,057**	1,202,023
Unlisted	8.7	**162,341**	107,191
Fully paid-up preference shares			
Listed	8.8	**50,715**	53,300
Unlisted	8.9	**300,000**	300,000
Term Finance Certificates			
Listed	8.3 & 8.10	**450,857**	520,013
Unlisted	8.11	**1,398,559**	1,506,784
Other investments			
Mutual fund units - listed	8.12	**589,230**	19,230
Commercial paper- unlisted		**-**	23,750
Sukuks - unlisted	8.13	**338,134**	501,625
Participation Term Certificates	8.14	**7,913**	7,913
Strategic Investment in joint venture - Kamoki Energy Limited			
Unlisted Ordinary shares - net	8.15.2	**404,867**	437,723
Total investment at cost		**9,306,850**	7,113,433
Less: Provision for diminution in value of investments	8.16	**(1,590,503)**	(688,161)
Investments (net of provisions)		**7,716,347**	6,425,272
Unrealised gain on revaluation of 'held-for-trading' securities		**74**	-
Deficit on revaluation of 'available-for-sale' securities		**(10,090)**	(237,949)
Total investments		**7,706,331**	6,187,323

8.3 Particulars of investments in listed term finance certificates - held-for-trading

Name of investee	2012	2011	Cost 2012	Cost 2011
	Number of certificates		--- (Rupees in '000) ---	
Commercial banks				
United Bank Limited	**14,740**	-	**75,027**	-

8.4 The purchase yield on these treasury bills ranges from 9.21 to 11.87 (2011: 11.78 to 13.86) percent per annum which will mature latest by October 2013. These are held by State Bank of Pakistan and are eligible for rediscounting.

8.5 These Pakistan Investment Bonds carry interest rate returns ranging from 8 to 12 (2011: 8 to 11.5) percent per annum and have maturity periods ranging between June 2013 and July 2022 (2011: August 2012 and August 2016). These are eligible for rediscounting with the SBP.

8.6 Particulars of investments held in Ordinary shares of listed companies - available-for-sale

			Cost	
	2012	**2011**	**2012**	**2011**
Name of investee	**Number of shares**		**--- (Rupees in '000) ---**	
Commercial banks				
NIB Bank Limited	**-**	16,000,000	**-**	124,806
Silk Bank Limited	**20,837,000**	40,600,226	**91,577**	178,435
Standard Chartered Bank Limited	**-**	2,562,940	**-**	24,163
Financial services				
Jahangir Siddiqui & Company Limited	**-**	3,800,000	**-**	101,094
Invest Capital Investment Bank Limited	**2,600,000**	2,600,000	**10,000**	10,000
Chemicals				
Agritech Limited *	**14,381,996**	10,000,000	**453,370**	300,000
Arif Habib Corporation Limited	**786,500**	715,000	**29,036**	29,036
Fauji Fertilizer Company Limited	**50,000**	-	**5,750**	-
Personal goods (textile)				
Nishat (Chunian) Limited	**363,000**	-	**3,300**	-
Construction and materials				
D.G. Khan Cement Limited	**-**	1,558,164	**-**	52,848
Fixed line telecommunications				
Wateen Telecom Limited	**-**	5,000,000	**-**	50,000
Electricity				
Hub Power Company Limited	**50,000**	-	**2,203**	-
General industrials				
Packages Limited	**-**	1,148,683	**-**	229,820
Oil and gas				
Mari Petroleum Company Limited	**750,000**	750,000	**89,841**	89,841
Shell Pakistan Limited	**59,021**	47,217	**11,980**	11,980
			697,057	1,202,023

8.6.1 The nominal value of each share held in a listed company is Rs.10 per share as at December 31, 2012 and December 31, 2011.

* Out of this, 3,351,187 shares are held by Faysal Bank Limited as Trustee to the issue on behalf of the Company pursuant to applicable shareholder investment agreement.

8.7 Particulars of investments held in unlisted Ordinary shares - available-for-sale

Name of investee	**%**	**Break-up value per share (Rupees)**	**Based on audited financial statements as at**	**2012**	**2011**	**2012**	**2011**
				Number of shares		**--- (Rupees in '000) ---**	
Shareholding more than 10%							
Paramount Investments Limited CEO - Mr. Ghaffar A. Omar	17.92	14.60	June 30, 2012	**400,000**	400,000	**4,000**	4,000
Shareholding upto 10%							
Agro Dairies Limited CEO - Mr. Mukhtar Hussain Rizvi	-	-	*	**300,000**	300,000	**2,301**	2,301
				Balance c/f.		**6,301**	6,301

Name of investee	%	Break-up value per share (Rupees)	Based on audited financial statements as at	2012	2011	2012	2011
				Number of shares		--- (Rupees in '000) ---	
			Balance b/f.			**6,301**	6,301
Al-Hamra Hills (Private) Limited CEO - Mr. Habib Ahmed	5.65	6.92	June 30, 2012	**5,000,000**	5,000,000	**50,000**	50,000
FTC Management Company Limited CEO - Engr. Fateh Sultan	9.1	10.00	June 30, 2012	**50,000**	50,000	**500**	500
New -VIS Credit Information Services (Private) Limited CEO - Mr. Fahim Ahmed	5.69	(2.12)	June 30, 2012	**39,000**	39,000	**390**	390
Pakistan Textile City Limited CEO - Mr. Zaheer A. Hussain	4.00	6.61	June 30, 2012	**5,000,000**	5,000,000	**50,000**	50,000
Karachi Stock Exchange Limited (note 8.7.2) CEO - Mr. Nadeem Naqvi	0.50	9.95	December 31, 2012 (un-audited)	**4,007,383**	-	**55,150**	-
						162,341	107,191

* Under litigation

8.7.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at December 31, 2012 and December 31, 2011.

8.7.2 In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012 (the Act), the Company has received equity shares of Karachi Stock Exchange Limited (KSE) and "Trading Right Entitlements" in lieu of its membership card. The Company's entitlement in respect of shares is determined on the basis of valuation of assets and liabilities of the exchange as approved by the SECP and the Company has been allotted 4,007,383 shares of KSE having the face value of Rs.10 each, out of which 60% of the shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act. The valuation and the accounting treatment of Trading Right Entitlements and shares received from the exchange are being discussed in the Professional Standards and Technical Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and will be finalised in due course. Accordingly, the membership card have been reclassified / derecognised from other assets and the entire amount has been classified / recognised as "available-for-sale" unlisted Ordinary shares for the time being. There has been no gain or loss recognised on this transaction.

8.8 Particulars of investments held in listed preference shares - available-for-sale

Name of investee	2012	2011	Cost 2012	Cost 2011
	Number of shares		--- (Rupees in '000) ---	
Personal goods				
Chenab Limited	**2,500,000**	2,500,000	**25,000**	25,000
Nishat (Chunian) Limited	**-**	330,000	**-**	3,300
Chemicals				
Agritech Limited (preference shares rights)	**-**	4,060,195	**-**	-
Household goods				
Pak-Elektron Limited	**2,500,000**	2,500,000	**25,000**	25,000
Industrial metals and mining				
Aisha Steel Mills Limited	**71,500**	-	**715**	-
			50,715	53,300

8.9 Particulars of investments held in unlisted preference shares - available-for-sale

Name of investee	Note	2012	2011	Cost 2012	Cost 2011
		Number of shares		--- (Rupees in '000) ---	
Electricity					
Kamoki Energy Limited					
(CEO Dr. Umer Masood)	8.15.1	**30,000,000**	30,000,000	**300,000**	300,000

These are cumulative, convertible, redeemable and non-participatory preference shares carrying dividend at the rate of 17% per annum having the face value of Rs.10 each. These are redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon will be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

The Company has made 100% provision against this investment based on the reasons as explained in note 8.15.

8.10 Particulars of investments in listed term finance certificates - available-for-sale

Name of investee	2012	2011	Cost 2012	Cost 2011
	Number of certificates		--- (Rupees in '000) ---	
Chemicals				
Pakarab Fertilizers Limited	**3,447**	43,447	**5,171**	158,259
Commercial banks				
Faysal Bank Limited	**20,000**	20,000	**24,940**	49,900
Summit Bank Limited	**59,955**	39,955	**297,996**	199,775
Financial services				
Invest Capital Investment Bank Limited	**600**	600	**3,000**	3,000
Trust Investment Bank Limited	**5,000**	5,000	**9,371**	12,495
Personal goods (textile)				
Azgard Nine Limited	**8,000**	8,000	**13,015**	29,959
Fixed line telecommunication				
Pakistan Mobile Communications Limited	**27,000**	27,000	**22,337**	66,625
			375,830	520,013

8.10.1 The face value of each term finance certificate was Rs.5,000 as at December 31, 2012 and December 31, 2011.

8.11 Particulars of investment held in unlisted TFCs - available-for-sale

Name of investee	Name of the chief executive officer	2012	2011	Cost 2012	Cost 2011
		Number of certificates		--- (Rupees in '000) ---	
Azgard Nine Limited (4th issue)	Ahmed H. Sheikh	**56,000**	56,000	**179,652**	280,000
Azgard Nine Limited (5th issue)	Ahmed H. Sheikh	**16,080**	-	**80,400**	-
Dewan Farooque Spinning Mills Limited	Dewan Abdul Baqi Farooqui	**15,000**	15,000	**18,750**	18,750
Engro Fertilizers Limited	Mr. Ruhail Mohammed	**113,600**	114,800	**560,018**	553,662
Engro Fertilizers Limited (2nd issue)	Mr. Ruhail Mohammed	**60,000**	60,000	**300,000**	300,000
Jahangir Siddiqui & Company Limited	Mr. Suleman Lalani	**3,500**	20,000	**17,407**	94,933
KASB Securities Limited	Mr. Nadir Rahman	**-**	20,000	**-**	32,295
ORIX Leasing Pakistan Limited	Mr. Teizoon Kisat	**250**	250	**4,158**	12,086
Gharibwal Cement Limited	Muhammad Tousif Peracha	**1,216**	1,216	**4,848**	4,848
Agritech Limited	Mr. Ahmed Jaudet Bilal	**-**	4,000	**-**	7,764
Pakarab Fertilizers Limited	Mr. Fawad Ahmed Mukhtar	**12,500**	-	**31,565**	-
New Allied Electronics Industries (Private) Limited	Mian Pervaiz Akhtar	**10,000**	10,000	**21,138**	21,138
Pakistan International Airlines Corporation Limited	Mr. Mohammad Junaid Younus	**35,415**	35,415	**176,933**	176,933
Security Leasing Corporation Limited (3rd issue)	Mr. Mohammad Khalid Ali	**4,000**	4,000	**3,690**	4,375
				1,398,559	1,506,784

8.12 Particulars of investments held in listed mutual fund units - available-for-sale

Name of investee	Fund Type	Face value per unit (Rupees)	2012	2011	Cost 2012	Cost 2011
			Number of units		--- (Rupees in '000) ---	
Pak Oman Advantage Fund	Income	10	**1,923,000**	1,923,000	**19,230**	19,230
NIT - Income Fund	Income	10	**4,875,638**	-	**50,000**	-
NIT - Government Bond Fund	Income	10	**4,904,846**	-	**50,000**	-
BMA Empress Cash Fund	Money Market	10	**2,018,011**	-	**20,000**	-
ABL Cash Fund	Money Market	10	**10,104,795**	-	**100,000**	-
First Habib Cash Fund	Money Market	100	**1,003,746**	-	**100,000**	-
HBL Money Market Fund	Money Market	100	**999,635**	-	**100,000**	-
NAFA Money Market Fund	Money Market	10	**7,451,787**	-	**75,000**	-
Askari Sovereign Cash Fund	Money Market	100	**502,835**	-	**50,000**	-
Primus Daily Reserve Fund	Money Market	100	**250,000**	-	**25,000**	-
					589,230	19,230

8.13 Particulars of investments held in unlisted sukuks - available-for-sale

	Name of the chief executive officer	2012	2011	Cost 2012	Cost 2011
		Number of certificates		--- (Rupees in '000) ---	
Security Leasing Corporation Limited (2nd issue)	Mr. Mohammad Khalid Ali	**8,000**	8,000	**14,760**	17,500
Kohat Cement Limited	Mr. Aizaz Manzoor Sheikh	**30,000**	43,665	**39,962**	148,462
House Building Finance Company Limited	Syed Azhar Abbas Jafri	**44,300**	44,300	**64,398**	105,595
Pak Elektron Limited	Mr. Haroon Ahmad Khan	**44,600**	44,600	**88,611**	88,611
Pak Elektron Limited (2nd issue)	Mr. Haroon Ahmad Khan	**9,000**	9,000	**38,522**	38,522
Sitara Energy Limited	Mr. Javed Iqbal	**-**	3,652	**-**	6,175
Liberty Power Technology Limited	Mr. Ashraf S. Mukaty	**1,000,000**	1,000,000	**91,881**	96,760
				338,134	501,625

8.14 Particulars of investments held in unlisted Participation Term Certificates (PTCs) - held to maturity

	Name of the chief executive officer	2012	2011	Cost 2012	Cost 2011
		Number of certificates		--- (Rupees in '000) ---	
Agro Dairies Limited	Mr. Mukhtar Hussain Rizvi	**12**	12	**1,925**	1,925
Qureshi Vegetable Ghee Mills Limited	Mr. Tariq Mahmud Qureshi	**96**	96	**5,988**	5,988
				7,913	7,913

8.15 As at December 31, 2012, the Company has the following investment / exposure in KEL which is a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental electric power generation plant. KEL could not commence its commercial operations to date.

During the year, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on March 30, 2012 on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Court taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL has filed a review petition against the decision of the Court which is pending adjudication.

Keeping in view the above, the Board of Directors in their meeting, held on December 09 and 10, 2012, deliberated upon different alternatives in detail in respect of the above exposure and thereafter decided to take exit from KEL. The Board advised the management to explore option to sell the project to a third party.

In view of the above circumstances, the Company carried out an impairment test in respect of equity investments (including preference shares) held by the Company in accordance with the requirement of International Accounting Standard (IAS) 36 - "Impairment of Assets". Further, the provisioning against the term loan and mark-up accrued thereon has also been determined in accordance with the requirement of Prudential Regulations issued by the SBP. Accordingly, the Company has made provisions against diminution in the value of equity investments (ordinary and preference shares), non-performing term loan and against other receivables as follows:

Nature of assets / exposures	Note	Book value before provision	Provision held	Book value after provision
		---------------- (Rupees in '000)	----------------	
Preference shares	8.15.1	**300,000**	**(300,000)**	**-**
Ordinary shares	8.15.2	**404,867**	**(404,867)**	**-**
Term loan	8.15.3	**1,250,000**	**(983,812)**	**266,188**
Other assets - accrued income	8.15.4	**205,690**	**(205,690)**	**-**
Other assets - other receivables	8.15.5	**26,000**	**(26,000)**	**-**
		2,186,557	**(1,920,369)**	**266,188**

8.15.1 These are unlisted preference shares issued by KEL, the entire issue (100%) of these preference shares was subscribed by the Company during the year 2011. These have been fully provided due to the reasons stated above.

8.15.2 This represents 50% shareholding in the Ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above. The book value represents cost of investment amounting to Rs.500 million less share of loss of interest in joint venture amounting to Rs.95.133 million upto June 30, 2012 (2011: Rs.62.277 million upto December 31, 2011). This investment is designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

8.15.3 This represents term loan extended to KEL against which 100% provisioning has been made after taking a reduced Forced Sale Value (FSV) benefit of Rs.266.188 million out of the available FSV benefit of Rs.438.342 million as of December 31, 2012, as allowed by SBP vide its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012.

8.15.4 An amount of Rs.205.69 million represents mark-up receivable upto December 31, 2011 on term loan extended to KEL. 100% provision has been made against the same. Further, remaining suspended mark-up amounting to Rs.181.516 million has not been recognised by the Company.

8.15.5 This represents receivable on account of certain payments made by the Company on behalf of KEL, against which 100% provision has been made.

	Note	2012	2011
		---- (Rupees in '000)	----
8.16 Particulars of provision			
Opening balance		**688,161**	543,876
Charge for the year		**1,287,682**	253,154
Less: Reversal during the year		**(52,972)**	(3,260)
Net charge for the year		**1,234,710**	249,894
Add: Transfer in		**80,400**	-
Less: Reversal on disposal		**(412,768)**	(105,609)
Net reversal		**(332,368)**	(105,609)
Closing balance	8.16.1	**1,590,503**	688,161

8.16.1 Particulars of provision in respect of type and segment

	Note	2012	2011
Available-for-sale securities			
Listed shares (ordinary and preference)	8.16.2	**386,688**	483,710
Unlisted shares (ordinary and preference)	8.16.3	**368,091**	27,841
Listed / unlisted TFCs	8.16.4	**332,017**	42,311
Unlisted Sukuks	8.16.5	**90,927**	126,386
Held to maturity securities			
Unlisted Participation Term Certificates (PTCs)	8.16.6	**7,913**	7,913
Strategic Investment in joint venture - Kamoki Energy Limited			
Unlisted Ordinary shares - net	8.16.7	**404,867**	-
		1,590,503	688,161

	Note	2012	2011
		---- (Rupees in '000) ----	

8.16.2 Particulars of provision against listed shares (Ordinary and Preference shares)

Opening balance		**483,710**	406,675
Charge for the year		**315,746**	182,645
Less: Reversal for the year		**-**	-
Net charge for the year		**315,746**	182,645
Less: Reversal of provision on available-for-sale shares		**(412,768)**	(105,610)
Closing balance		**386,688**	483,710

8.16.3 Particulars of provision against unlisted shares (Ordinary and Preference shares)

Opening balance		**27,841**	16,951
Charge for the year		**340,250**	14,150
Less: Reversal during the year		**-**	(3,260)
Net charge for the year		**340,250**	10,890
Closing balance		**368,091**	27,841

8.16.4 Particulars of provision against listed / un-listed TFCs

Opening balance		**42,311**	39,887
Charge for the year		**209,809**	2,424
Less: Reversal during the year		**(503)**	-
Net charge for the year		**209,306**	2,424
Transfer in		**80,400**	-
Closing balance		**332,017**	42,311

8.16.5 Particulars of provision against unlisted Sukuks

Opening balance		**126,386**	72,450
Charge for the year		**17,010**	53,936
Less: Reversal during the year		**(52,469)**	-
Net (reversal) / charge for the year		**(35,459)**	53,936
Closing balance		**90,927**	126,386

8.16.6 Particulars of provision against unlisted participation term certificates

Opening balance		**7,913**	7,913
Charge for the year		**-**	-
Less: Reversal during the year		**-**	-
Net charge for the year		**-**	-
Closing balance		**7,913**	7,913

8.16.7 Particulars of provision against Strategic Investment in joint venture - Kamoki Energy Limited - unlisted Ordinary shares - net

Opening balance		**-**	-
Charge for the year	8.15.2	**404,867**	-
Less: Reversal during the year		**-**	-
Net charge for the year		**404,867**	-
Closing balance		**404,867**	-

	2012		2011	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
8.17 Quality of securities / entities				
Held-for-trading securities				
Listed Term Finance Certificates (TFCs)				
Commercial banks				
United Bank Limited (4th issue)	**75,101**	**AA**	-	-
Available-for-sale securities				
Government securities				
Pakistan investment bonds (PIBs)	**555,326**	**Unrated**	262,965	Unrated
Market treasury bills	**4,344,662**	**Unrated**	2,147,515	Unrated
	4,899,988		2,410,480	
Listed ordinary shares				
Commercial banks				
NIB Bank Limited	**-**	**-**	27,680	AA-/A1+
Silk Bank Limited	**47,508**	**A- / A-3**	71,862	A-A-2
Standard Chartered Bank Limited	**-**	**-**	20,478	AAA/A1+
Financial services				
Jahangir Siddiqui & Company Limited	**-**	**-**	15,314	AA
Invest Capital Investment Bank Limited	**4,420**	**Unrated**	10,000	D
Chemicals				
Agritech Limited	**167,838**	**D**	153,600	D
Arif Habib Corporation Limited	**18,970**	**AA / A-1+**	18,526	Unrated
Fauji Fertilizer Company Limited	**5,857**	**Unrated**	-	-
Personal goods (textile)				
Nishat (Chunian) Limited	**12,720**	**A- / A-2**	-	-
Construction and materials				
D.G. Khan Cement Limited	**-**	**-**	29,652	Unrated
Fixed line telecommunication				
Wateen Telecom Limited	**-**	**-**	8,950	Unrated
Electricity				
Hub Power Company Limited	**2,262**	**AA+ / A1+**	-	-
General industrials				
Packages Limited	**-**	**-**	95,019	AA/A1+
Oil and gas				
Mari Petroleum Company Limited	**73,763**	**Unrated**	60,750	Unrated
Shell Pakistan Limited	**8,038**	**Unrated**	8,984	Unrated
	341,376		520,815	
Unlisted ordinary shares				
Paramount Investments Limited	**4,000**	**Unrated**	4,000	Unrated
Agro Dairies Limited *	**-**	**Unrated**	-	Unrated
Al-Hamra Hills (Private) Limited	**34,600**	**Unrated**	36,850	Unrated
FTC Management Company Limited	**500**	**Unrated**	500	Unrated
New - VIS Credit Information Services (Private) Limited *	**-**	**Unrated**	-	Unrated
Pakistan Textile City Limited *	**-**	**Unrated**	38,000	Unrated
Karachi Stock Exchange Limited	**55,150**	**Unrated**	-	Unrated
	94,250		79,350	

	2012		2011	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
Listed preference shares				
Personal goods (textile)				
Chenab Limited *	**-**	**Unrated**	-	Unrated
Nishat (Chunian) Limited	**-**	**-**	8,415	A+
Chemicals				
Agritech Limited (preference rights)	**-**	**-**	41	D
Household goods				
Pak-Elektron Limited	**12,500**	**Unrated**	25,000	BBB/A3
Industrial metals and mining				
Aisha Steel Mills Limited	**718**	**A- / A-2**	-	-
	13,218		33,456	
Unlisted preference shares				
Electricity				
Kamoki Energy Limited *	**-**	**Unrated**	300,000	Unrated
Listed TFCs				
Chemicals				
Pakarab Fertilizers Limited	**5,176**	**AA**	160,754	AA-/A1
Commercial banks				
Faysal Bank Limited	**25,040**	**AA-**	50,055	AA/A1+
Summit Bank Limited	**294,394**	**A-(SO)**	199,775	A/A2
Financial services				
Invest Capital Investment Bank Limited *	**-**	**D**	2,865	D
Trust Investment Bank Limited *	**-**	**Unrated**	12,532	BBB/A3
Personal goods (textile)				
Azgard Nine Limited - 3rd issue *	**-**	**D**	28,162	D
Fixed line telecommunication				
Pakistan Mobile Communications Limited	**22,689**	**AA-**	70,356	A+/A1
	347,299		524,499	
Unlisted TFCs				
Azgard Nine Limited (4th issue) *	**-**	**D**	280,000	D
Azgard Nine Limited (5th issue) *	**-**	**D**	-	-
Dewan Farooque Spinning Mills Ltd *	**-**	**Unrated**	-	Unrated
Engro Fertilizers Limited	**560,018**	**A**	553,664	AA-/A1
Engro Fertilizers Limited (2nd issue)	**300,000**	**A**	300,000	AA-/A1
Jahangir Siddiqui & Company Limited (6th issue)	**17,408**	**AA**	94,933	AA/A1+
KASB Securities Limited	**-**	**-**	32,295	A/A1
ORIX Leasing Pakistan Limited	**4,158**	**AA+**	12,087	AA/A1+
Gharibwal Cement Limited *	**-**	**Unrated**	2,422	D
Agritech Limited	**-**	**-**	7,764	D
Pakarab Fertilizers Limited	**31,566**	**AA- / A-1**	-	-
New Allied Electronics Industries (Private) Limited *	**-**	**Unrated**	-	Unrated
Pakistan International Airlines Corporation Limited	**176,933**	**Unrated**	176,933	Unrated
Security Leasing Corporation Limited (3rd issue)	**1,845**	**Unrated**	4,375	Unrated
	1,091,928		1,464,473	

	2012		2011	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
Listed Mutual fund units / certificates				
Pak Oman Advantage Fund	**17,768**	**A+(f)**	17,538	AA-(f)
NIT Income Fund	**52,970**	**A+(f)**	-	-
NIT Government Bond Fund	**51,580**	**AA(f)**	-	-
BMA Empress Cash Fund	**20,467**	**AA+(f)**	-	-
ABL Cash Fund	**101,151**	**AA(f)**	-	-
First Habib Cash Fund	**100,536**	**AA(f)**	-	-
HBL Money Market Fund	**101,172**	**AA(f)**	-	-
NAFA Money Market Fund	**74,770**	**AA(f)**	-	-
Askari Sovereign Cash Fund	**50,550**	**AAA(f)**	-	-
Primus Daily Reserve Fund	**25,000**	**AA+(f)**	-	-
	595,964		17,538	
Unlisted Sukuks				
Security Leasing Corporation Ltd (2nd issue)	**7,380**	**Unrated**	17,500	Unrated
Kohat Cement Limited	**19,981**	**Unrated**	76,012	Unrated
House Building Finance Company Limited	**64,398**	**Unrated**	105,595	A/A2
Pak-Elektron Limited	**44,305**	**Unrated**	44,305	BBB/A3
Pak-Elektron Limited (2nd issue)	**19,261**	**Unrated**	28,892	BBB/A3
Sitara Energy Limited	**-**	**-**	6,175	Unrated
Liberty Power Technology Limited	**91,881**	**A+**	96,760	AA/A1+
	247,207		375,239	
Held to maturity securities				
Unlisted Participation Term Certificates				
Agro Dairies Limited *	**-**	**Unrated**	-	Unrated
Qureshi Vegetable Ghee Mills Limited *	**-**	**Unrated**	-	Unrated
	-		-	
Commercial paper				
Tameer Microfinance Bank Limited	**-**	**-**	23,750	A/A-1
Investment in joint venture				
Kamoki Energy Limited				
Unlisted Ordinary shares - Strategic Investment - net *	**-**	**Unrated**	437,723	Unrated
Total	**7,706,331**		6,187,323	

* 100% provision has been made against these investments.

8.18 Information relating to term finance certificates required to be disclosed as part of the financial statements under the SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "I" to these financial statements.

9. ADVANCES

	Note	2012	2011
		---- (Rupees in '000) ----	
In Pakistan			
Loans		**6,742,122**	7,213,639
Net investment in finance lease	9.2	**335,409**	291,571
Staff loans	9.5	**80,049**	79,565
Consumer loans and advances		**260,710**	357,584
Long-term financing of export oriented projects - (LTF-EOP)		**60,179**	61,179
Long-term financing facility (LTFF)		**79,615**	-
Advances - gross		**7,558,084**	8,003,538
Less: Provision against			
Non-performing loans and net investment in finance lease - specific provision	9.3	**2,714,680**	960,573
Consumer loans and advances - general provision	9.3.1	**2,393**	3,852
		2,717,073	964,425
Advances-net of provision		**4,841,011**	7,039,113

		Note	2012	2011
			---- (Rupees in '000) ----	
9.1	**Particulars of advances (gross)**			
9.1.1	In local currency		**7,558,084**	8,003,538
	In foreign currencies		**-**	-
			7,558,084	8,003,538
9.1.2	Short-term (for upto one year)		**1,162,086**	1,212,086
	Long-term (for over one year)		**6,395,998**	6,791,452
			7,558,084	8,003,538

9.2 Net investment in finance lease

The periodic break-up of minimum lease payments due is as follows:

	2012			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**
	---------------------- (Rupees in '000)			----------------------
Lease rentals receivable	**221,704**	**128,695**	**-**	**350,399**
Residual value	**2,459**	**74,363**	**-**	**76,822**
Minimum lease payments	**224,163**	**203,058**	**-**	**427,221**
Financial charges for future periods	**71,349**	**20,463**	**-**	**91,812**
Present value of minimum lease payments	**152,814**	**182,595**	**-**	**335,409**

	2011			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**
	---------------------- (Rupees in '000)			----------------------
Lease rentals receivable	173,266	90,283	-	263,549
Residual value	-	63,641	-	63,641
Minimum lease payments	173,266	153,924	-	327,190
Financial charges for future periods	16,556	19,063	-	35,619
Present value of minimum lease payments	156,710	134,861	-	291,571

9.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amounts recoverable under these arrangements are receivable by the year 2016 and carry mark-up at rates ranging between 12.49 to 14.99 (2011: 14.77 to 17.36) percent per annum. In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs.76.822 million (2011: Rs.65.850 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 16).

9.3 Advances include Rs.3,307.968 million (2011: Rs.1,566.090 million) which have been placed under non-performing status as detailed below:

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	**19,537**	**-**	**19,537**	**1,333**	**-**	**1,333**	**1,333**	**-**	**1,333**
Doubtful	**459,801**	**-**	**459,801**	**225,876**	**-**	**225,876**	**225,876**	**-**	**225,876**
Loss	**2,828,630**	**-**	**2,828,630**	**2,487,471**	**-**	**2,487,471**	**2,487,471**	**-**	**2,487,471**
2012	**3,307,968**	**-**	**3,307,968**	**2,714,680**	**-**	**2,714,680**	**2,714,680**	**-**	**2,714,680**
Substandard	4,188	-	4,188	372	-	372	372	-	372
Doubtful	49,249	-	49,249	24,625	-	24,625	24,625	-	24,625
Loss	1,512,653	-	1,512,653	935,576	-	935,576	935,576	-	935,576
2011	1,566,090	-	1,566,090	960,573	-	960,573	960,573	-	960,573

9.3.1 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**960,573**	**3,852**	**964,425**	1,012,781	6,750	1,019,531
Charge for the year	**1,821,085**	**-**	**1,821,085**	39,588	-	39,588
Less: Reversal for the year	**(66,978)**	**(1,459)**	**(68,437)**	(91,796)	(2,898)	(94,694)
Net charge / (reversal) for the year	**1,754,107**	**(1,459)**	**1,752,648**	(52,208)	(2,898)	(55,106)
Less: Amounts written off	**-**	**-**	**-**	-	-	-
Closing balance	**2,714,680**	**2,393**	**2,717,073**	960,573	3,852	964,425

9.3.2 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	**2,714,680**	**2,393**	**2,717,073**	960,573	3,852	964,425
In foreign currencies	**-**	**-**	**-**	-	-	-
	2,714,680	**2,393**	**2,717,073**	960,573	3,852	964,425

9.3.3 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.38.444 million in respect of consumer financing, and Rs.324.970 million in respect of corporate financing which includes Rs.266.188 million being the reduced FSV benefit availed by the Company against the term loan of Kamoki Energy Limited (classified as loss) and security deposit amounting to Rs.58.782 million in respect of lease financing. The FSV benefits recognised under these Prudential Regulations are not available for the distribution of cash or stock dividend to the shareholders. Further, SBP in its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 has also stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

9.3.4 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

	Note	2012	2011
		---- (Rupees in '000) ----	
9.3.5 Particulars of write offs			
Against provisions		**-**	-
Directly charged to the profit and loss account		**-**	320
		-	320
9.3.6 Write offs of Rs.500,000 and above		**-**	-
Write offs of below Rs.500,000		**-**	320
		-	320

9.4 Details of loans written off of Rs.500,000 and above (refer Annexure-II)

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 five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2012 is given in Annexure-II.

9.5 Particulars of loans and advances to directors, 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

	Note	2012	2011
Balance at beginning of year		**79,565**	75,808
Loans granted during the year		**31,972**	18,358
Repayments during the year		**(31,488)**	(14,281)
Amount written off		**-**	(320)
Balance at end of the year	9.5.1	**80,049**	79,565

Debts due by companies or firms in which the directors of the Company are interested as directors, partners or in the case of private companies as members

	Note	2012	2011
Balance at beginning of the year		**-**	-
Loans granted during the year		**-**	-
Repayments during the year		**-**	-
Balance at end of the year		**-**	-

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

	Note	2012	2011
Balance at beginning of the year		**1,250,000**	1,171,427
Loans granted during the year		**-**	78,573
Repayments during the year		**-**	-
Less: Provision made during the year		**(983,812)**	-
Balance at end of the year		**266,188**	1,250,000

9.5.1 Particulars of loans to key management personnel

	Note	2012	2011
Amount due at beginning of year		**43,565**	41,390
Disbursements during the year		**16,646**	9,686
Repayments during the year		**(21,064)**	(7,511)
		(4,418)	2,175
Amount due at end of the year	38	**39,147**	43,565

10. OPERATING FIXED ASSETS

	Note	2012	2011
		---- (Rupees in '000) ----	
Capital work-in-progress	10.1	**17,410**	886
Property and equipment	10.2	**80,487**	67,622
Intangible assets	10.4	**48**	60
		97,945	68,568

10.1 Capital work-in progress

	2012	2011
Advances to suppliers	**17,410**	886

10.2 Property and equipment

December 31, 2012	Cost: As at January 01, 2012	Cost: Additions / (deletions) / adjustments	Cost: As at December 31, 2012	Accumulated depreciation: As at January 01, 2012	Accumulated depreciation: For the year / (on disposal)	Accumulated depreciation: As at December 31, 2012	Net book value as at December 31, 2012	Rate (%)
	---- (Rupees in '000) ----							
Leasehold land (note 10.2.1)	1,951	- -	1,951	475	22 -	497	1,454	1.11
Buildings on leasehold land (note 10.2.1)	81,586	- (632)	80,954	48,241	2,047 (174)	50,114	30,840	5
Furniture and fixtures	39,072	12,537 (2,976)	48,633	28,101	3,634 (2,323)	29,412	19,221	10,15 & 25
Electrical appliances	9,632	440 (232)	9,840	5,698	1,045 (226)	6,517	3,323	10 & 15
Office equipment	526	- -	526	353	29 -	382	144	10
Computer equipment	24,555	1,216 (159)	25,612	22,010	1,627 (159)	23,478	2,134	30
Motor vehicles	35,079	17,754 (2,533)	50,300	19,901	8,827 (1,800)	26,928	23,372	25 & 33.3
	192,401	31,947 (6,532)	217,816	124,779	17,231 (4,682)	137,328	80,487	

December 31, 2011	Cost			Accumulated depreciation			Net book value as at December 31, 2011	Rate (%)
	As at January 01, 2011	Additions / (deletions) / adjustments	As at December 31, 2011	As at January 01, 2011	For the year / (on disposal)	As at December 31, 2011		
	---- (Rupees in '000) ----							
Leasehold land (note 10.2.1)	1,951	-	1,951	453	22	475	1,476	1.11
Buildings on leasehold land (note 10.2.1)	81,389	197	81,586	45,948	2,293	48,241	33,345	5
Furniture and fixtures	36,853	2,254 (35)	39,072	24,110	4,025 (34)	28,101	10,971	10,15 & 25
Electrical appliances	10,358	1,512 (2,238)	9,632	6,855	1,052 (2,209)	5,698	3,934	10 & 15
Office equipment	740	7 (221)	526	544	29 (220)	353	173	10
Computer equipment	24,553	1,495 (1,493)	24,555	20,590	2,912 (1,492)	22,010	2,545	30
Motor vehicles	63,930	- (28,851)	35,079	25,683	15,762 (21,544)	19,901	15,178	25 & 33.3
	219,774	5,465 (32,838)	192,401	124,183	26,095 (25,499)	124,779	67,622	

10.2.1 The transfer of title to leasehold land and building thereon in respect of the Company's premises at the Finance and Trade Centre, Karachi in favor of the Company is pending.

10.2.2 Assets having cost of Rs.91.778 million (2011: Rs.86.937 million) are fully depreciated.

10.3 The following are operating fixed assets having cost of Rs.1 million or above /net book value of Rs.250,000 or above, or those sold to employees and key management personnel during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	---- (Rupees in '000) ----						
Employees and Key Management Personnel							
Furniture and fixtures							
House hold furnishing items *	195	130	65	65	-	Company policy	Mr. Manzoor Saber, Head of Internal Audit (SEVP)
House hold furnishing items *	297	68	229	229	-	Company policy	Mr. Asif Zafar, (Ex-employee, Head of Risk)
House hold furnishing items *	225	52	173	173	-	Company policy	Mr. Ibrar Gul Niazi, (Ex-employee, Head of Compliance)
House hold furnishing items *	147	15	132	132	-	Company policy	Mr. Mumtaz Hussain, (Ex-employee, Head of IT)
Computer equipment							
Note Book (Sony - VAIO)	159	159	-	24	24	Board Approval	Mr. Kamal Uddin Khan, Ex-MD
Motor vehicles							
Toyota Corolla - GLI	1,354	621	733	764	31	Company policy	Mr. Suneel K. Dhanwani, Employee (SVP)
Others							
Buildings on leasehold land							
Renovation work	632	174	458	5	(454)	Negotiation	Mr. Haris Suleman, Karachi
Motor vehicles							
Mitsubishi Lancer	1,141	1,141	-	750	750	Negotiation	Mr. Khalid Qadri, Karachi

* This is house furnishing facility given to these employees under human resource policy of the Company.

10.4 Intangible assets

		Cost			Accumulated Amortisation				
		As at January 01, 2012	Additions / (deletions)	As at December 31, 2012	As at January 01, 2012	For the year / (on disposal)	As at December 31, 2012	Net book value as at December 31, 2012	Rate (%)
		---- (Rupees in '000) ----							
Computer software	**2012**	**61**	**-** **-**	**61**	**1**	**12** **-**	**13**	**48**	20%
	2011	-	61 -	61	-	1 -	1	60	20%

11. DEFERRED TAX ASSET - net

	Note	2012	2011
		------- (Rupees in '000) -------	
Deferred credit arising in respect of:			
Net investment in finance leases		**(56,884)**	(47,096)
Accelerated tax depreciation		**(402)**	(3,843)
Unrealised gain on Term Finance Certificates - held-for-trading		**(7)**	-
Deferred debits arising in respect of:			
Provision for compensated absences		**2,403**	1,951
Provision for advances, investments and other assets		**140,418**	414,230
Unused tax losses		**173,013**	-
Share of loss in joint venture		**33,297**	21,797
Minimum tax		**-**	9,268
		291,838	396,307
Deferred tax asset on revaluation of available-for-sale investments - net	19	**1,739**	8,190
	11.1 & 11.2	**293,577**	404,497

11.1 As at December 31, 2012, the Company has available deferred tax asset on provision for advances, investments and other assets (including provision against investment in KEL) amounting to Rs.2,012.692 million and on unused tax losses for FY-2012 amounting to Rs.2,063.375 million. However, the management has recognised the above benefits only to the extent given above based on the absorption / admissibility of the same as forcasted in the projections mentioned below.

11.2 The management of the Company has prepared three years' financial projections which have been approved by the Board of Directors of the Company. The said projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future profits is most sensitive to certain key assumptions such as amount and timing for injection of further capital, growth of business, revenue and expenses, return on assets, projected reversals / recovery from non-performing assets and outcome of pending tax matters etc. Any significant change in the key assumptions may have an impact on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the financial projections and, consequently, the recorded deferred tax asset will be realised in the future.

12. OTHER ASSETS

	Note	2012	2011
		------- (Rupees in '000) -------	
Income / mark-up / return receivable in local currency		**428,946**	515,538
Security deposits		**4,341**	4,321
Short-term advances	12.1	**6,406**	7,840
Prepayments		**5,914**	9,701
Other receivables	12.2	**26,386**	9,927
Advance taxation		**125,697**	104,626
KSE membership card	8.7.2	**-**	55,150
Dividend receivable		**2,912**	2,375
Non banking assets acquired in satisfaction of claims	12.3	**216,988**	216,988
		817,590	926,466
Less: Provision held against other assets	12.4	**392,870**	25,911
		424,720	900,555

12.1 This also includes amounts relating to executives (including key management personnel) amounting to Rs.5.553 million (2011: Rs.5.685 million).

12.2 This includes receivable from Kamoki Energy Limited amounting to Rs.26 million (2011: Rs.Nil). 100% provision has been made against this receivable due to the reasons stated in note 8.15.

12.3 Prevailing realisable market value of non-banking assets acquired in satisfaction of claims is Rs.128.720 million (2011: Rs.199.2 million).

12.4 Provisions against other assets

	Note	2012	2011
Opening balance		**25,911**	8,123
Charge for the year	12.4.1	**387,941**	17,788
Less: Reversal during the year		**(20,982)**	-
Net charge for the year	27	**366,959**	17,788
Closing balance		**392,870**	25,911

12.4.1 This also includes charge for the provision created during the year against unrealised mark-up receivable from Kamoki Energy Limited amounting to Rs.205.69 million (refer note 8.15).

13. CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date.

14. BORROWINGS

	Note	2012	2011
In Pakistan	14.1	**5,880,572**	4,537,471
Outside Pakistan		**-**	-
		5,880,572	4,537,471

14.1 Particulars of borrowings with respect to currencies

	2012	2011
In local currency	**5,880,572**	4,537,471
In foreign currencies	**-**	-
	5,880,572	4,537,471

14.2 Details of borrowings

	Note	2012	2011
		---- (Rupees in '000) ----	
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing of exports oriented projects (LTF-EOP)	14.2.1	**30,151**	37,691
Long-term financing facility (LTFF)	14.2.1	**79,615**	-
Repurchase agreement borrowings	14.2.2	**4,011,256**	2,101,597
Privately placed term finance certificates	14.2.3	**749,550**	749,850
Borrowings from financial institutions	14.2.4	**760,000**	1,498,333
		5,630,572	4,387,471
Unsecured			
Clean borrowings	14.2.5	**250,000**	150,000
		5,880,572	4,537,471

14.2.1 The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long-term finance for export oriented projects (LTF-EOP) and long term financing facility (LTFF) to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 5 (2011: 5) and 10.10 (2011: Nil) percent per annum for LTF-EOP and LTFF respectively.

14.2.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of government securities (2011: government securities and TFCs). The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by January 2013 (2011: February 2012). The rates of mark-up on these facilities ranged from 8.25 to 9.45 (2011: 11.90 to 12.95) percent per annum.

14.2.3 This is the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.750 million raised by the Company in February 2011. The issue is secured by first fixed charge by way of hypothecation on all the present and future loans and lease receivables of the Company ranking pari passu with prior charges. This issue is rated and carries a mark-up rate of six months' KIBOR plus 1.6% p.a. payable on semi-annual basis. The PPTFC issue is repayable in installments by February 2016.

14.2.4 This represents borrowings, which are secured by way of first hypothecation charge on all present and future assets of the Company. They carry a mark-up rate of six months' KIBOR plus 1.25 percent p.a. payable on semi-annual basis (2011: three months KIBOR plus 1.5 percent to six months KIBOR plus 1.25 percent p.a. payable on quarterly and semi-annual basis respectively). As at December 31, 2012, the applicable interest rates ranged between 10.67 to 11.79 (2011: 13.17 to 14.61) percent per annum. These borrowings are due for maturity on various dates latest by May 2016 (2011: May 2016).

14.2.5 The mark-up rates on these borrowings range between 10.00 to 11.10 (2011: 12.50 to 13.50) percent per annum. These borrowings are due for maturity on various dates latest by March 2013 (2011: February 2012).

15. DEPOSITS AND OTHER ACCOUNTS

	2012	2011
Customers		
Certificates of investment - (in local currency)	**3,388,500**	2,570,000
Financial institutions		
Certificates of investment - (in local currency)	**700,000**	1,082,844
	4,088,500	3,652,844

	Note	2012	2011
		------- (Rupees in '000) -------	
15.1 Particulars of deposits			
In local currency		**4,088,500**	3,652,844
In foreign currency		**-**	-
		4,088,500	3,652,844

15.2 The profit rates on these Certificates of Investment (COIs) range from 10 to 12.60 (2011: 12.20 to 14.00) percent per annum. These COIs are due for maturity on various dates latest by December 2013 (2011: December 2012).

16. OTHER LIABILITIES

	Note	2012	2011
Mark-up / return / interest payable in local currency		**219,086**	220,968
Accrued liabilities		**23,277**	32,656
Employees' compensated absences	16.1	**6,866**	5,574
Security deposits against investment in finance lease	9.2.1	**76,822**	65,850
Staff retirement gratuity	33	**20,693**	11,286
		346,744	336,334

16.1 This is based on actuarial valuation carried out as of December 31, 2012 for regular employees.

17. SHARE CAPITAL

17.1 Authorised share capital

Number of shares				
2012	2011			
800,000	800,000	Ordinary shares of Rs.10,000 each	**8,000,000**	8,000,000

17.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs.10,000 each		
471,836	471,836	Fully paid in cash	**4,718,360**	4,718,360
142,342	142,342	Issued as bonus shares	**1,423,420**	1,423,420
614,178	614,178		**6,141,780**	6,141,780

17.3 The State Bank of Pakistan (SBP) on behalf of the Government of Pakistan and the Libyan Foreign Investment Company (LFICO) on behalf of the Government of Libya (State of Libya) each held 307,089 (2011: 307,089) Ordinary shares of the Company as at December 31, 2012.

17.4 Capital management policies and procedures

The Company’s objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the Company;

- to safeguard Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to acquire, develop and maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored frequently by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented in Pakistan by the State Bank of Pakistan (SBP).

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory paid-up capital of Rs.6 billion (free of losses) (2011: Rs.6 billion), and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 10%.

The Regulatory capital is divided into two tiers:

Tier 1 or core capital: share capital, share premium, reserves for bonus shares, general reserves created out of the profits for the year and unappropriated profit / loss; and

Tier 2 supplementary capital: general provisions or general reserves for loans losses, revaluation reserves exchange translation reserves, undisclosed reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table referred to in note 39, summaries the composition of regulatory capital and the ratios of the Company for the year ended December 31, 2012.

The Company has a short fall of Rs.2.842 billion (after use of capital reserves) in meeting the Minimum Paid-up Capital Requirement as stipulated by the SBP. The Board of Directors of the Company has approved the financial projections for the next three years, envisaging a capital injection of Rs.4 billion. The increase is aimed to comply with MCR, for risk absorption and future growth and business prospects of the Company. The Company intends to seek the approval of the shareholders for the said capital injection in the forthcoming Annual General Meeting. Further, as stated in note 1.2, SBP has granted exemption in meeting the Minimum Capital Requirement till December 31, 2013.

	Note	**2012**	**2011**
		------- (Rupees in '000) -------	
18. RESERVES			
Capital reserve - statutory reserve			
As at January 01		**474,801**	474,801
Less: Utilised during the year	18.1	**(474,801)**	-
		-	474,801

18.1 The statutory reserve is created in compliance with the SBP requirements. During the year, the Company has utilised available statutory reserves against accumulated losses in view of the shortfall in minimum capital requirement currently faced by the Company, as allowed by the State Bank of Pakistan vide its letter number OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012.

19. DEFICIT ON REVALUATION OF ASSETS - net of tax

	2012	2011
	------- (Rupees in '000) -------	
Surplus / (deficit) on revaluation of 'available-for-sale' securities		
Pakistan investment bonds	**(8,751)**	(23,793)
Market treasury bills	**1,562**	392
	(7,189)	(23,401)
Less: Deferred tax on government securities	**2,516**	8,190
	(4,673)	(15,211)
Listed companies - fully paid-up Ordinary and preference shares	**(6,489)**	(217,342)
Listed term finance certificates	**(3,146)**	4,486
Mutual fund units	**6,734**	(1,692)
	(2,901)	(214,548)
Add: Deferred tax on mutual funds units and listed shares	**(777)**	-
	(3,678)	(214,548)
	(8,351)	(229,759)

20. CONTINGENCIES AND COMMITMENTS

Contingencies

For the tax years 2009 and 2010, the Additional Commissioner Inland Revenue (ACIR) had raised tax demands aggregating to Rs.361.582 million. The Company filed appeals against these demands with the Commissioner Inland Revenue Appeals [CIR(A)]. Against these appeals, the CIR(A) passed orders dated October 26, 2011 and deleted the additions made on account of loss on leased assets, provision for defined benefit obligations, interest free staff loans and vacated the treatment on proration of expenses against dividend and capital gains; whereas the issue of admissibility of provisions against bad debts / loans and advances was not adjudicated while confirming expenses for penalties and assets disposed to employees. Appeal effect under section 124 of the Income Tax Ordinance, 2001 (ITO) was given by the department in this respect. On the basis thereof, no tax was payable for the tax year 2009. However, later the Company has received demand notice dated September 24, 2012 for the rectification order under section 221 of the ITO whereby demand has been raised of Rs.13.253 million for tax year 2009, whereas, for tax year 2010, tax demand of Rs.69.684 million is payable as per demand notice dated May 10, 2012 under section 124(4). Against the order of the CIR(A) in both the tax years second appeals were filed before the Inland Revenue Appellate Tribunal (IRAT), Karachi. Appeals are pending before IRAT. However, no revision has been made in the financial statements against these tax demands as the tax consultant and the Company expects a favorable outcome at the IRAT level. Earlier, constitutional petitions were also filed by the Company with the Honorable High Court of Sindh (Court) on the legal competency of the Additional Commissioner Inland Revenue to invoke section 122 5(A) of the ITO which have been dismissed by the Honorable Court.

For tax year 2011, the Commissioner Inland Revenue (CIR) selected the case for audit under section 177 of the Income Tax Ordinance, 2001. Selection has been challenged on the legal grounds. However, on random balloting by the FBR for audit, the case of Company has not been selected. Department is of the view that regardless of any balloting, Commissioner has inherent power to select the case for audit. Final outcome of this matter is still to be resolved. Further, during the year, refund claim of Rs.70.53 million has been filed by the Company for the tax year 2011. However, the said additional refund has not been recognised considering (a) viability or otherwise of the audit proceeding and (b) that on the similar pattern as adopted in the preceding years, the Additional Commissioner may invoke section 122(5A) of the ITO on the matters on which appeals are pending before the IRAT. Meanwhile tax department issued the refund adjustment memo to adjust the tax demand of tax year 2010 from the refund claim of tax year 2011 and tax year 2012 by Rs.63.60 million and Rs.6.08 million respectively. Further, for the tax year 2009, tax demand of Rs.13.253 million has been adjusted against refund claim of the tax year 2012, vide tax adjustment memo issued by tax department dated February 12, 2013.

	Note	2012	2011
		------- (Rupees in '000) -------	
Commitments			
20.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		**200,000**	200,000
Others	20.1.1	**859,064**	857,715
		1,059,064	1,057,715

20.1.1 This represents the guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture. During the year, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on March 30, 2012, in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Company under the same (refer note 8.15).

	2012	2011
20.2 Trade - related contingent liabilities		
Contingent liabilities in respect of letters of credit favouring:		
Government	**-**	-
Others	**147,588**	186,560
	147,588	186,560
20.3 Commitments to extent credit	**291,504**	202,000
20.4 Unsettled investment transactions for:		
Sale of Market Treasury Bills	**497,317**	-
Sale of listed ordinary shares	**178**	-
	497,495	-

21. DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year.

22. MARK-UP / RETURN / INTEREST EARNED

	2012	2011
On loans and advances to		
customers	**637,032**	1,082,627
financial institutions	**-**	10
On investments in		
'held-for-trading' securities	**9,339**	9,040
'available-for-sale' securities	**573,182**	574,741
'held to maturity' securities	**4,610**	4,441
On deposits with financial institutions	**1,613**	16,226
On repurchase agreement lendings (Reverse Repo)	**1,656**	39,715
Income on bank deposits	**1,701**	1,963
	1,229,133	1,728,763

	Note	2012	2011
		------- (Rupees in '000) -------	
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits and other accounts		**474,793**	490,341
On securities sold under repurchase agreement (Repo)		**218,073**	183,572
On other borrowings			
Long-term (includes PPTFC)		**246,201**	328,635
Short-term		**44,780**	98,143
		983,847	1,100,691

	Note	2012	2011
24. GAIN ON SALE OF SECURITIES - NET			
Government securities			
Market treasury bills		**10,514**	5,660
Pakistan investment bonds		**5,442**	-
		15,956	5,660
Listed shares		**64,317**	(7,210)
TFCs, sukuks and mutual fund units		**18,757**	10,945
		99,030	9,395

	Note	2012	2011
25. OTHER INCOME			
Gain on sale of operating fixed assets		**525**	1,020
Exchange gain		**16**	43
Recovery against written-off cases		**389**	30,389
Recovery of charges		**385**	527
Insurance recoveries		**277**	-
		1,592	31,979

	Note	2012	2011
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		**135,326**	118,075
Charge for defined benefit plan	33.6	**15,111**	16,616
Contribution to defined contribution plan	34	**3,926**	4,068
Executive directors' remuneration (including remuneration of the Managing Director and Deputy Managing Director)		**36,136**	89,988
Non-executive directors' fee and remuneration	35	**2,843**	190
Board meeting expenses		**15,914**	21,484
Traveling and lodging		**7,306**	3,252
Rent and utilities		**7,349**	8,174
Legal consultancy and professional services		**11,442**	7,194
Communications		**4,586**	5,144
Repairs and maintenance		**8,517**	9,018
Motor vehicle expenses		**2,679**	9,224
Entertainment and business development		**3,637**	1,914
Insurance	33.10	**3,143**	3,438
Software maintenance expenses		**83**	867
Bank charges		**568**	502
Printing and stationery		**2,857**	2,155
Advertisement, periodicals, membership dues and publicity		**1,485**	1,803
Auditors' remuneration	26.1	**1,019**	1,540
Donation		**-**	10,100
Depreciation	10.2	**17,231**	26,095
Amortisation	10.4	**12**	1
Others		**267**	172
		281,437	341,014

	Note	2012	2011
		------- (Rupees in '000) -------	

26.1 Auditors' remuneration

	Note	2012	2011
Audit fee		**600**	600
Half yearly review fee		**240**	240
Code of corporate governance fee		**125**	125
Special certifications and sundry advisory services		**26**	475
Out of pocket expenses		**28**	100
		1,019	1,540

27. OTHER PROVISIONS / WRITE OFFS

	Note	2012	2011
Write off / provision against mark-up accrued - net		**268,104**	422
Provision against preference dividend receivable		**2,375**	-
Provision against non-banking assets acquired in satisfaction of claims		**70,480**	17,788
Provision against other receivables - Kamoki Energy Limited		**26,000**	-
	12.4	**366,959**	18,210

28. OTHER CHARGES

	Note	2012	2011
Arrangement fee		**13,570**	3,272
Brokerage commission		**2,669**	1,334
Expenses for privately placed term finance certificates		**1,832**	9,453
Penalty imposed by SBP		**-**	335
		18,071	14,394

29. TAXATION

	Note	2012	2011
Current		**6,676**	139,791
Prior		**-**	71,001
Deferred		**104,469**	(31,350)
		111,145	179,442

29.1 Due to current year tax loss, the Company has made provision for applicable minimum taxes. Therefore, relationship between tax expense and accounting profit for the year has not been provided.

30. LOSS PER SHARE - basic

	Note	2012	2011
Loss for the year after taxation (Rupees in thousand)		**(3,428,844)**	(63,891)
Weighted average number of Ordinary shares in issue		**614,178**	614,178
Loss per share (Rupees)	30.1	**(5,583)**	(104)

30.1 There were no convertible dilutive potential Ordinary shares outstanding as at December 31, 2012 and 2011.

31. CASH AND CASH EQUIVALENTS

	Note	2012	2011
		------ (Rupees in '000) ------	
Cash and balances with treasury banks	5	**63,387**	42,643
Balances with other banks	6	**38,636**	41,177
		102,023	83,820

	2012	2011
	---------- (Numbers) ----------	

32. STAFF STRENGTH

	2012	2011
Permanent	**48**	48
Temporary / on contractual basis	**31**	37
Daily wagers	**8**	7
Company's own staff strength at the end of the year	**87**	92
Outsourced	**17**	17
Total staff strength	**104**	109

	2012	2011
	--- Percent per annum ---	

33. DEFINED BENEFIT PLAN

Staff retirement gratuity

	2012	2011
Discount rate	**11.5**	12.5
Expected rate of return on plan assets	**11.5**	12.5
Expected rate of increase in salary levels	**9.5**	10.5

The disclosures made in note 33.1 to 33.9 are based on the information included in the actuarial valuation as at December 31, 2012.

33.1 Mortality rate

The rates assumed were based on the EFU 61-66 ultimate mortality tables.

33.2 Expected return on plan assets

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

33.3 Reconciliation of amount payable to defined benefit plan

	Note	2012	2011
		------ (Rupees in '000) ------	
Present value of defined benefit obligation	33.4	**85,014**	66,732
Fair value of plan assets	33.5	**(58,539)**	(52,207)
		26,475	14,525
Net unrecognised actuarial losses		**(5,457)**	(2,589)
Past service cost - not vested		**(325)**	(650)
		20,693	11,286

33.4 The movement in the defined benefit obligation over the year is as follows:

	Note	2012	2011
Present value of obligation at January 01, 2012		**66,732**	52,268
Current service cost	33.6	**13,327**	5,473
Interest cost	33.6	**7,890**	6,973
Benefit paid		**(7,221)**	(4,927)
Past service cost-vested		**-**	9,863
Past service cost-not vested		**-**	650
Actuarial loss / (gain) on obligation (balancing figure)		**4,286**	(3,568)
Present value of obligation at December 31, 2012		**85,014**	66,732

	Note	2012	2011
		------ (Rupees in '000) ------	
33.5 The movement in the fair value of plan assets of the year is as follows:			
Fair value of plan assets as at January 01, 2012		**52,207**	47,237
Expected return on plan assets	33.6	**6,431**	5,693
Contributions		**5,704**	6,590
Benefits paid		**(7,221)**	(4,927)
Actuarial gain / (loss) on assets (balancing figure)	33.9	**1,418**	(2,386)
Fair value of plan assets as at December 31, 2012		**58,539**	52,207

33.6 The amount recognised in the profit and loss account is as follows:

	2012	2011
Current service cost	**13,327**	5,473
Interest cost	**7,890**	6,973
Expected return on plan assets	**(6,431)**	(5,693)
Actuarial (gains) / losses recognised	**-**	-
Past service cost recognised	**325**	9,863
	15,111	16,616

33.7 Actual return on plan assets during the year was Rs.7.849 million (2011: Rs.3.307 million).

33.8 Plan assets comprise the following:

	2012		2011	
Particulars	**Rupees in '000**	**Percent**	**Rupees in '000**	**Percent**
Term deposit receipts (TDRs)	**54,435**	**92.9%**	5,518	10%
Cash and bank balances	**102**	**0.2%**	1,466	3%
Market treasury bills	**-**	**-**	42,556	82%
Units of mutual funds	**4,002**	**6.9%**	2,667	5%
	58,539	**100%**	52,207	100%

33.9 Amounts for the current year and previous four annual periods of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

		2012	2011	2010	2009	2008
		---------------------------- (Rupees in '000) ----------------------------				
Present value of defined benefit obligation		**85,014**	66,732	52,268	42,562	36,898
Fair value of plan assets		**(58,539)**	(52,207)	(47,237)	(40,161)	(33,239)
Deficit / (surplus)		**26,475**	14,525	5,031	2,401	3,659
Defined benefit obligation		**20,693**	11,286	1,260	-	4,107
Experience adjustments on plan assets	33.5	**(1,418)**	2,386	2,784	6,771	(3,871)

33.10 Staff benevolent fund

	2012	2011
Contribution from the Company	**88**	61

34. DEFINED CONTRIBUTION PLAN

	2012	2011
Contribution from the Company	**3,926**	4,068
Contribution from the employees	**3,926**	4,068
	7,852	8,136

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Deputy Managing Director		Directors		Executives	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	---------- (Rupees in '000) ----------							
Fees and remuneration	**-**	-	-	-	**2,843**	190	**-**	-
Managerial remuneration	**2,293**	23,146	**23,451**	33,632	**-**	-	**109,458**	47,334
Charged for defined benefit plan	**4,176**	750	**107**	1,014	**-**	-	**8,002**	12,940
Contribution to defined contribution plan	**133**	1,098	**1,415**	904	**-**	-	**2,614**	1,369
Rent and house maintenance	**574**	891	**1,023**	361	**-**	-	**-**	10,616
Utilities	**303**	895	**1,057**	1,140	**-**	-	**-**	2,359
Medical	**-**	526	**470**	944	**-**	-	**1,853**	3,539
Conveyance	**105**	5,848	**2,295**	4,306	**-**	-	**10,994**	12,889
Others	**3,742**	6,783	**5,824**	10,270	**-**	-	**937**	-
	11,326	39,937	**35,642**	52,571	**2,843**	190	**133,858**	91,046
Number of persons	**1**	1	**1**	1	**4**	4	**55**	25

The Managing Director and Deputy Managing Director are also entitled to usage of certain company maintained assets as per their terms of employment.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Consequently, differences can arise between carrying values and the fair values or fair value estimates.

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements less impairment, if any.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Company's accounting policy as stated in note 4.4.

The repricing profile and effective rates and maturity are stated in notes 40.2.4 and 40.3.1 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

37. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2012			2011		
	Corporate finance	**Retail banking**	**Total**	**Corporate finance**	**Retail banking**	**Total**
	---------- (Rupees in '000) ----------					
Total (loss) / income	**(1,712,459)**	**77,930**	**(1,634,529)**	1,531,658	58,202	1,589,860
Total expenses	**1,654,189**	**28,981**	**1,683,170**	1,440,268	34,041	1,474,309
Net (loss) / income	**(3,366,648)**	**48,949**	**(3,317,699)**	91,390	24,161	115,551
Segment assets (gross)	**17,952,525**	**274,368**	**18,226,893**	16,524,059	393,121	16,917,180
Segment non-performing loans	**3,219,881**	**88,087**	**3,307,968**	1,446,915	119,175	1,566,090
Segment provision required	**4,713,788**	**47,498**	**4,761,286**	1,941,294	92,010	2,033,304
Segment liabilities	**10,145,157**	**170,659**	**10,315,816**	8,255,265	271,384	8,526,649
Net assets	**3,093,580**	**56,211**	**3,149,791**	6,327,500	29,727	6,357,227
Segment return on net assets	**-108.83%**	**3.50%**	**-105.33%**	1.44%	0.37%	1.82%
Segment cost of funds (%)	**10.04%**	**2.06%**	**12.10%**	10.19%	3.64%	13.83%

38. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Company Secretary and Head of Departments.

Transactions and balances with related parties are as follows:

	December 31, 2012					December 31, 2011				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
38.1 Balances										
Bank balance	-	-	-	63,297	-	-	-	-	42,642	-
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	911,028	-
Placements / reverse repo made during the period	-	-	-	1,852,927	-	-	-	-	5,692,257	-
Placements / reverse repo matured during the period	-	-	-	(1,852,927)	-	-	-	-	(6,603,285)	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	737,723	2,785,639	54,500	-	-	400,000	2,258,060	54,500
Investment made during the period	-	-	-	18,191,023	-	-	-	400,000	5,392,727	-
Investment redeemed / disposed off during the period	-	-	-	(15,558,924)	-	-	-	-	(4,865,148)	-
Share of loss	-	-	(32,856)	-	-	-	-	(62,277)	-	-
Closing balance	-	-	704,867	5,417,738	54,500	-	-	737,723	2,785,639	54,500
Provision for diminution in value of investments	-	-	704,867	50,000	15,400	-	-	-	12,000	13,150
Deficit on revaluation of investments	-	-	-	(4,331)	-	-	-	-	(25,093)	-

	December 31, 2012					December 31, 2011				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	------------------------------ (Rupees in '000) ------------------------------					------------------------------ (Rupees in '000) ------------------------------				
Advances										
Opening balance	**-**	**43,565**	**1,250,000**	**945,170**	**-**	-	41,390	1,171,427	1,000,000	181
Addition during the period	**-**	**16,646**	**-**	**-**	**-**	-	9,686	78,573	500,000	-
Repaid during the period	**-**	**(21,064)**	**-**	**-**	**-**	-	(7,511)	-	(554,830)	(181)
Closing balance	**-**	**39,147**	**1,250,000**	**945,170**	**-**	-	43,565	1,250,000	945,170	-
Provision held against advances	**-**	**-**	**983,812**	**-**	**-**	-	-	-	-	-
Other assets										
Mark-up receivable on term loan										
- Gross	**-**	**221**	**387,206**	**65,934**	**-**	-	841	205,690	54,500	-
- Suspended / provided	**-**	**-**	**387,206**	**18,674**	**-**	-	-	-	9,237	-
Amount receivable from retirement benefit funds	**-**	**-**	**-**	**-**	**-**	-	-	-	-	8,677
Other receivables	**-**	**-**	**26,000**	**-**	**-**	-	-	-	-	-
Other advances										
Opening	**-**	**4,084**	**-**	**-**	**-**	**-**	859	**-**	**-**	**-**
Additions during the period	**-**	**3,947**	**-**	**-**	**-**	**-**	36,234	**-**	**-**	**-**
Repaid during the period	**-**	**(4,279)**	**-**	**-**	**-**	**-**	(33,009)	**-**	**-**	**-**
Closing balance	**-**	**3,752**	**-**	**-**	**-**	-	4,084	-	-	-
Provision against other assets	**-**	**-**	**26,000**	**-**	**-**	-	-	-	-	-
Borrowings from financial Institutions										
Opening	**-**	**-**	**-**	**2,398,496**	**-**	-	-	-	1,048,261	-
Borrowings during the period	**-**	**-**	**-**	**42,991,026**	**-**	-	-	-	17,765,762	-
Settled during the period	**-**	**-**	**-**	**(43,587,137)**	**-**	-	-	-	(16,415,527)	-
Closing balance	**-**	**-**	**-**	**1,802,385**	**-**	-	-	-	2,398,496	-
Deposits and other accounts										
Opening balance	**-**	**-**	**-**	**3,572,844**	**80,000**	-	-	-	3,975,237	50,000
Additions during the period	**-**	**-**	**-**	**7,047,254**	**450,000**	-	-	-	8,442,580	260,000
Repayments during the period	**-**	**-**	**-**	**(6,641,597)**	**(420,000)**	-	-	-	(8,844,973)	(230,000)
Closing balance	**-**	**-**	**-**	**3,978,500**	**110,000**	-	-	-	3,572,844	80,000

	December 31, 2012					December 31, 2011				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	---------- (Rupees in '000) ----------					---------- (Rupees in '000) ----------				
Other liabilities										
Mark-up payable	**-**	**-**	**-**	**193,023**	**1,180**	-	-	-	127,810	1,233
Amount payable to retirement benefit funds	**-**	**-**	**-**	**-**	**20,693**	-	-	-	-	11,286
Others	**-**	**-**	**1,008**	**-**	**-**	-	-	1,008	-	-
	-	**-**	**1,008**	**193,023**	**21,873**	-	-	1,008	127,810	12,519
Contingencies and commitments										
Letter of guarantee	**-**	**-**	**859,064**	**-**	**-**	-	-	857,715	-	-
Commitment to extend credit	**-**	**-**	**-**	**-**	**-**	-	-	2,000	-	-
Unsettled sale of investment transactions				**497,317**		-	-	-	-	-
	-	**-**	**859,064**	**497,317**	**-**	-	-	859,715	-	-

** Fee based income to be recorded on cash receipt basis.

38.2 Transactions, income and expenses

	December 31, 2012					December 31, 2011				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
Mark-up / return / interest earned -net	**-**	**1,390**	**-**	**489,982**	**-**	-	1,146	205,690	482,517	10
Mark-up / return / interest expensed	**-**	**-**	**-**	**707,385**	**12,556**	-	-	-	660,785	8,571
Contribution paid to defined contribution plan	**-**	**-**	**-**	**-**	**3,926**	-	-	-	-	4,068
Contribution paid to defined benefit plan	**-**	**-**	**-**	**-**	**5,798**	-	-	-	-	6,651
Non-executive directors' fee and remuneration	**2,843**	**-**	**-**	**-**	**-**	94	-	-	-	-
Remunerations	**-**	**110,265**	**-**	**-**	**-**	-	114,593	-	-	-
Share of loss	**-**	**-**	**32,856**	**-**	**-**	-	-	23,604	-	-
Consideration for disposal of fixed assets	**-**	**623**	**-**	**-**	**-**	-	-	-	-	-

* Key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

39. CAPITAL ADEQUACY

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

	Note	2012	2011
		---- (Rupees in '000) ----	
Regulatory capital base			
Tier I Capital			
Fully paid-up capital / capital deposited with SBP	17	**6,141,780**	6,141,780
General reserves as disclosed on the statement of financial position	18	**-**	474,801
Accumulated losses		**(2,983,638)**	(29,595)
		3,158,142	6,586,986
Deductions:			
Book value of Intangible assets		**48**	60
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		**-**	-
Deficit on account of revaluation of investments held in AFS category	19	**8,351**	229,759
Total eligible Tier 1 capital		**3,149,743**	6,357,167
Supplementary capital			
Tier II Capital			
Subordinated debt - (upto maximum of 50% of Total eligible Tier 1 capital)		**-**	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets		**2,393**	3,852
Revaluation reserve (up to 45%)		**-**	-
Total eligible Tier II Capital		**2,393**	3,852
Eligible Tier III Capital		**-**	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)		**2,393**	3,852
Total eligible capital		**3,152,136**	6,361,019
Risk weighted amounts			
Total Credit Risk Weighted Amount		**7,892,376**	11,847,816
Total Market Risk Weighted Amount		**2,286,049**	1,422,728
Total Operational Risk Weighted Amount		**948,167**	1,215,498
Total risk weighted amount		**11,126,592**	14,486,042
Capital Adequacy Ratios			
Credit Risk Capital Adequacy Ratio		**40%**	54%
Tier 1 Capital to Total Risk Weighted Amount		**28%**	44%
Total Capital Adequacy Ratio		**28%**	44%

40. RISK MANAGEMENT

The Company has an independent risk management division and developed risk management framework to continuously manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the Company. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits prescribed by the Board of Directors; and
- Risk taking decisions are in line with the policy guidelines, business strategy and objectives set by the Board.

The Company is exposed to a number of risks, which it manages at different levels.

The main categories of risk are:

Credit risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the Company.

The Company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk management structure facilitates in the Credit approval function by its Internal Credit Risk Rating model through which an appropriate risk level of the borrower / counterparty is ascertained for credit sanctioning and disbursement.

The Company manages credit risk through:

- Establishment of acceptable risk appetite and tolerance levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence; and
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses because the market value of the Company's assets and liabilities will vary with changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in the respect to the Company's assets and liability management is primarily associated with the capital market exposures and the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses owning to deficient or erroneous internal procedures, human or system errors, or external events.

The Company has in place a duly approved operational risk policy, disaster recovery system (DRS) and a business continuity plan (BCP). These are continuously reviewed to strengthen operational controls prevailing in the Company.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The Company is continuously in the process of improving its Internal Controls which aids in strengthening the Operational Risk Management of the Company.

Liquidity risk

The risk arising due to failure to access funds at reasonable cost to finance the Company's operations and meet its liabilities when these become due is categorised as liquidity risk.

The Company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to ALCO. The ALCO of the Company deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

40.1 Credit risk

Credit risk management objectives and policies

Credit risk refers to the risks of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the Company arises primarily from the lending and investment activities.

Credit exposures include both individual borrowers, corporate and groups of connected counterparties and portfolios in the Company's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board and management respectively. The procedures and policy guidelines spell out relevant process flow, approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in compliance with the Prudential Regulations and Risk Management Guidelines of the State Bank of Pakistan.

Appropriate levels of facilities are approved by the Board of Directors. The Executive Committee (EC) approves facilities of upto Rs.100 million while facilities exceeding this limit require approval from the Board of Directors on recommendation of the EC. ALCO / Credit Committee (CC) considers and recommends the said facilities to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower / counterparty.

The Company currently uses Standardised Approach for computing capital charge on credit risk weighted assets. Currently, the Company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings should be subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower / guarantor / counterparty. Risk ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower / guarantor / counterparty. The Credit scoring in the ICRRS is being conducted by Corporate and Investment Banking Group which is reviewed by the Risk Management Division on periodic basis and from time to time upon receiving the required information and documents of the credit case for its credit approval.

Objective of Internal Credit Risk Rating (ICRR)

Credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management; and
- Setting of credit risk concentration limits.

The Company constantly updates and improves upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the Company.

The Company also uses and give due weightage to external rating while evaluating the risk. The Company obtains external ratings from PARCA and / or JCR-VIS.

Exposures	**JCR-VIS**	**PARCA**	**Other**
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitisations	x	x	x
Others (specify)	x	x	x

Credit exposures subject to standardised approach

		2012			**2011**		
Exposures	**Rating Category**	**Amount outstanding**	**Deduction CRM***	**Net amount**	**Amount outstanding**	**Deduction CRM***	**Net amount**
		(Rupees in '000)			**(Rupees in '000)**		
Corporate	0	**-**	**-**	**-**	-	-	-
	1	**203,131**	**-**	**203,131**	1,485,953	-	1,485,953
	2	**1,650,057**	**-**	**1,650,057**	783,961	-	783,961
	3-4	**-**	**-**	**-**	523,197	-	523,197
	5-6	**233,520**	**-**	**233,520**	1,059,763	-	1,059,763
	Unrated	**-**	**-**	**-**	-	-	-
		2,086,708	**-**	**2,086,708**	3,852,874	-	3,852,874
Banks	0	**-**	**-**	**-**	-	-	-
	1	**38,635**	**-**	**38,635**	241,174	-	241,174
	2-3	**64,397**	**-**	**64,397**	105,595	-	105,595
	4-5	**-**	**-**	**-**	-	-	-
	6	**2**	**-**	**2**	-	-	-
	Unrated	**-**	**-**	**-**	-	-	-
		103,034	**-**	**103,034**	346,769	-	346,769
Sovereigns		**-**	**-**	**-**	-	-	-
Unrated		**3,038,206**	**-**	**3,038,206**	4,678,191	-	4,678,191
Total Credit Exposure		**5,227,948**	**-**	**5,227,948**	8,877,834	-	8,877,834

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Company are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.3 of these financial statements.

40.1.1 Segment information

40.1.1.1 Segment by class of business

	2012					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	**952,524**	**12.60%**	**-**	**-**	**-**	**-**
Textile	**355,836**	**4.71%**	**-**	**-**	**3,504**	**0.17%**
Chemicals and pharmaceuticals	**1,198,158**	**15.85%**	**-**	**-**	**100,000**	**4.24%**
Cement	**556,247**	**7.36%**	**-**	**-**	**200,000**	**8.48%**
Sugar	**143,835**	**1.90%**	**-**	**-**	**76,146**	**3.23%**
Automobile and transportation equipment	**217,543**	**2.88%**	**-**	**-**	**-**	**-**
Electronics and electrical appliances	**450,000**	**5.95%**	**-**	**-**	**-**	**-**
Construction	**243,271**	**3.22%**	**-**	**-**	**-**	**-**
Power (electricity), gas, water, sanitary	**2,087,589**	**27.62%**		**-**	**1,070,506**	**45.41%**
Wholesale and retail trade	**-**	**-**	**-**	**-**	**-**	**-**
Transport, storage and communication	**950,000**	**12.57%**	**-**	**-**	**-**	**-**
Financial Institutions	**-**	**-**	**700,000**	**17.12%**	**178**	**0.01%**
Services	**-**	**-**	**110,000**	**2.69%**	**-**	**-**
Individuals	**272,332**	**3.60%**	**-**	**-**	**-**	**-**
Others	**130,749**	**1.73%**	**3,278,500**	**80.19%**	**906,899**	**38.47%**
	7,558,084	**100.0%**	**4,088,500**	**100%**	**2,357,233**	**100.00%**

	2011					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	952,524	11.90%	-	-	-	-
Textile	281,464	3.52%	-	-	100,000	5.53%
Chemicals and pharmaceuticals	1,301,666	16.26%	-	-	-	-
Cement	589,616	7.37%	-	-	200,000	11.06%
Sugar	170,558	2.13%	-	-	79,424	4.39%
Automobile and transportation equipment	138,781	1.73%	-	-	100,000	5.53%
Electronics and electrical appliances	450,000	5.62%	-	-	-	-
Construction	263,429	3.29%	-	-	-	-
Power (electricity), gas, water, sanitary	2,144,737	26.80%		-	966,851	53.48%
Wholesale and retail trade	-	-	-	-	-	-
Transport, storage and communication	1,050,000	13.12%	-	-	-	-
Financial Institutions	-	-	1,082,844	29.64%	-	-
Services	-	-	80,000	2.19%	-	-
Individuals	359,480	4.49%	-	-	-	-
Others	301,283	3.76%	2,490,000	68.17%	361,582	20.00%
	8,003,538	100%	3,652,844	100%	1,807,857	100%

40.1.1.2 Segment by sector

	2012					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	**945,170**	**12.51%**	**3,978,500**	**97.31%**	**1,058,889**	**44.92%**
Private	**6,612,914**	**87.49%**	**110,000**	**2.69%**	**1,298,344**	**55.08%**
	7,558,084	**100%**	**4,088,500**	**100%**	**2,357,233**	**100%**

	2011					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	945,170	11.81%	3,542,844	96.99%	561,582	31.06%
Private	7,058,368	88.19%	110,000	3.01%	1,246,275	68.94%
	8,003,538	100%	3,652,844	100%	1,807,857	100%

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

	2012		2011	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	------------------------ (Rupees in '000) ------------------------			
Agriculture, forestry, hunting and fishing	**7,354**	**7,354**	7,354	7,354
Textile	**229,340**	**220,809**	137,299	112,799
Chemicals and pharmaceuticals	**500,000**	**500,000**	500,000	-
Cement	**200,000**	**200,000**	200,000	200,000
Sugar	**-**	**-**	-	-
Automobile and transportation equipment	**138,781**	**138,781**	138,781	138,781
Electronics and electrical appliances	**450,000**	**225,000**	-	-
Construction	**143,271**	**92,684**	162,346	112,346
Power (electricity), gas, water, sanitary	**1,551,135**	**1,284,947**	301,135	301,135
Individuals	**88,087**	**45,105**	119,175	88,158
	3,307,968	**2,714,680**	1,566,090	960,573

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

Public / government	**-**	**-**	-	-
Private	**3,307,968**	**2,714,680**	1,566,090	960,573
	3,307,968	**2,714,680**	1,566,090	960,573

40.1.1.5 Geographical segment analysis

	2012			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------------------------ (Rupees in '000) ------------------------			
Pakistan	**(3,317,699)**	**13,465,607**	**3,149,791**	**2,357,233**

40.2 Market risk

Market risk refers to the impact on the Company's financial condition resulting from future adverse price or volatility movements of the assets contained in its trading book and / or investment portfolio. The principal market risk in respect of the Company's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities and equity price risk. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely.

Transaction undertaken by the financial institution for the banking book means any position or financial instrument held by bank in the normal course of business, not for trading purpose, or financial instrument that the financial institution intended to hold until maturity. All investment excluding trading book are considered as part of bank book which includes Available-for-Sale, Held to Maturity and Strategic Investments. Due to Diversified nature of investments in banking book, it shall be subject to interest rate and equity price risk.

The Company has a well established framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies duly approved by the Board.

The market risk management framework of the Company comprises of exposure limits, a series of cut-loss and potential loss limits recommended by Asset and Liability Committee (ALCO) of the Company to ensure that front line risk-takers do not exceed the defined boundaries set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis is conducted on regular basis in order to assess the quantum of market risk and liquidity position of the Company. The limits are set and reviewed regularly taking into account number of factors, including market trading, liquidity of the instruments, returns and Company's business strategy.

Management of interest rate risk of the banking and / or trading Book is primarily focused on interest cum fair value through Re-pricing Gap Analysis and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice. On quarterly basis, the Stress Test reports are being prepared for senior management, risk management committees and regulator to gain an accurate understanding of Company's risk tolerance levels.

40.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Company's exposure to this risk is negligible.

	Assets	Liabilities	Off-balance sheet items	Net foreign currency
	----------------------- (Rupees in '000) -----------------------			
Pakistan rupee	**13,465,520**	**10,315,816**	**2,339,289**	**5,488,993**
United States dollar	**87**	**-**	**17,944**	**18,031**
December 31, 2012	**13,465,607**	**10,315,816**	**2,357,233**	**5,507,024**
Pakistan rupee	14,882,938	8,526,649	1,791,262	8,147,551
United States dollar	938	-	16,595	17,533
December 31, 2011	14,883,876	8,526,649	1,807,857	8,165,084

40.2.2 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. Equity price risk is managed within the statutory limits and as defined in the policy framework by applying trading limit, scrip-wise and portfolio wise limits. Value at Risk (VaR) numbers generation and stress testing of the equity portfolio are also performed and reported to ALCO, senior management and risk management committees.

40.2.3 Mismatch of interest rate sensitive assets and liabilities

Yield and interest rate sensitivity position for on-balance sheet instruments is based on the earlier contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate repricing that may be undertaken, which is complied by the Company's treasury division.

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 3 year	Over 3 to 5 Years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial
		2012										
		Exposed to yield / interest rate risk										
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	63,387	-	-	-	-	-	-	-	-	-	63,387
Balances with other banks	8%	38,636	13,362	10,021	10,021	-	-	-	-	-	-	5,232
Investments	10.73%	7,706,331	1,033,723	1,812,408	1,480,674	1,870,075	98,113	-	306,000	51,304	-	1,054,034
Advances	8.16%	4,841,011	1,358,165	2,786,069	590,568	576	-	-	-	-	-	105,633
Other assets	-	424,720	-	-	-	-	-	-	-	-	-	424,720
		13,074,085	2,405,250	4,608,498	2,081,263	1,870,651	98,113	-	306,000	51,304	-	1,653,006
Liabilities												
Borrowings	11.92%	5,880,572	4,163,141	1,149,550	461,885	13,719	27,438	27,438	37,401	-	-	-
Deposits and other accounts	12.29%	4,088,500	840,000	1,220,000	150,000	1,878,500	-	-	-	-	-	-
Other liabilities	-	346,744	-	-	-	-	-	-	-	-	-	346,744
		10,315,816	5,003,141	2,369,550	611,885	1,892,219	27,438	27,438	37,401	-	-	346,744
On-balance sheet gap		2,758,269	(2,597,891)	2,238,948	1,469,378	(21,568)	70,675	(27,438)	268,599	51,304	-	1,306,262
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest rate risk sensitivity gap			(2,597,891)	2,238,948	1,469,378	(21,568)	70,675	(27,438)	268,599	51,304	-	
Cumulative yield / interest rate risk sensitivity gap			(2,597,891)	(358,943)	1,110,435	1,088,867	1,159,542	1,132,104	1,400,703	1,452,007	1,452,007	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	13,074,085
Non financial instruments	
Operating fixed assets	97,945
Deferred taxation	293,577
	13,465,607

		2011										
		Exposed to yield / interest rate risk										
	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 3 year	Over 3 to 5 Years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	42,643	-	-	-	-	-	-	-	-	-	42,643
Balances with other banks	12.14%	41,177	13,204	9,903	9,903	-	-	-	-	-	-	8,167
Lendings to financial institutions	12.03%	200,000	200,000	-	-	-	-	-	-	-	-	-
Investments	12.55%	6,187,323	127,087	1,790,790	1,644,760	1,015,605	102,636	90,643	26,921	-	-	1,388,881
Advances	13.08%	7,039,113	1,686,069	2,685,355	2,380,483	159,872	70,297	6,473	6,543	36,948	7,073	-
Other assets	-	900,555	-	-	-	-	-	-	-	-	-	900,555
		14,410,811	2,026,360	4,486,048	4,035,146	1,175,477	172,933	97,116	33,464	36,948	7,073	2,340,246
Liabilities												
Borrowings	13.96%	4,537,471	2,173,482	1,560,068	771,885	3,770	7,540	7,540	13,186	-	-	-
Deposits and other accounts	13.66%	3,652,844	718,344	949,500	415,500	1,569,500	-	-	-	-	-	-
Other liabilities	-	336,334	-	-	-	-	-	-	-	-	-	336,334
		8,526,649	2,891,826	2,509,568	1,187,385	1,573,270	7,540	7,540	13,186	-	-	336,334
On-balance sheet gap		5,884,162	(865,466)	1,976,480	2,847,761	(397,793)	165,393	89,576	20,278	36,948	7,073	2,003,912
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(865,466)	1,976,480	2,847,761	(397,793)	165,393	89,576	20,278	36,948	7,073	
Cumulative yield / interest rate risk sensitivity gap			(865,466)	1,111,014	3,958,775	3,560,982	3,726,375	3,815,951	3,836,229	3,873,177	3,880,250	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	14,410,811
Non financial instruments	
Operating fixed assets	68,568
Deferred taxation	404,497
	14,883,876

40.3 Liquidity risk

The risk arising due to failure to access funds at reasonable cost to finance the Company's operations and meet its liabilities when these become due.

Pak-Libya's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to ALCO. The ALCO of the Company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. ALCO has approved basis for computing maturities of assets and liabilities which take in to account the contractual maturity for assets and liabilities and/or expectation and estimation for realisation of underlying assets and liabilities by the respective business or operational units to arrive at the appropriate maturity buckets.

The Company seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and by taking advantage of any potential lending and investment opportunities as they arise.

40.3.1 Maturities of assets and liabilities - On the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 10 years	Above 10 years
	---------- (Rupees in '000) ----------									
Assets										
Cash and balances with treasury banks	63,387	3,169	14,965	45,253	-	-	-	-	-	-
Balances with other banks	38,636	15,454	11,591	11,591	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,706,331	1,102,210	532,737	1,804,052	1,947,812	285,134	208,622	361,908	1,463,856	-
Advances	4,841,011	93,711	112,357	1,080,433	260,667	494,447	562,747	1,409,044	796,986	30,619
Operating fixed assets	97,945	1,626	3,252	4,878	9,756	19,512	58,921	-	-	-
Deferred tax assets	293,577	(226)	(122)	870	(385)	71,997	65,300	131,235	24,908	-
Other assets	424,720	82,022	100,623	46,165	31,424	160,145	-	-	4,341	-
	13,465,607	1,297,966	775,403	2,993,242	2,249,274	1,031,235	895,590	1,902,187	2,290,091	30,619
Liabilities										
Borrowing	5,880,572	4,163,141	150,000	156,885	213,745	374,863	562,288	259,650	-	-
Deposits and other accounts	4,088,500	840,000	1,220,000	150,000	1,878,500	-	-	-	-	-
Other liabilities	346,744	34,191	53,893	62,526	114,905	-	-	22,698	58,531	-
	10,315,816	5,037,332	1,423,893	369,411	2,207,150	374,863	562,288	282,348	58,531	-
	3,149,791	(3,739,366)	(648,490)	2,623,831	42,124	656,372	333,302	1,619,839	2,231,560	30,619

Share capital	6,141,780
Reserves	-
Unappropriated loss	(2,983,638)
Surplus / (deficit) on revaluation of assets	(8,351)
	3,149,791

	2011									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	42,643	213	229	42,201	-	-	-	-	-	-
Balances with other banks	41,177	16,471	12,353	12,353	-	-	-	-	-	-
Lendings to financial institutions	200,000	200,000	-	-	-	-	-	-	-	-
Investments	6,187,323	37,798	78,340	1,334,213	1,244,409	1,450,377	865,501	695,126	481,559	-
Advances	7,039,113	107,729	244,015	1,272,758	770,381	1,797,031	2,315,335	368,730	96,504	66,630
Operating fixed assets	68,568	1,339	2,678	4,017	8,034	16,068	36,432	-	-	-
Deferred tax assets	404,497	4,045	16,180	20,225	60,675	151,686	151,686	-	-	-
Other assets	900,555	141,182	161,845	159,969	228,229	205,009	-	-	4,321	-
	14,883,876	508,777	515,640	2,845,736	2,311,728	3,620,171	3,368,954	1,063,856	582,384	66,630
Liabilities										
Borrowing	4,537,471	2,173,482	343,552	173,552	225,437	470,872	355,040	795,536	-	-
Deposits and other accounts	3,652,844	718,344	949,500	415,500	1,569,500	-	-	-	-	-
Other liabilities	336,334	9,005	118,603	79,259	112,904	-	2,208	14,355	-	-
	8,526,649	2,900,831	1,411,655	668,311	1,907,841	470,872	357,248	809,891	-	-
	6,357,227	(2,392,054)	(896,015)	2,177,425	403,887	3,149,299	3,011,706	253,965	582,384	66,630

Share capital	6,141,780
Reserves	474,801
Unappropriated loss	(29,595)
Surplus / (deficit) on revaluation of assets	(229,759)
	6,357,227

40.4 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 10 years	Above 10 years
	---------- (Rupees in '000) ----------									
Assets										
Cash and balances with treasury banks	63,387	-	-	-	-	-	-	-	-	63,387
Balances with other banks	38,636	38,636	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,706,331	1,190,712	562,237	1,804,052	1,977,313	314,564	208,622	361,908	1,286,923	-
Advances	4,841,011	93,711	112,357	1,080,433	260,667	494,447	562,747	1,409,044	796,986	30,619
Operating fixed assets	97,945	1,626	3,252	4,878	9,756	19,512	58,921	-	-	-
Deferred tax assets	293,577	(226)	(122)	870	(385)	71,997	65,300	131,235	24,908	-
Other assets	424,720	82,022	100,623	46,165	31,424	160,145	-	-	4,341	-
	13,465,607	1,406,481	778,347	2,936,398	2,278,775	1,060,665	895,590	1,902,187	2,113,158	94,006
Liabilities										
Borrowing	5,880,572	4,163,141	150,000	156,885	213,745	374,863	562,288	259,650	-	-
Deposits and other accounts	4,088,500	840,000	1,220,000	150,000	1,878,500	-	-	-	-	-
Other liabilities	346,744	34,191	53,893	62,526	114,905	-	-	22,698	58,531	-
	10,315,816	5,037,332	1,423,893	369,411	2,207,150	374,863	562,288	282,348	58,531	-
	3,149,791	(3,630,851)	(645,546)	2,566,987	71,625	685,802	333,302	1,619,839	2,054,627	94,006

Share capital	6,141,780
Reserves	-
Unappropriated loss	(2,983,638)
Surplus / (deficit) on revaluation of assets	(8,351)
	3,149,791

	2011									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	42,643	-	-	-	-	-	-	-	-	42,643
Balances with other banks	41,177	41,177	-	-	-	-	-	-	-	-
Lendings to financial institutions	200,000	200,000	-	-	-	-	-	-	-	-
Investments	6,187,323	37,798	78,340	1,334,213	1,244,409	1,450,377	865,501	695,126	481,559	-
Advances	7,039,113	107,729	244,015	1,272,758	770,381	1,797,031	2,315,335	368,730	96,504	66,630
Operating fixed assets	68,568	1,339	2,678	4,017	8,034	16,068	36,432	-	-	-
Deferred tax assets	404,497	4,045	16,180	20,225	60,675	151,686	151,686	-	-	-
Other assets	900,555	141,182	161,845	159,969	228,229	205,009	-	-	4,321	-
	14,883,876	533,270	503,058	2,791,182	2,311,728	3,620,171	3,368,954	1,063,856	582,384	109,273
Liabilities										
Borrowing	4,537,471	2,173,482	343,552	173,552	225,437	470,872	355,040	795,536	-	-
Deposits and other accounts	3,652,844	718,344	949,500	415,500	1,569,500	-	-	-	-	-
Other liabilities	336,334	9,005	118,603	79,259	112,904	-	2,208	14,355	-	-
	8,526,649	2,900,831	1,411,655	668,311	1,907,841	470,872	357,248	809,891	-	-
	6,357,227	(2,367,561)	(908,597)	2,122,871	403,887	3,149,299	3,011,706	253,965	582,384	109,273

Share capital	6,141,780
Reserves	474,801
Unappropriated loss	(29,595)
Surplus / (deficit) on revaluation of assets	(229,759)
	6,357,227

41. SUMMARY OF RECLASSIFICATIONS

Comparative information has been reclassified or rearranged in these financial statements for the purposes of better presentation. Major reclassifications made are as follows:

Particulars	Component	Reclassified from	Reclassified to	(Rupees in '000)
Share of loss on interest in joint venture	Profit and loss account	Non mark-up / interest income	Share of loss on interest in joint venture	(23,604)

42. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these financial statements except for the disclosures updated in respective notes to the financial statements.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 30,2013 by the Board of Directors of the Company.

44. GENERAL

44.1 In its latest rating announcement (June 2012), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+(A One Plus) in the short term (with negative outlook assigned to ratings). Further, PACRA has maintained the rating of AA(Double A) assigned to the secured Privately Placed Term Finance Certificates issued by the Company (with negative outlook assigned to rating).

44.2 Amounts in these financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

Chief Financial Officer **Managing Director**

Director **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
Annexure I
As referred in note 8.18 of the financial statements.

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES (TFCs)

S. No.	Name of TFCs	Cost 2012	Cost 2011
		------- (Rupees in '000) -------	
	Particulars of investments held in listed term finance certificates (TFCs)		
1	United Bank Limited - TFC - IV (14-02-2008) Certificate of Rs.5,000 each Mark-up: 11.42% (6 - Months Kibor + 0.85%) Redemption: Half yearly from February 2008 Maturity: February 2008	**75,027**	-
2	Pak-Arab Fertilizers Limited - TFC - II (28-02-2008) Certificate of Rs.5,000 each Mark-up: 12.03% (6 - Months Kibor + 1.5%) Redemption: Half yearly from August 2008 Maturity: February 2013	**5,171**	158,259
3	Faysal Bank Limited - TFC - III (10-02-2005) Certificate of Rs.5,000 each Mark-up: 13.6% (6 - Months Kibor + 1.9%) Redemption: Half yearly from August 2005 Maturity: February 2013	**24,940**	49,900
4	Summit Bank Limited - TFC (27-10-2011) Certificate of Rs.5,000 each Mark-up: 13.51% (6 - Months Kibor + 3.25%) Redemption: Half yearly from April 2012 Maturity: October 2018	**297,996**	199,775
5	Invest Capital Investment Bank Limited - TFC - II (05-09-2002) Certificate of Rs.5,000 each Mark-up: 14.45% (5y PIB + 2.75%) Redemption: Bullet payment falling due on September 2013 Maturity: September 2013 Installment status: Overdue	**3,000**	3,000
6	Trust Investment Bank Limited - TFC - IV (04-07-2008) Certificate of Rs.5,000 each Mark-up: 13.85% (6 - Months Kibor + 1.85%) Redemption: Half yearly from July 2008 Maturity: July 2013 Installment status: Overdue	**9,371**	12,495
7	Azgard Nine Limited - TFC - II (20-09-2005) Certificate of Rs.5,000 each Mark-up: 11.6% (6 - Months Kibor + 1.25%) Redemption: Half yearly from Mar 2006 Maturity: September 2017 Installment status: Overdue	**13,015**	29,959
8	Pakistan Mobile Communications Limited - TFC - III (31-05-2006) Certificate of Rs.5,000 each Mark-up: 12.38% (6 - Months Kibor + 2.85%) Redemption: Half yearly from May 2006 Maturity: May 2013	**22,337**	66,625
		450,857	520,013

S. No.	Name of TFCs	Cost 2012	Cost 2011
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted term finance certificates (TFCs)		
1	Azgard Nine Limited - TFC - V (19-12-2010) Certificate of Rs.5,000 each Mark-up: 10.69% (3 - Months Kibor + 1.25%) Redemption : Quarterly from May 2011 Maturity: May 2013 Installment status: Overdue	**179,652**	280,000
2	Azgard Nine Limited - TFC - VI (31-08-2012) Certificate of Rs.5,000 each Mark-up: 0% Redemption: Half yearly from March 2014 Maturity: March 2017	**80,400**	-
3	Dewan Farooq Spinning Mills Limited - TFC (04-12-2004) Certificate of Rs.5,000 each Mark-up: 13.16% (6 - Months Kibor + 3.75%) Redemption: Half yearly from June 2006 Maturity: June 2010 Installment status: Overdue	**18,750**	18,750
4	Engro Fertilizer Limited - TFC - IV (18-03-2008) Certificate of Rs.5,000 each Mark-up: 12.14% (6 - Months Kibor + 1.70%) Redemption: Put and call option Maturity: Perpetual	**560,018**	553,662
5	Engro Fertilizer Limited - TFC - V (18-03-2008) Certificate of Rs.5,000 each Mark-up: 11.69% (6 - Months Kibor + 1.25%) Redemption: Put and call option Maturity: Perpetual	**300,000**	300,000
6	Jahangir Siddiqui & Company Limited - TFC - V (04-07-2007) Certificate of Rs.5,000 each Mark-up: 13.70% (6 - Months Kibor + 1.70%) Redemption: Half yearly from July 2007 Maturity: July 2013	**17,407**	94,933
7	KASB Securities Limited - TFC (26-06-2007) Certificate of Rs.5,000 each Mark-up: 13.90% Redemption: Half yearly from June 2007 Maturity: Matured	**-**	32,295
8	Orix Leasing Pakistan Limited - TFC - IV (15-01-2008) Certificate of Rs.100,000 each Mark-up: 13.22% (6 - Months Kibor + 1.20%) Redemption: Half yearly from January 2008 Maturity: January 2013	**4,158**	12,086
	Balance c/f.	**1,160,385**	1,291,726

S. No.	Name of TFCs	Cost 2012	Cost 2011
		------- (Rupees in '000) -------	
	Balance b/f.	**1,160,385**	1,291,726
9	Gharibwal Cement Limited - TFC (18-01-2008) Certificate of Rs. 5,000 each Mark-up: 9.36% (3 - Months Kibor) Redemption: Quarterly from December 2010 Maturity: September 2016 Installment status: Overdue	**4,848**	4,848
10	Agritech Limited - TFC Certificate of Rs.5,000 each Mark-up: (6 - Months Kibor + 1.75%) Redemption: Half yearly from November 2013 Maturity: Sold	**-**	7,764
11	Pak-Arab Fertilizer Limited - TFC - III (16-12-2009) Certificate of Rs.5,000 each Mark-up: 11.97% (6 - Months Kibor + 2.50%) Redemption: Half yearly from December 2009 Maturity: December 2014	**31,565**	-
12	New Allied Electronics Industries (Pvt.) Limited - TFC (05-09-2007) Certificate of Rs.5,000 each Mark-up: 12.21% (3 - Months Kibor + 2.75%) Redemption: Quarterly from August 2008 Maturity: May 2011 Installment status: Overdue	**21,138**	21,138
13	Pakistan International Airlines Corporation Limited - TFC - II (20-02-2009) Certificate of Rs.5,000 each Mark-up: 11.39% (6 - Months Kibor + 0.85%) Redemption: Half yearly from February 2009 Maturity: February 2014 Installment status: Overdue	**176,933**	176,933
14	Security Leasing Corporation Limited - TFC - III (28-03-2006) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022	**3,690**	4,375
		1,398,559	1,506,784

S. No.	Name of TFCs	Cost 2012	2011
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted sukuks		
1	Security Leasing Corporation Limited (21-09-2008) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022	**14,760**	17,500
2	Kohat Cement Limited (15-12-2007) Certificate of Rs.5,000 each Mark-up: 10.87% (3 - Months Kibor + 1.5%) and a deferred mark-up portion Redemption: Quarterly from September 2011 Maturity: September 2016	**39,962**	148,462
3	House Building Finance Company Limited (08-05-2008) Certificate of Rs.5,000 each Mark-up: 10.29% (6 - Months Kibor + 1.00%) Redemption: Half yearly from May 2008 Maturity: May 2014	**64,398**	105,595
4	Pak-Elektron Limited (28-09-2007) Certificate of Rs.5,000 each Mark-up: 11.13% (3 - Months Kibor + 1.75%) Redemption: Quarterly from June 2013 Maturity: September 2014 Installment status: Overdue	**88,611**	88,611
5	Pak-Elektron Limited - II (31-03-2008) Certificate of Rs.5,000 each Mark-up: 10.36% (3 - Months Kibor + 1.00%) Redemption: Quarterly from June 2013 Maturity: March 2017 Installment status: Overdue	**38,522**	38,522
6	Sitara Energy Limited (15-12-2007) Certificate of Rs.5,000 each Mark-up: 15.75% (6 Months Kibor + 1.95%) Redemption: Half yearly from January 2008 Maturity: Matured	**-**	6,175
7	Liberty Power Technology Limited (18-03-2009) Certificate of Rs.5,000 each Mark-up: 13.20% (3 - Months Kibor + 3.00%) Redemption: Quarterly from March 2011 Maturity: December 2020	**91,881**	96,760
		338,134	501,625

Annexure II
As referred in note 9.6 of the financial statements.

STATEMENT SHOWING WRITTEN- OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RS. OR ABOVE, PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2012

(Rs. In '000')

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	NIC NUMBER	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF			
					Principal	Mark-up *	Others *	Total	Principal	Mark-up *	Others *	Total
				NIL								