



Pak China Investment Company Limited

**Financial Statements
For the year ended 31 December 2012**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Eagle Plaza 75-West, Fazlul-Haq Road
Blue Area, P.O. Box 2388, Islamabad 44000, Pakistan
Tel: +9251 287 0290-92
Fax: +9251 287 0293
www.ey.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pak China Investment Company 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 (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit. The financial statements of the Company for the year ended 31 December 2011 were audited by another firm of Chartered Accountants, whose report dated 26 March 2012 expressed an unqualified opinion thereon.

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 approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the financial 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 change as disclosed in note 4.2 to the financial statements, 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 profit, its comprehensive income, 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).



Chartered Accountants

Audit Engagement Partner: Khurram Jameel

Date: 25 June 2013

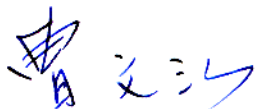
Place: Islamabad

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012


	Note	2012 Rupees	2011 Rupees
ASSETS			
Cash and balances with treasury banks	5	92,588,077	1,491,717,118
Balances with other banks	6	1,686,035,087	23,226,506
Lendings to financial institutions	7	934,033,000	583,954,255
Investments	8	8,020,870,732	4,077,544,264
Advances	9	4,590,087,974	4,437,660,212
Fixed assets	10	219,538,864	176,177,287
Deferred tax assets	13	-	3,470,790
Other assets	11	429,686,708	384,565,310
		15,972,840,442	11,178,315,742
LIABILITIES			
Bills payable		-	-
Borrowings	12	4,139,032,168	106,873,755
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	13	2,351,263	-
Other liabilities	14	62,602,328	12,220,140
		4,203,985,759	119,093,895
NET ASSETS		11,768,854,683	11,059,221,847
REPRESENTED BY			
Share capital	15	9,116,400,000	9,116,400,000
Reserve		523,231,035	388,411,071
Unappropriated profit		2,092,924,141	1,553,644,283
		11,732,555,176	11,058,455,354
Surplus on revaluation of available for sale securities	16	36,299,507	766,493
		11,768,854,683	11,059,221,847
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 35 form an integral part of these financial statements.

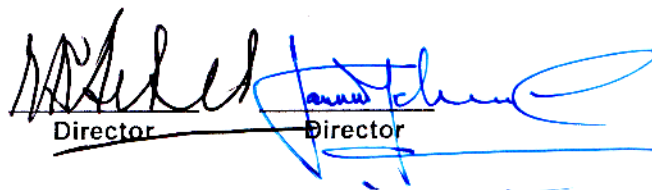
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Managing Director



Director



Director


Director

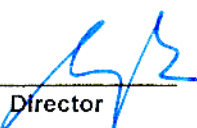
PAK CHINA INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

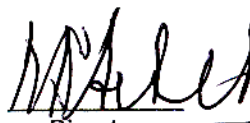
	Note	2012 Rupees	2011 Rupees
Mark-up / return / interest earned	18	1,308,462,920	1,313,743,696
Mark-up / return / interest expensed	18.1	(98,390,861)	(47,665,953)
Net mark-up / interest income		1,210,072,059	1,266,077,743
Provision against non-performing loans and advances	9.3	17,945,300	175,398,653
Provision for diminution in the value of available-for-sale investments	8.3	75,864,000	60,929,000
Impairment loss on available-for-sale investments	8.8	79,660,047	85,600,000
Bad debts written off directly		-	-
		173,469,347	321,927,653
Net mark-up / interest income after provisions		1,036,602,712	944,150,090
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		12,936,730	8,900,625
Dividend income		-	-
Exchange gain		121,608,232	63,159,372
Gain on sale of available-for-sale securities		98,024,055	60,312,850
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		90,294	6,300
Total non mark-up / interest income		232,659,311	132,379,147
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	19	232,153,273	208,403,408
Other provisions / write offs		-	-
Other charges	20	32,100	521,000
Total non mark-up / interest expenses		232,185,373	208,924,408
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,037,076,650	867,604,829
Taxation - Current		376,700,664	334,461,262
- Prior		-	21,280,000
- Deferred		(13,723,836)	(1,836,460)
	21	362,976,828	353,904,802
PROFIT AFTER TAXATION		674,099,822	513,700,027
Basic and diluted earnings per share	22	0.74	0.57

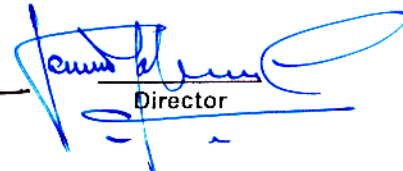
The annexed notes 1 to 35 form an integral part of these financial statements.

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Managing Director


Director


Director


Director

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

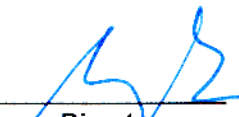
	2012 Rupees	2011 Rupees
Profit after taxation	674,099,822	513,700,027
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>674,099,822</u></u>	<u><u>513,700,027</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

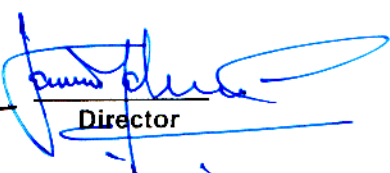
Surplus on revaluation of available for sale investments is required to be shown separately below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the SBP. Accordingly, this has not been included in the statement of comprehensive income.

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 Managing Director


 Director


 Director



 Director

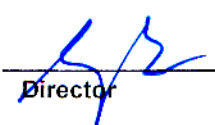
PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012


	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,037,076,650	867,604,829
Adjustments for:			
Depreciation		14,273,818	11,512,903
Amortization		1,117,267	1,556,722
Provision for gratuity		6,127,739	4,115,883
Provision against non-performing loans and advances		17,945,300	175,398,653
Provision for diminution in the value of available-for-sale investments		75,864,000	60,929,000
Impairment loss on available-for-sale investments		79,660,047	85,600,000
Gain on sale of fixed assets		(90,294)	(6,300)
		<u>1,231,974,527</u>	<u>1,206,711,690</u>
Decrease/ (increase) in operating assets			
Lendings to financial institutions		(350,078,745)	680,185,338
Advances		(170,373,062)	695,834,144
Others assets		(72,248,978)	7,722,458
		<u>(592,700,785)</u>	<u>1,383,741,940</u>
Increase/ (decrease) in operating liabilities			
Borrowings		4,032,158,413	(1,025,385,340)
Other liabilities		956,477	(1,253,683)
		<u>4,033,114,890</u>	<u>(1,026,639,023)</u>
Gratuity paid		(1,858,782)	(4,586,040)
Income tax paid		(304,003,602)	(389,623,754)
		<u>(305,862,384)</u>	<u>(394,209,794)</u>
Net cash generated from operating activities		<u>4,366,526,248</u>	<u>1,169,604,813</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Investments made during the year - net		(4,044,184,339)	(1,120,259,046)
Capital expenditure		(58,752,663)	(8,681,404)
Sale proceeds of fixed assets		90,294	6,300
Net cash used in investing activities		<u>(4,102,846,708)</u>	<u>(1,128,934,150)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Advance received against issue of shares		-	65,700,800
Increase in cash and cash equivalents		<u>263,679,540</u>	<u>106,371,463</u>
Cash and cash equivalents at beginning of the year		1,514,943,624	1,408,572,161
Cash and cash equivalents at end of the year	23	<u>1,778,623,164</u>	<u>1,514,943,624</u>

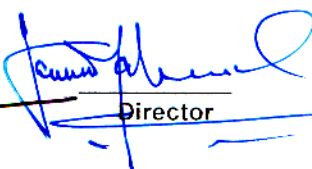
The annexed notes 1 to 35 form an integral part of these financial statements.

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 Managing Director


 Director


 Director


 Director

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Statutory reserve	Unappropriated profit	Advance against issue of shares	Total
	(Rupees)				
Balance as at 01 January 2011	6,457,200,000	285,671,066	1,142,684,261	2,593,499,200	10,479,054,527
Profit after taxation	-	-	513,700,027	-	513,700,027
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	513,700,027	-	513,700,027
Transfer to statutory reserve	-	102,740,005	(102,740,005)	-	-
Advance received against issue of shares	-	-	-	65,700,800	65,700,800
Issue of shares	2,659,200,000	-	-	(2,659,200,000)	-
	2,659,200,000	-	-	(2,593,499,200)	65,700,800
Balance as at 31 December 2011	9,116,400,000	388,411,071	1,553,644,283	-	11,058,455,354
Profit after taxation	-	-	674,099,822	-	674,099,822
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	674,099,822	-	674,099,822
Transfer to statutory reserve	-	134,819,964	(134,819,964)	-	-
Balance as at 31 December 2012	9,116,400,000	523,231,035	2,092,924,141	-	11,732,555,176

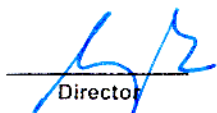
The annexed notes 1 to 35 form an integral part of these financial statements.

According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to statutory reserve. Accordingly, the Company has transferred 20% of its after tax profit for the year to statutory reserve.

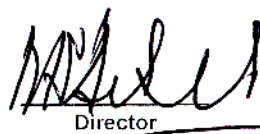
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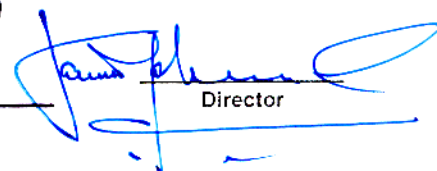
Managing Director



Director



Director



Director

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited ("the Company") was incorporated in Pakistan as a public limited company in 27 July 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance respectively. The objective of the Company is to invest in infrastructure projects.

The Company has commenced business after obtaining Certificate of Commencement of Business from Securities and Exchange Commission of Pakistan ("SECP") on 02 November 2007 and permission to commence business from State Bank of Pakistan (SBP) on 10 January 2008.

2 BASIS OF PRESENTATION AND MEASUREMENT

2.1 Basis of presentation

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified for certain investments which are revalued at fair value and defined benefit plan which is measured at present value.

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

3 STATEMENT OF COMPLIANCE

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

3.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies/DFIs till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for banks/DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. Judgment made by the management in the application of approved accounting standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

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4.2 Standards effective in current year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted "IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)" which became effective during the year. However, The adoption of the above amendment did not have any material effect on the financial statements.

4.3 Accounting standards not yet effective

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

Standard or interpretation	Effective date (accounting period) beginning
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above amendments and interpretation of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability 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 profit and loss will remain 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 asset (liability) will recognise in other comprehensive income with no subsequent recycling to profit and loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

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

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (accounting period) beginning
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

4.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and other banks.

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4.5 Lendings to / borrowings from financial institutions**Sale under repurchase agreement**

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 investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

4.6 Investments

The Company classifies its investments as follows:

Held to maturity

These are securities with fixed or determinable payments and maturity in respect of which the Company has the positive intent and ability to hold till maturity.

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 fair value plus transaction costs associated with the investments.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity are subsequently stated at market values. Investments classified as held to maturity are carried at amortised cost.

Surplus / deficit arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the statement of financial position below equity.

Impairment loss in respect of investments classified as available for sale (except debt securities) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of marketable investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP and included in profit and loss account. In case of impairment of available for sale quoted securities, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit and loss account.

4.7 Advances

Advances are stated net of provisions for non-performing advances. Provision is determined in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP. In addition to specific provision, the Company also maintains a general provision.

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

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4.8 Fixed assets**Property and equipment**

These are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on a straight line method to write off the depreciable amount of each asset over its estimated useful life after taking into account residual value, if any. Depreciation on additions during the year is charged from the month of acquisition or the date the asset is available for use and on disposals upto the month of disposal. The useful lives, residual value and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in profit or loss.

Capital work-in-progress

These are stated at cost less impairment, if any.

Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual value and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

Impairment

The carrying amount of fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

4.9 Taxation**Current**

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

Deferred

The Company accounts for deferred taxation using balance sheet liability method on all temporary differences. The amount of deferred tax provided is based on expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at balance sheet date. 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 asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.10 Revenue recognition

Mark-up / return / interest income and expenses are recognised on a time proportion basis taking into account effective yield on the instrument, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by SBP.

Gain / (loss) on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

Dividend income is recognised when the Company's right to receive the dividend is established.

Fee, commission and brokerage income is recognised as the services are rendered.

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4.11 Staff retirement benefits**Defined benefit plan**

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation and included in profit and loss account. The actuarial valuation is carried out using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of the employees. The Company has adopted a policy of recognising transitional liability over a period of 5 years.

Defined contribution plan

The Company operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Company and by the employees at the rate of 10% of the basic salary of the employee.

4.12 Foreign currency translation

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Rupees at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

4.13 Provisions

Provision for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Company to settle the obligation.

Other provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.14 Financial instruments**Financial assets and financial liabilities**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

Offsetting

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the Statement of Financial Position 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.

4.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year including instrument mandatorily convertible into ordinary shares.

4.16 Dividend and appropriation to reserve

Dividend and appropriation to reserves, except appropriation which are required by law after the date of statement of financial position, are recognised as liability in the Company's financial statements in the year in which these are approved.

4.17 Segment information

A segment is distinguishable component of the Company that is engaged in providing products 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.

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Business Segments

Corporate Finance	Includes loans, advances and other transactions with corporate customers.
Trading and Sales	Undertakes the Company's fund management activities through leveraging and investing in liquid assets. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.

Geographical Segment

All the Company's business segments operate only in Pakistan.

5	CASH AND BALANCES WITH TREASURY BANKS	Note	2012 Rupees	2011 Rupees
	Cash in hand in local currency		15,528	25,000
	With SBP in local currency current accounts	5.1	91,448,008	7,279,622
	With National Bank of Pakistan in			
	- local currency current account		1,124,541	1,250,421
	- foreign currency deposit account		-	1,483,162,075
			<u>92,588,077</u>	<u>1,491,717,118</u>

- 5.1 Represent current accounts maintained with SBP as per the requirement to maintain a local currency cash reserve at a sum not less than such percentage of time and demand liabilities in Pakistan as may be prescribed from time to time by SBP.

6	BALANCES WITH OTHER BANKS	Note	2012 Rupees	2011 Rupees
	In Pakistan			
	- local currency current account		16,000,414	2,238,027
	- local currency deposit accounts	6.1	14,815,545	20,988,479
	- foreign currency deposit account	6.2	1,655,219,128	-
			<u>1,686,035,087</u>	<u>23,226,506</u>

- 6.1 These carry interest rates ranging from 5% to 7% (2011: 6% to 9%) per annum.

- 6.2 This carries interest rate of 2.75% per annum.

7 LENDINGS TO FINANCIAL INSTITUTIONS

In local currency			
- Repurchase agreement lendings (Reverse Repo)	7.1 & 7.2	<u>934,033,000</u>	<u>583,954,255</u>

- 7.1 This carries mark-up rate of 7% (2011: 11.9%) per annum and have matured in January 2013.

7.2 Security held as collateral against lendings to financial institutions

	2012			2011		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	Rupees			Rupees		
Market Treasury Bills	<u>934,033,000</u>	<u>-</u>	<u>934,033,000</u>	<u>583,954,255</u>	<u>-</u>	<u>583,954,255</u>

- 7.2.1 As of 31 December 2012, the market value of the above securities amounted to Rs.934.342 million (2011: Rs.584.501 million).

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8 INVESTMENTS

8.1 Investments by type

	Note	2012			2011		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		Rupees			Rupees		
Available-for-sale							
Market Treasury Bills	8.4	2,308,279,604	3,115,983,996	5,424,263,600	1,602,461,860	-	1,602,461,860
Pakistan Investment Bonds	8.5	430,204,678	-	430,204,678	431,024,296	-	431,024,296
Listed Term Finance Certificates	8.6	245,385,184	-	245,385,184	245,483,456	-	245,483,456
Un-listed Term Finance Certificates	8.7	1,049,328,872	-	1,049,328,872	857,520,755	-	857,520,755
Ordinary shares of a listed company	8.8	138,089,196	-	138,089,196	153,600,000	-	153,600,000
Sukuks	8.9	502,117,056	-	502,117,056	528,773,927	-	528,773,927
		<u>4,673,404,590</u>	<u>3,115,983,996</u>	<u>7,789,388,586</u>	<u>3,818,864,294</u>	<u>-</u>	<u>3,818,864,294</u>
Held-to-maturity							
Unlisted Term Finance Certificates	8.7	312,429,750	-	312,429,750	318,429,750	-	318,429,750
		<u>4,985,834,340</u>	<u>3,115,983,996</u>	<u>8,101,818,336</u>	<u>4,137,294,044</u>	<u>-</u>	<u>4,137,294,044</u>
Investments at cost							
Provision for diminution in value of investments	8.3	(136,793,000)	-	(136,793,000)	(60,929,000)	-	(60,929,000)
		<u>4,849,041,340</u>	<u>3,115,983,996</u>	<u>7,965,025,336</u>	<u>4,076,365,044</u>	<u>-</u>	<u>4,076,365,044</u>
Investments - net of provisions							
Surplus on revaluation of available-for-sale securities		52,572,202	3,273,194	55,845,396	1,179,220	-	1,179,220
		<u>4,901,613,542</u>	<u>3,119,257,190</u>	<u>8,020,870,732</u>	<u>4,077,544,264</u>	<u>-</u>	<u>4,077,544,264</u>

8.2 Investment by segments

	Note	2012 Rupees	2011 Rupees
Federal Government Securities			
- Market Treasury Bills	8.4	5,424,263,600	1,602,461,860
- Pakistan Investment Bonds	8.5	430,204,678	431,024,296
		<u>5,854,468,278</u>	<u>2,033,486,156</u>
Term Finance certificates			
- Listed	8.6	245,385,184	245,483,456
- Unlisted	8.7	1,361,758,622	1,175,950,505
		<u>1,607,143,806</u>	<u>1,421,433,961</u>
Fully paid up ordinary shares -listed	8.8	138,089,196	153,600,000
Other investments			
- Sukuks	8.9	502,117,056	528,773,927
		<u>8,101,818,336</u>	<u>4,137,294,044</u>
Investments at cost			
Provision for diminution in value of investments	8.3	(136,793,000)	(60,929,000)
		<u>7,965,025,336</u>	<u>4,076,365,044</u>
Investments - net of provisions			
Surplus on revaluation of available-for-sale securities		55,845,396	1,179,220
		<u>8,020,870,732</u>	<u>4,077,544,264</u>

8.3 Provision for diminution in the value of investments

Opening balance	60,929,000	-
Charge for the year	75,864,000	60,929,000
Closing balance	<u>136,793,000</u>	<u>60,929,000</u>

8.3.1 Particulars of provision in respect of type and segment

Available for sale securities		
Unlisted Term Finance Certificates	<u>136,793,000</u>	<u>60,929,000</u>

The above provision has been computed after considering the benefit of forced sales value (FSV) of collaterals amounting to Rs.105.455 million (2011: Rs.109.7 million). The FSV benefit is not allowed for distribution of cash or stock dividend to shareholders.

- 8.4 These carry interest rates ranging between 9.28 % to 10.44% (2011: 11.76% to 11.85%) per annum with redemption period of three to six months (2011: one year). These securities have an aggregate face value of Rs.5,550 million (2011: Rs.1,693 million).

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- 8.5 This carries interest at the rate of 11.5% (2011: 11.5%) per annum with redemption period of four years (2011: five years). These securities have an aggregate face value of Rs.448.1 million (2011: Rs.448.1 million).
- 8.6 Represents 49,136 (2011: 49,136) certificates of Rs 5,000 each of Askari Bank Limited. The market value of these certificates amounts to Rs 270.9 million (2011: Rs.251.3 million) as at 31 December 2012 with a rating of AA. These carry interest at the rate of 6 months KIBOR plus 2.5% (2011: 6 months KIBOR plus 2.5%) per annum and have a redemption period of 7 years (2011: 8 years).

8.7 Unlisted Term Finance Certificates

Note	No. of certificates of Rs.5,000 each		Rating		Cost	
	2012	2011	2012	2011	2012	2011
-----Rupees-----						
Available-for-sale						
Bank Alfalah Limited	30,000	30,000	AA-	AA-	149,820,000	149,880,000
AgriTech Limited	40,000	40,000	D	D	199,760,000	199,760,000
AgriTech Limited	1,695	1,695	D	D	8,473,305	8,475,000
Pakistan National Shipping Corporation (PNSC)	-	-	AA-	AA-/A1+	230,134,810	220,145,755
Azgard Nine Limited	36,000	36,000	D	D	115,130,757	179,280,000
Azgard Nine Limited	9,214	-	D	-	46,070,000	-
Bank Al Habib Limited	20,000	20,000	AA-	AA	99,940,000	99,980,000
Standard Chartered Bank Limited	40,000	-	AAA	-	200,000,000	-
					1,049,328,872	857,520,755
Held-to-maturity						
Avani Hotels Limited	74,400	75,000	A-	A-	312,429,750	318,429,750
					1,361,758,622	1,175,950,505

* As per the agreement between the Company and PNSC, 60,000 certificates will be issued upon full disbursement.

- 8.7.1 These carry interest rates of 3 months to 6 months KIBOR + 0.75% to 3.25% (2011: 3 months KIBOR + 1.25% to 6 months KIBOR + 2.50%) with a redemption period of 2-9 years (2011: 2-10 years).
- 8.7.2 These securities have been classified as non-performing in accordance with the requirements of Prudential Regulations. However, in terms of SBP directives, the Company has availed relaxation in respect of provisioning against these securities to the extent of Rs.136.793 million (2011: Rs.60.929 million).
- 8.8 Represents 11,832,836 ordinary shares of Rs.10 each of AgriTech Limited. The market value of these shares at year end was Rs.138.089 million. During the year, the Company has recognized an impairment loss of Rs.79.66 million, being the difference of cost and market value of these shares.
- 8.9 Represents Sukuk Certificates of Liberty Power Technology Limited. These carry mark-up at the rate of 3 months KIBOR plus 3% (2011: 3 months KIBOR plus 3%) per annum, with a rating of A+ (2011: AA-). The sukuk have a redemption period of 9 years (2011: 10 years).

	Note	2012 Rupees	2011 Rupees
9 ADVANCES			
In Pakistan			
Advances		5,044,258,313	4,883,793,276
Staff loans		27,806,827	17,898,802
Advances- gross		5,072,065,140	4,901,692,078
Provisions against non-performing loans and advances			
Specific provision	9.2 & 9.3	(394,742,000)	(377,756,000)
General provision	9.3	(87,235,166)	(86,275,866)
		(481,977,166)	(464,031,866)
Advances - net of provision		4,590,087,974	4,437,660,212
9.1 Particulars of advances - gross			
9.1.1 In local currency		5,072,065,140	4,901,692,078
9.1.2 Short term (upto one year)		-	-
Long term (over one year)		5,072,065,140	4,901,692,078
		5,072,065,140	4,901,692,078

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9.2 Advances include Rs.682.5 million (2011: Rs.570 million) which have been placed under non-performing status as detailed below:

Category of classification	2012				
	Rupees				
	Classified advances		Provision required		Provision held
	Domestic	Overseas	Total	Domestic	Overseas
Substandard	-	-	-	-	-
Doubtful	412,500,000	-	412,500,000	156,425,000	-
Loss	270,000,000	-	270,000,000	238,317,000	-
	682,500,000	-	682,500,000	394,742,000	-
				394,742,000	-
				156,425,000	156,425,000
				238,317,000	238,317,000
				394,742,000	394,742,000

Category of classification	2011				
	Rupees				
	Classified advances		Provision required		Provision held
	Domestic	Overseas	Total	Domestic	Overseas
Substandard	-	-	-	-	-
Doubtful	300,000,000	-	300,000,000	150,000,000	-
Loss	270,000,000	-	270,000,000	227,756,000	-
	570,000,000	-	570,000,000	377,756,000	-
				377,756,000	-
				150,000,000	150,000,000
				227,756,000	227,756,000
				377,756,000	377,756,000

Particulars of provision against non-performing advances	2012				2011			
	Rupees				Rupees			
	Specific	General	Total		Specific	General	Total	
Opening balance	377,756,000	86,275,866	464,031,866		235,636,000	52,997,213	288,633,213	
Charge for the year	16,986,000	959,300	17,945,300		150,000,000	33,278,653	183,278,653	
Reversals during the year		-	-		(7,880,000)	-	(7,880,000)	
	16,986,000	959,300	17,945,300		142,120,000	33,278,653	175,398,653	
Closing balance	394,742,000	87,235,166	481,977,166		377,756,000	86,275,866	464,031,866	

9.3.1 In terms of SBP directives, the Company has availed relaxation in respect of provisioning against non-performing advances of certain borrowers aggregating to Rs.150 million (2010: Rs.150 million).

9.3.2 The above provision has been computed after considering the FSV benefit of collaterals amounting to Rs.131.333 million (2011: Rs.42.244 million). The FSV benefit is not allowed for distribution of cash or stock dividend to shareholders.

9.3.3 General provision is maintained at the rate of 2% of advances other than non-performing advances.

9.4 Particulars of write-offs

The Company has not written off any loans and advances or allowed any financial relief during the year.

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	Note	2012 Rupees	2011 Rupees
10 FIXED ASSETS			
Capital work-in-progress	10.1	172,454,526	156,118,576
Property and equipment	10.2	46,586,815	18,443,919
Intangible assets	10.3	497,523	1,614,792
		<u>219,538,864</u>	<u>176,177,287</u>
10.1 Capital work-in-progress			
Advances to suppliers		-	1,861,510
Civil works		172,454,526	154,257,066
	10.1.1	<u>172,454,526</u>	<u>156,118,576</u>

10.1.1 Represents value of work in progress on property (land and building) located at DHA Karachi.

10.2 Property and equipment

	COST			DEPRECIATION			NET BOOK VALUE	Rate of depreciation per annum
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge during the year (On deletions)	As at 31 December	As at 31 December	%
2012				Rupees				
Vehicles	3,073,716	37,357,893	40,431,609	2,224,951	4,325,045	6,549,996	33,881,613	20%
Computers and office equipment	18,826,821	5,058,820 (1,203,800)	22,681,841	15,501,832	3,641,171 (1,203,800)	17,939,203	4,742,638	33%
Furniture and fixtures	13,021,242	-	13,021,242	7,548,459	2,604,247	10,152,706	2,868,536	20%
Leasehold improvements	12,354,940	-	12,354,940	6,647,583	2,470,988	9,118,571	3,236,369	20%
Electrical fittings	6,161,835	-	6,161,835	3,071,809	1,232,367	4,304,176	1,857,659	20%
	<u>53,438,554</u>	<u>42,416,713</u> <u>(1,203,800)</u>	<u>94,651,467</u>	<u>34,994,634</u>	<u>14,273,818</u> <u>(1,203,800)</u>	<u>48,064,652</u>	<u>46,586,815</u>	

	COST			DEPRECIATION			NET BOOK VALUE	Rate of depreciation per annum
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge during the year (On deletions)	As at 31 December	As at 31 December	%
2011				Rupees				
Vehicles	3,073,716	-	3,073,716	1,610,208	614,743	2,224,951	848,765	20%
Computers and office equipment	17,245,280	1,587,841 (6,300)	18,826,821	10,916,874	4,591,258 (6,300)	15,501,832	3,324,989	33%
Furniture and fixtures	13,007,242	14,000	13,021,242	4,944,912	2,603,547	7,548,459	5,472,783	20%
Leasehold improvements	12,354,940	-	12,354,940	4,176,595	2,470,988	6,647,583	5,707,357	20%
Electrical fittings	6,161,835	-	6,161,835	1,839,442	1,232,367	3,071,809	3,090,026	20%
	<u>51,843,013</u>	<u>1,601,841</u> <u>(6,300)</u>	<u>53,438,554</u>	<u>23,488,031</u>	<u>11,512,903</u> <u>(6,300)</u>	<u>34,994,634</u>	<u>18,443,920</u>	

10.3 Intangible assets

	COST			AMORTISATION			NET BOOK VALUE	Rate of amortisation per annum
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge during the year (On deletions)	As at 31 December	As at 31 December	%
2012				Rupees				
Computer softwares	4,674,479	-	4,674,479	3,059,689	1,117,267	4,176,956	497,523	33%

	COST			AMORTISATION			NET BOOK VALUE	Rate of amortisation per annum
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge during the year (On deletions)	As at 31 December	As at 31 December	%
2011				Rupees				
Computer softwares	4,674,479	-	4,674,479	1,502,967	1,556,722	3,059,689	1,614,790	33%

10.4 During the year, computers and office equipment having book value of Rs Nil were sold for Rs.90,294 to employees of the Company in accordance with the Company's policy.

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	Note	2012 Rupees	2011 Rupees
11 OTHER ASSETS			
Income / mark-up accrued in local currency		389,474,325	345,052,860
Income / mark-up accrued in foreign currency		1,870,624	2,706,263
Advances, deposits and prepayments		38,276,675	13,403,418
Receivable from gratuity fund	25	-	460,987
Advance tax - net		-	22,858,647
Others		65,084	83,135
		<u>429,686,708</u>	<u>384,565,310</u>
12 BORROWINGS			
In Pakistan		<u>4,139,032,168</u>	<u>106,873,755</u>
12.1 Particulars of borrowings with respect to currencies			
In local currency		<u>4,139,032,168</u>	<u>106,873,755</u>
12.2 Details of borrowings			
Repurchase agreement borrowings - secured	12.2.1	3,116,600,529	-
Call money borrowing from a financial institution - unsecured	12.2.2	932,000,000	-
Borrowing from SBP - unsecured	12.2.3	90,431,639	106,873,755
		<u>4,139,032,168</u>	<u>106,873,755</u>
12.2.1 These carry mark-up rates ranging from 8% to 9.4% (2011: nil) per annum and have matured in January 2013.			
12.2.2 This carries mark up at the rate of 6.95% per annum and has matured in January 2013.			
12.2.3 Represents financing facility obtained from SBP under the scheme "Financing Facility For Storage of Agri Produce". This carries mark up at the rate of 6.5% (2011: 6.5%) per annum and is repayable in 14 semi-annual installments starting from July 2011			
13 DEFERRED TAX LIABILITIES			
Recognised in profit and loss account	Note	2012 Rupees	2011 Rupees
Accelerated tax depreciation		1,878,500	1,378,330
Exchange gain		(79,275,230)	(36,510,533)
Provision for gratuity		1,332,790	(161,345)
Provision for non-performing loans and advances		17,500,000	17,500,000
Provision for diminution in the value of available-for-sale investments		47,877,550	21,325,150
Impairment loss on available-for-sale investments		27,881,016	-
Others		-	351,915
		17,194,626	3,883,517
Recognised in equity			
Surplus on revaluation of available for sale investments		(19,545,889)	(412,727)
		<u>(2,351,263)</u>	<u>3,470,790</u>
Movement of deferred tax is as follows:			
Opening balance		3,470,790	3,043,945
Charge to profit and loss account		13,723,836	1,836,460
Credited to equity		(19,545,889)	(1,409,615)
Closing balance		<u>(2,351,263)</u>	<u>3,470,790</u>
14 OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		5,089,493	1,750,973
Accrued expenses		3,649,584	10,469,167
Provision for tax - net		49,425,711	-
Payable to gratuity fund	25	3,807,970	-
Others		629,570	-
		<u>62,602,328</u>	<u>12,220,140</u>
15 SHARE CAPITAL			
15.1 Authorised capital			
<u>2012</u> <u>2011</u>			
Number of shares			
<u>1,214,000,000</u> <u>1,214,000,000</u> Ordinary shares of Rs. 10 each		<u>12,140,000,000</u>	<u>12,140,000,000</u>
15.2 Issued, subscribed and paid-up share capital			
<u>2012</u> <u>2011</u>			
Number of shares			
<u>911,640,000</u> <u>911,640,000</u> Ordinary shares of Rs. 10 each, issued for cash		<u>9,116,400,000</u>	<u>9,116,400,000</u>

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		2012 Rupees	2011 Rupees
16	SURPLUS ON REVALUATION OF AVAILABLE FOR SALE SECURITIES		
	Market Treasury Bills	6,174,700	(1,343,371)
	Pakistan Investment Bonds	24,067,451	(3,314,515)
	Term Finance Certificates	25,603,245	5,837,106
		55,845,396	1,179,220
	Related deferred tax	(19,545,889)	(412,727)
		36,299,507	766,493
17	CONTINGENCIES AND COMMITMENTS		
	Transaction related contingent liabilities		
	Letters of guarantees	-	23,420,379
	Trade related contingent liabilities		
	Letters of credit	-	207,707,400
	Commitments to extend credits		
	The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs.34.898 million (2011: Rs.252.144 million).		
18	MARK - UP / RETURN / INTEREST EARNED	Note	
	On loans and advances	657,421,317	837,218,345
	On investments in		
	- Held-to-maturity	45,289,317	51,855,631
	- Available-for-sale	504,769,011	328,318,287
		550,058,328	380,173,918
	On deposits with banks	56,537,617	62,731,904
	On securities purchased under resale agreements	44,445,658	33,619,529
		1,308,462,920	1,313,743,696
18.1	MARK - UP / RETURN / INTEREST EXPENSED		
	On borrowings with SBP and financial institutions	42,611,313	15,067,161
	On securities sold under repurchase agreements	55,779,548	32,598,792
		98,390,861	47,665,953
19	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and other benefits	120,549,006	115,667,198
	Directors' fee	1,115,700	1,557,900
	Gratuity	6,127,739	4,115,883
	Employer's contribution to the provident fund	4,318,608	3,943,745
	Traveling, conveyance, boarding and lodging	25,948,123	12,918,347
	Rent, rates and taxes	30,397,227	28,313,129
	Utilities	4,518,496	3,362,864
	Communication	3,147,619	1,578,426
	Office security charges	3,476,380	2,828,000
	Professional training and staff welfare	2,580,195	226,327
	Donations	-	10,000,000
	Advertisements, periodicals and membership fees	1,728,261	260,417
	Printing and stationery	1,878,866	2,132,702
	Depreciation	14,273,818	11,512,903
	Amortization	1,117,267	1,556,722
	Auditors' remuneration	877,500	850,000
	Legal, consultancy and other professional services	2,103,843	2,476,255
	Repairs and maintenance	2,856,725	2,339,662
	Insurance	2,236,887	1,172,729
	Entertainment	1,068,825	959,966
	Bank charges	277,822	188,605
	Miscellaneous	1,554,366	441,628
		232,153,273	208,403,408

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	Note	2012 Rupees	2011 Rupees
19.1	Auditors' remuneration		
	Audit fee	475,000	450,000
	Half yearly review	150,000	150,000
	Special certifications and sundry services	230,000	200,000
	Out of pocket expenses	22,500	50,000
		<u>877,500</u>	<u>850,000</u>
20	OTHER CHARGES		
	Penalty imposed by the SBP	<u>32,100</u>	<u>521,000</u>
21	TAXATION		
	Current	376,700,664	334,461,262
	Prior	-	21,280,000
	Deferred	(13,723,836)	(1,836,460)
		<u>362,976,828</u>	<u>353,904,802</u>
21.1	Relationship between tax expense and accounting profit		
	Profit before taxation	<u>1,037,076,650</u>	<u>867,604,829</u>
	Tax at applicable rate of 35%	362,976,828	303,661,690
	Tax effects of - inadmissible expenses	-	51,422,350
	- other prepayment differences	-	(1,179,238)
		<u>362,976,828</u>	<u>353,904,802</u>
21.2	The income tax returns of the Company have been filed and are deemed assessed up to and including the tax year 2012. However, for the tax year 2009, the assessment of the Company was amended by the Taxation Officer by disallowing "provision against lending to financial institutions" amounting to Rs.94.518 million. The Company is contesting the above decision before the Appellate Tribunal and based on the advice of its tax advisor, is confident that the ultimate outcome of the above matter will be in the Company's favour. Accordingly, no provision is considered necessary in these financial statements in this respect.		
22	BASIC AND DILUTED EARNINGS PER SHARE	2012	2011
	Net profit for the year (Rupees)	<u>674,099,822</u>	<u>513,700,027</u>
	Weighted average number of ordinary shares (Number)	<u>911,640,000</u>	<u>908,921,967</u>
	Basic/ diluted earnings per share (Rupees)	<u>0.74</u>	<u>0.57</u>
	There is no dilutive effect on the basic earnings per share of the Company.		
23	CASH AND CASH EQUIVALENTS	2012 Rupees	2011 Rupees
	Cash and balances with treasury banks	92,588,077	1,491,717,118
	Balances with other banks	1,686,035,087	23,226,506
		<u>1,778,623,164</u>	<u>1,514,943,624</u>
24	STAFF STRENGTH	Number of employees	Number of employees
	Permanent	36	35
	Temporary / on contractual basis	-	1
	Company's own staff strength	36	36
	Outsourced	10	8
	Total staff strength	<u>46</u>	<u>44</u>
25	DEFINED BENEFIT PLAN		
25.1	General description		
	The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. Latest actuarial valuation was carried out as at 31 December 2012.		
	The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of one year of service.		

ETAMM

25.2	Principal actuarial assumptions	2012	2011		
	Discount rate used	11.00%	12.50%		
	Expected rate of return on plan assets	12.50%	13.00%		
	Expected rate of salary increase	10.00%	11.50%		
	Average remaining working lives of employees	12.7 years	12 years		
	Normal retirement age	60 years	60 years		
		2012	2011		
		Rupees	Rupees		
25.3	Reconciliation of payable / (receivable) to defined benefit plan				
	Present value of the defined benefit obligations	14,106,470	8,322,034		
	Fair value of plan assets	(7,320,547)	(6,492,151)		
	Net actuarial not recognized	(2,394,769)	(1,124,503)		
	Transitional liability to be recognised later	(583,184)	(1,166,367)		
		<u>3,807,970</u>	<u>(460,987)</u>		
25.4	Movement in defined benefit obligations				
	Opening balance	8,322,034	8,085,333		
	Current service cost	5,291,463	3,759,612		
	Interest cost	1,040,254	1,051,093		
	Benefits paid during the year	(1,858,782)	(5,146,040)		
	Actuarial loss	1,311,501	572,036		
	Closing balance	<u>14,106,470</u>	<u>8,322,034</u>		
25.5	Movement in fair value of plan assets				
	Opening balance	6,492,151	9,830,809		
	Expected return on plan assets	811,519	1,278,005		
	Contributions during the year	1,858,782	4,586,040		
	Benefits paid during the year	(1,858,782)	(8,626,040)		
	Actuarial loss on plan assets	16,878	(576,663)		
	Closing balance	<u>7,320,547</u>	<u>6,492,151</u>		
25.6	Plan assets consist of the following:				
	National saving certificates	5,850,000	5,850,000		
	Accrued interest	1,397,056	558,523		
	Bank balances	73,491	83,628		
		<u>7,320,547</u>	<u>6,492,151</u>		
25.7	Movement in defined benefit plan				
	Opening balance	(460,987)	9,170		
	Charge for the year	6,127,739	4,115,883		
	Contributions during the year	(1,858,782)	(4,586,040)		
	Closing balance	<u>3,807,970</u>	<u>(460,987)</u>		
25.8	Charge for defined benefit plan				
	Transitional liability recognised	583,183	583,183		
	Current service cost	5,291,463	3,759,612		
	Interest cost	1,040,254	1,051,093		
	Expected return on plan assets	(811,519)	(1,278,005)		
	Actuarial loss	24,358	-		
		<u>6,127,739</u>	<u>4,115,883</u>		
25.9	Actual return on plan assets	<u>828,397</u>	<u>701,342</u>		
25.10	Historical information				
		2012	2011	2010	2009
		Rupees	Rupees	Rupees	Rupees
	Present value of defined benefit obligations	14,106,470	8,322,034	8,085,333	6,648,481
	Fair value of plan assets	(7,320,547)	(6,492,151)	9,830,809	6,098,916
	Deficit/ (surplus)	<u>6,785,923</u>	<u>1,829,883</u>	<u>(1,745,476)</u>	<u>549,565</u>
	Experience adjustments				
	- on obligations	(1,311,501)	(572,036)	41,949	(7,394)
	- on plan assets	16,878	(576,663)	(75,862)	98,916
25.11	Based on actuarial advice, the management estimates that the gratuity charge for the next year would be Rs.6.892 million.				

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26 DEFINED CONTRIBUTION PLAN

The general description of the defined contribution plan is included in note 4.11.

27 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	Rupees					
Fee	19,716,403	20,704,638	1,115,700	1,557,900	-	-
Managerial remuneration	732,460	97,707	17,864,000	21,402,353	58,105,623	49,801,399
Charge for defined benefit plan	623,088	409,857	1,103,723	145,702	3,673,273	3,430,914
Contribution to provident fund	5,880,689	4,739,997	1,056,000	979,355	2,213,083	1,772,634
Rent and house maintenance	947,832	391,830	285,442	99,840	-	-
Utilities	262,574	54,091	825,343	430,279	2,045,905	1,243,285
Medical	9,983,740	4,265,489	4,331,376	2,107,961	-	-
Others	38,146,786	30,663,609	26,581,584	26,723,390	66,037,884	56,248,232
Number of persons	1	1	5	5	21	15

27.1 The Chief Executive and a Director are also provided with free use of the Company's maintained car.

28 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.

Fair value of government securities is based on Reuters Pages (PKRV) and for listed securities is based on market price. Other investments, where quoted market data is not available, are carried at cost. Fair value of fixed term loans and advances, other assets and other liabilities 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 carrying amounts of the Company's financial assets, as of 31 December 2012, approximate their fair values.

29 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2012			2011		
	Corporate Finance	Trading & Sales	Others	Corporate Finance	Trading & Sales	Others
	(Rupees)					
Total income - gross	953,472,072	587,559,864	90,294	1,541,122,230	16,591,610,608	997,390,757
Total expenses	(179,854,008)	(92,206,200)	(232,185,373)	(504,045,581)	(618,770,166)	(578,518,014)
Profit / (loss) before taxation	773,818,064	495,353,664	(232,095,079)	1,037,076,649	(64,953,591)	418,872,743
Segment assets - gross	7,345,018,443	8,597,366,593	649,225,572	16,591,610,608	997,390,757	997,390,757
Segment non-performing assets	997,390,757	-	-	(618,770,166)	-	-
Segment provision including general provision	(618,770,166)	(4,048,600,529)	(64,953,591)	(4,203,985,759)	-	-
Segment liabilities	(90,431,639)	-	-	-	-	-
Segment return on net assets	11.66%	10.89%	-39.72%	11.66%	10.89%	-39.72%
Total income - gross	1,097,040,699	349,075,844	6,300	1,446,122,843	11,703,276,608	949,040,000
Total expenses	(326,659,379)	(42,934,227)	(208,924,408)	(578,518,014)	949,040,000	(524,960,866)
Profit / (loss) before taxation	770,381,320	306,141,617	(208,918,108)	867,604,829	564,213,387	(12,220,140)
Segment assets - gross	7,011,337,072	4,127,726,149	564,213,387	11,703,276,608	949,040,000	(524,960,866)
Segment non-performing assets	949,040,000	-	-	(524,960,866)	-	-
Segment provision including general provision	(524,960,866)	-	-	(4,203,985,759)	-	-
Segment liabilities	(106,873,755)	-	-	-	-	-
Segment return on net assets	11.88%	7.42%	-37.03%	11.88%	7.42%	-37.03%

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30 RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of retirement funds, directors and key management personnel. Transactions and balances with related parties are disclosed in the relevant notes to the financial statements.

31 CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

31.1 Capital management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. The Company has implemented the capital adequacy framework under Basel - II regime. The Company, in line with the SBP guidelines, has adopted the standardized approach for credit, market risks and basic indicator approach for operational risk.

The Company's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other
- To maintain a strong capital base to support the development of its business.

The growth prospects of the Company will be linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in booking quality assets in loan segment.

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.

31.2 Regulatory capital requirements

The SBP vide BSD Circular No.7 dated 15 April 2009 has set the Minimum Capital Requirement (MCR) for DFIs up to Rs.10 billion to be achieved in a phased manner by 31 December 2013. The required MCR (free of losses) as of 31 December 2012 is Rs.9 billion. Further, the Bank is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of the risk weighted assets of the Bank.

The paid up capital of the Company as of 31 December 2012 amounted to Rs.9,116 million while CAR stands at 109.13% as of that date.

31.3 Capital structure

Tier I Capital

Share capital
Reserve
Unappropriated profit

2012 Rupees	2011 Rupees
9,116,400,000	9,116,400,000
523,231,035	388,411,071
2,092,924,141	1,553,644,283
11,732,555,176	11,058,455,354

Less: Book value of intangible asset

497,523	1,614,790
11,732,057,653	11,056,840,564

Tier II Capital

General provision subject to 1.25% of total risk weighted assets
Revaluation reserves (up to 45%)

87,235,166	86,275,866
16,334,778	344,922
103,569,944	86,620,788

Eligible Tier III Capital

Total regulatory capital base

11,835,627,597	11,143,461,352
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31.4 The capital to risk weighted assets calculated in accordance with SBP guidelines on capital adequacy is as follows:

	2012		2011	
	Capital Requirements Rupees	Risk Weighted Assets	Capital Requirements Rupees	Risk Weighted Assets
Credit Risk				
Portfolios subject to standardized approach (Simple)	646,206,888	6,452,068,881	604,069,742	6,040,697,424
Market risk				
Capital requirement for portfolios subject to standardized approach - Interest rate risk	212,556,914	2,125,569,141	192,267,088	1,922,670,877
Operational Risk				
Capital Requirement for operational risks	226,760,529	2,267,605,292	214,229,993	2,142,299,927
Total	<u>1,084,524,331</u>	<u>10,845,243,314</u>	<u>1,010,566,823</u>	<u>10,105,668,228</u>

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Capital Adequacy Ratio

		2012 Rupees	2011 Rupees
Total eligible regulatory capital held	(a)	11,835,627,597	11,143,461,352
Total Risk Weighted Assets	(b)	10,845,243,314	10,105,668,228
Capital Adequacy Ratio (a) / (b)		109.13%	110.27%

32 RISK MANAGEMENT

The Company is primarily subject to credit risk, market risk and liquidity risk. The management of Company is cognizant of these risks and has put in place requisite parameters to manage distinct risks within acceptable limits. The approach used for risk management has taken into account the nature and size of the organization. The core principle behind the risk management approach in the Company is that the members of the respective specialized risk management committees collaborate with relevant department in line with the risk management policies and frame works. A dedicated risk management function is also

32.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances that are considered doubtful for recovery.

32.1.1 Segment by class of business

	2012			
	Advances - Gross		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent
Fertilizer	280,000,000	5.52	-	-
Power	2,613,221,760	51.52	34,898,362	100
Steel	297,100,000	5.86	-	-
Sugar	312,500,000	6.16	-	-
Telecommunication	300,000,000	5.91	-	-
Storage	671,436,553	13.24	-	-
Real Estate	70,000,000	1.38	-	-
Cement	200,000,000	3.94	-	-
Glass	300,000,000	5.91	-	-
Transport, Storage & Communications	-	0.00	-	-
Others	27,806,827	0.55	-	-
	5,072,065,140	100	34,898,362	100

	2011			
	Advances - Gross		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent
Fertilizer	500,000,000	10.20	-	-
Power	2,649,461,863	54.05	153,391,799	31.74
Steel	297,100,000	6.06	-	-
Sugar	112,500,000	2.30	-	-
Telecommunication	300,000,000	6.12	-	-
Storage	732,571,413	14.95	-	-
Real Estate	70,000,000	1.43	-	-
Cement	200,000,000	4.08	-	-
Glass	22,160,000	0.45	277,840,000	57.49
Transport, Storage & Communications	-	-	52,039,804	10.77
Others	17,898,802	0.37	-	-
	4,901,692,078	100	483,271,603	100

32.1.2 Segment by sector

	2012			
	Advances - Gross		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent
Public/Government	-	-	-	-
Private	5,072,065,140	100	34,898,362	100
	5,072,065,140	100	34,898,362	100

	2011			
	Advances - Gross		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent
Public/Government	-	-	52,039,804	10.77
Private	4,901,692,078	100	431,231,799	89.23
	4,901,692,078	100	483,271,603	100

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

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees		Rupees	
Cement	200,000,000	200,000,000	200,000,000	200,000,000
Real Estate	70,000,000	38,317,000	70,000,000	27,756,000
Telecommunication	300,000,000	150,000,000	300,000,000	150,000,000
Sugar	112,500,000	6,425,000	-	-
	682,500,000	394,742,000	570,000,000	377,756,000

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

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees		Rupees	
Public/Government	-	-	-	-
Private	682,500,000	394,742,000	570,000,000	377,756,000
	<u>682,500,000</u>	<u>394,742,000</u>	<u>570,000,000</u>	<u>377,756,000</u>

32.1.5 Geographical Segment Analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees)			
In Pakistan	<u>1,037,076,650</u>	<u>15,972,840,442</u>	<u>11,768,854,683</u>	<u>34,898,362</u>
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees)			
In Pakistan	<u>867,604,829</u>	<u>11,178,315,742</u>	<u>11,059,221,847</u>	<u>483,271,603</u>

32.1.6 Credit Risk-General Disclosures Basel II Specific

As per SBP's instructions, the Company is using the standardized approach for ascertaining capital requirements for its credit risk. It is in the process of formulating its procedures for IRB approach for its credit risk. The Company will obtain necessary approvals and validation from SBP, before adopting IRB approach.

32.1.6.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach - Basel II specific

Types of Exposures and ECAI's used

Exposures	2012			2011		
	JCR-VIS	PACRA	OTHER Moody's	JCR-VIS	PACRA	OTHER Moody's
Corporate	P	P	x	P	P	x
Banks	P	P	P	P	P	P

Credit Exposures subject to Standardised approach

Exposures	Rating category	2012			2011		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
		Rupees			Rupees		
Cash and cash equivalents		15,528	-	15,528	25,000	-	25,000
Claims on Government		91,448,008	-	91,448,008	30,138,269	-	30,138,269
Corporate	1	886,761,625	-	886,761,625	1,921,861,369	-	1,921,861,369
Corporate	2	3,355,040,077	-	3,355,040,077	2,247,039,146	-	2,247,039,146
Corporate	5,6	54,543,305	-	54,543,305	8,475,000	-	8,475,000
Corporate	Unrated	1,280,488,286	-	1,280,488,286	1,302,068,626	-	1,302,068,626
Public Sector Entity	1	233,001,974	-	233,001,974	223,455,360	-	223,455,360
Public Sector Entity	Unrated	-	-	-	6,344,400	-	6,344,400
Banks- less than 3 months funded in PKR		966,162,750	934,212,250	31,940,500	608,811,929	584,335,002	24,476,927
Claim on Banks	4,5	1,655,219,128	-	1,655,219,128	1,483,162,075	-	1,483,162,075
Claims categorized as retail portfolio		3,528,586	-	3,528,586	2,407,782	-	2,407,782
Claim fully secured by residential property		27,806,827	-	27,806,827	17,898,802	-	17,898,802
Past due loans		465,855,757	-	465,855,757	510,355,000	-	510,355,000
Listed equity investments and regulatory capital		738,802,696	-	738,802,696	507,251,917	-	507,251,917
Investment in operating fixed assets		219,041,341	-	219,041,341	174,562,497	-	174,562,497
Other assets		59,072,572	-	59,072,572	36,691,377	-	36,691,377
Total		10,036,778,460	934,212,250	9,102,566,210	9,080,548,549	584,335,002	8,496,213,547

Following is the list of main type of collateral taken by the Company:

- Government Securities
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of sponsors' shares
- Guarantee of Government of Pakistan
- Industrial land and building mortgage (equitable)
- Personal guarantees
- Hypothecation over movable properties
- Registered charge over fixed assets

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32.2 Liquidity risk

Liquidity risk is the potential loss to the Company arising from either its inability to meet its obligation or to arrange the requisite funding for its assets at a reasonable price. The Company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitors daily liquidity position of the Company.

32.2.1 Maturities of assets and liabilities

		2012								
Total		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
		(Rupees)								
Assets										
Cash and balances with treasury banks	92,588,077	-	-	-	-	-	-	-	-	-
Balances with other banks	1,686,035,087	30,815,959	-	1,655,219,128	-	-	-	-	-	-
Lendings to financial institutions	934,033,000	934,033,000	-	-	-	-	-	-	-	-
Investments	8,020,870,732	9,799,903	3,558,577,128	1,945,552,505	187,941,975	297,538,513	181,220,623	879,736,974	960,503,111	-
Advances	4,590,087,974	23,988,550	11,604,643	44,680,969	141,772,492	450,848,761	670,751,762	1,313,538,094	1,918,696,123	14,106,580
Fixed assets	219,538,864	1,539,559	175,533,644	4,618,677	8,839,498	11,298,513	8,086,320	9,622,653	-	-
Other assets	429,686,708	129,128,564	61,375,281	37,251,654	191,352,758	8,988,982	1,589,459	-	-	-
	15,972,840,442	1,221,893,612	3,807,090,696	3,687,322,933	529,905,723	768,674,779	861,648,164	2,202,997,721	2,879,199,234	14,106,580
Liabilities										
Borrowings	4,139,032,168	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-
Deferred tax assets	2,351,263	-	-	2,351,263	-	-	-	-	-	-
Other liabilities	62,602,328	7,984,507	53,988,251	629,570	-	-	-	-	-	-
	4,203,985,759	4,064,806,094	53,988,251	2,980,833	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-
Net assets	11,768,854,683	(2,842,912,482)	3,753,102,445	3,684,342,100	521,685,665	752,232,663	845,206,048	2,170,113,489	2,870,978,175	14,106,580

Share capital
Reserve
Unappropriated profit
Surplus on revaluation of available for sale securities

36,299,507
11,768,854,683

Exhibit

PAK CHINA INVESTMENT COMPANY LIMITED

2011

	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
(Rupees)										
Assets										
Cash and balances with treasury banks	1,491,717,118	8,555,043	-	1,483,162,075	-	-	-	-	-	-
Balances with other banks	23,226,506	23,226,506	-	-	-	-	-	-	-	-
Lendings to financial institutions	583,954,255	583,954,255	-	-	-	-	-	-	-	-
Investments	4,077,544,264	97,922,519	29,757,997	1,124,556,867	665,395,545	289,724,096	232,053,881	690,311,864	941,990,538	5,830,957
Advances	4,437,660,212	129,248,519	41,615,905	31,515,684	74,568,152	503,696,367	500,056,088	1,063,885,661	2,057,328,630	35,745,206
Fixed assets	176,177,287	979,944	3,821,398	2,939,832	5,879,664	160,901,499	1,654,950	-	-	-
Deferred tax assets	3,470,790	-	-	-	-	-	-	-	-	3,470,790
Other assets	384,565,310	97,998,485	125,532,330	141,490,228	18,147,277	1,350,781	46,209	-	-	-
	11,178,315,742	941,885,271	200,727,630	2,783,664,686	763,990,638	955,672,743	733,811,128	1,754,197,525	2,999,319,168	45,046,953
Liabilities										
Borrowings	106,873,755	8,221,058	-	-	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-
Other liabilities	12,220,140	3,798,592	1,049,050	7,372,498	-	-	-	-	-	-
	119,093,895	12,019,650	1,049,050	7,372,498	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-
Net assets	11,059,221,847	929,865,621	199,678,580	2,776,292,188	755,769,580	939,230,627	717,369,012	1,721,313,293	2,974,655,993	45,046,953
Share capital	9,116,400,000									
Reserves	388,411,071									
Un-appropriated profit	1,553,644,283									
Surplus on revaluation of Assets	766,493									
	11,059,221,847									

Exhibit

32.3 Market risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The company does not have a defined trading book, and all investments are classified as Available for Sale or Held to Maturity. Due to diversified nature of investments in banking book, the Company is primarily subject to interest rate risk. The Company via its JV agreement is not to engage in secondary market equity trading. The Company is using Base-I standardised approach to calculate risk weighted assets against market risk exposure.

32.3.1 Interest rate risk

Interest rate risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on a monthly basis to ascertain the interest rates movements with regard to the portfolio while also anticipating policy rate movements.

	Effective yield / interest rate %	2012							Not exposed to yield / interest rate risk	
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years		Over three to five years
----- Rupees -----										
On balance sheet financial instruments										
Financial Assets										
Cash and balances with treasury banks										
		92,500,077	-	-	-	-	-	-	-	92,500,077
4.55		1,686,035,087	30,815,959	-	1,655,219,128	-	-	-	-	-
7.00		934,033,000	934,033,000	-	-	-	-	-	-	-
10.10		8,020,870,732	9,799,903	3,557,872,855	1,944,846,537	48,439,936	285,438,548	166,878,407	854,398,474	960,503,111
12.28		4,590,067,974	23,988,550	11,604,643	44,630,569	141,772,492	450,648,761	670,751,762	1,313,638,094	1,918,696,123
		387,220,548	-	-	-	-	-	-	-	387,220,548
		15,720,835,418	998,637,412	3,569,477,498	3,644,746,634	190,212,488	736,347,709	837,630,169	2,168,036,355	2,879,199,234

Financial Liabilities										
Borrowings										
8.36		4,135,032,188	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059
		62,602,328	-	-	-	-	-	-	-	-
		4,201,634,496	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059

On balance sheet gap		11,519,200,922	(3,058,184,175)	3,569,477,498	3,644,746,634	181,991,430	719,905,593	821,188,053	2,135,152,336	2,870,978,175

Off-balance sheet financial instruments										
		34,898,362	-	-	-	-	-	-	-	-
		34,898,362	-	-	-	-	-	-	-	-

Total yield/ interest risk sensitivity gap		(3,058,184,175)	3,569,477,498	3,644,746,634	181,991,430	719,905,593	821,188,053	2,135,152,336	2,870,978,175	14,106,580

Cumulative yield/ interest rate sensitivity gap		(3,058,184,175)	511,293,323	4,156,039,957	4,338,031,387	5,057,936,980	5,879,125,033	8,014,277,369	10,885,255,544	11,554,099,284

Enforce

2011

Effective yield / interest rate %	Total	Exposed to yield / profit risk						Not exposed to yield / interest rate risk
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	
Rupees								
On balance sheet financial instruments								
Financial Assets								
Cash and balances with treasury banks	1,491,717,118	-	-	1,483,162,075	-	-	-	8,555,043
Balances with other banks	23,226,506	23,148,142	-	-	-	-	-	78,364
Lendings to financial institutions	583,954,255	583,954,255	-	-	-	-	-	-
Investments	4,077,544,264	97,922,519	29,757,997	1,124,556,867	665,395,545	289,724,096	650,311,864	5,830,957
Advances	4,437,660,212	129,248,519	41,615,905	31,515,684	74,568,152	503,696,367	500,056,088	2,057,328,650
Other assets	374,861,178	-	-	-	-	-	-	35,745,206
	10,988,963,533	834,273,435	71,373,902	2,639,234,626	739,963,697	793,420,463	732,109,969	374,861,178
							2,999,319,168	383,454,585
Financial Liabilities								
Borrowings	106,873,755	8,221,058	-	-	8,221,058	16,442,116	32,884,232	-
Other liabilities	12,220,140	-	-	-	-	-	-	-
	119,093,895	8,221,058	-	-	8,221,058	16,442,116	32,884,232	12,220,140
							24,663,175	-
On balance sheet gap	10,869,869,638	826,052,377	71,373,902	2,639,234,626	731,742,639	776,978,347	2,974,655,993	371,274,445
Off-balance sheet financial instruments								
Commitments to extend credit (in case materialize)	252,143,824	-	-	-	-	-	-	252,143,824
Off-balance sheet gap - net	252,143,824	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap	826,052,377	71,373,902	71,373,902	2,639,234,626	731,742,639	776,978,347	2,974,655,993	41,576,163
Cumulative yield/ interest rate sensitivity gap	826,052,377	897,426,279	897,426,279	3,536,660,905	4,268,403,544	5,045,381,891	5,761,049,744	10,457,019,030
								10,498,595,193

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32.3.2 Foreign exchange risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company has following exposure in this category of market risk.

	2012			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	-----Rupees-----			
Pakistan Rupee	14,180,538,556	4,201,634,496	-	9,978,904,060
United States Dollar	1,655,219,128	-	-	1,655,219,128
	<u>15,835,757,684</u>	<u>4,201,634,496</u>	<u>-</u>	<u>11,634,123,188</u>
	2011			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	-----Rupees-----			
Pakistan Rupee	9,505,801,458	119,093,895	-	9,386,707,563
United States Dollar	1,483,162,075	-	-	1,483,162,075
	<u>10,988,963,533</u>	<u>119,093,895</u>	<u>-</u>	<u>10,869,869,638</u>

32.3.3 Equity risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value/ price of equity. The Company's exposure in equity market is classified in available for sale category with the intent to earn profit based on fundamentals.

32.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the Company.

The risk management function in the Company monitors the operational risk in order to ensure the safeguarding of assets and to mitigate other related risks.

The Company has invited proposals for consultancy services to implement a comprehensive Operational Risk Framework.

32.4.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to operational risk.

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**33.1 Provision against non-performing loans and advances**

The management reviews the loan portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by SBP, payment status of mark-up and principal, expected future cash flows of the business and security position are taken into account.

33.2 Classification / valuation of investments

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

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33.3 Impairment of investments

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value/ fair value below its cost. In making this judgment, the management considers among other factors, the decline in market price below cost by 20% as significant and if the decline in market price persists for 9 months as prolonged. For debt securities impairment loss is determined on the basis of Prudential Regulations of SBP.

33.4 Provision for income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues and the appeals of the department pending at various levels of authorities.

33.5 Fixed assets

The Company reviews the useful lives and residual value of fixed assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge/ amortization and impairment.

33.6 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

33.7 Provision for gratuity

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

34 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 25 June 2013.

35 GENERAL


35.1 The Pakistan Credit Rating Agency Limited has issued long term credit rating of AA- and the short term rating of A1+ for the Company.

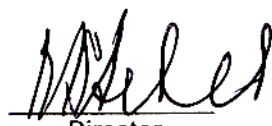
35.2 Captions as prescribed by BSD Circular No. 4 dated 17 February 2006 issued by SBP for which there are no amounts have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

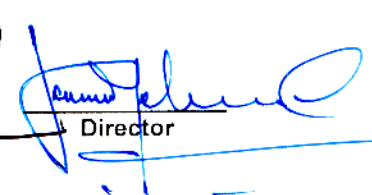
35.3 Figures have been rounded off to the nearest rupees, unless otherwise stated.

E-FAST


Managing Director


Director


Director


Director