SAUDI PAK

ANNUAL REPORT 2015

34TH ANNUAL REPORT

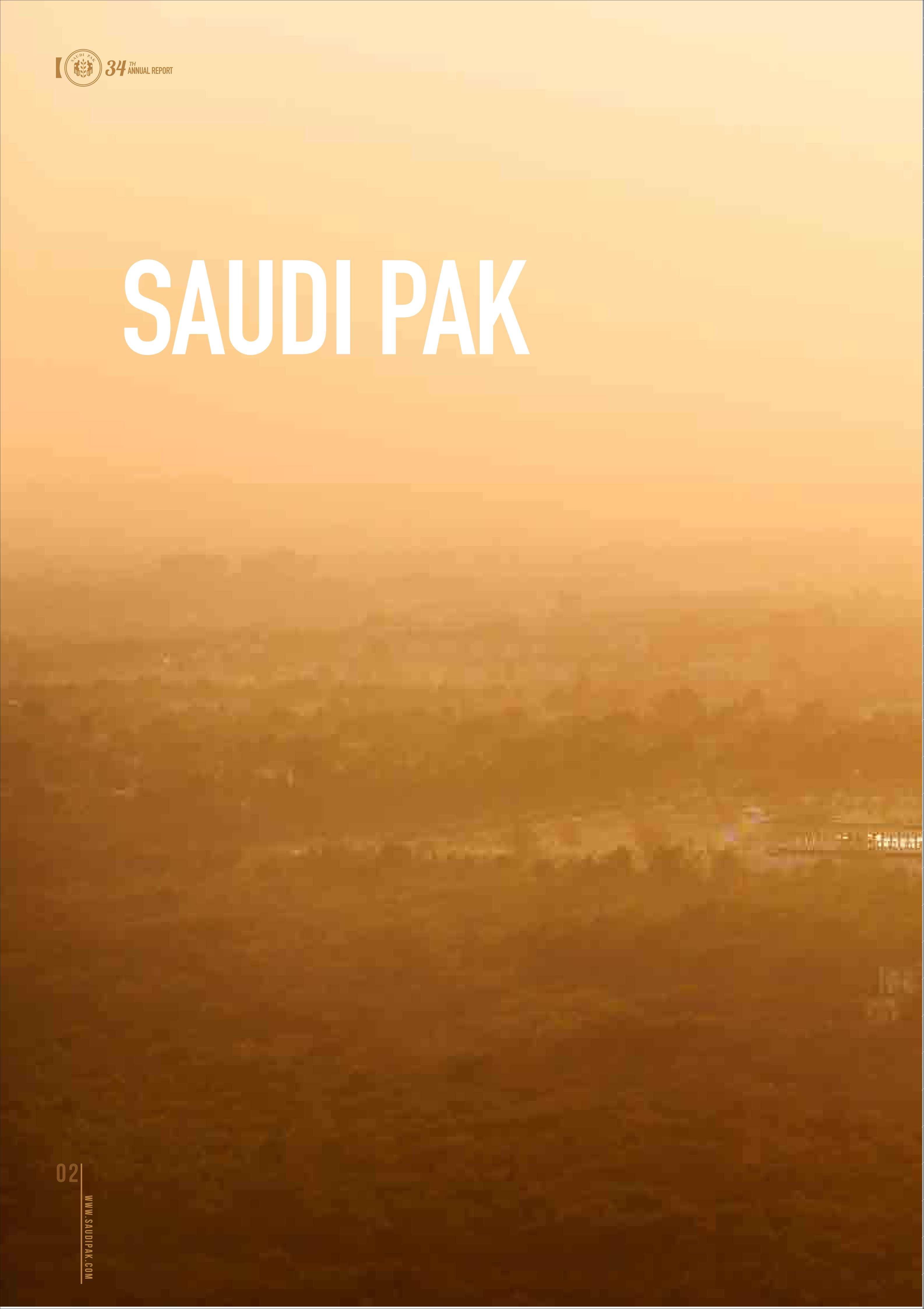
ON THE MOVE

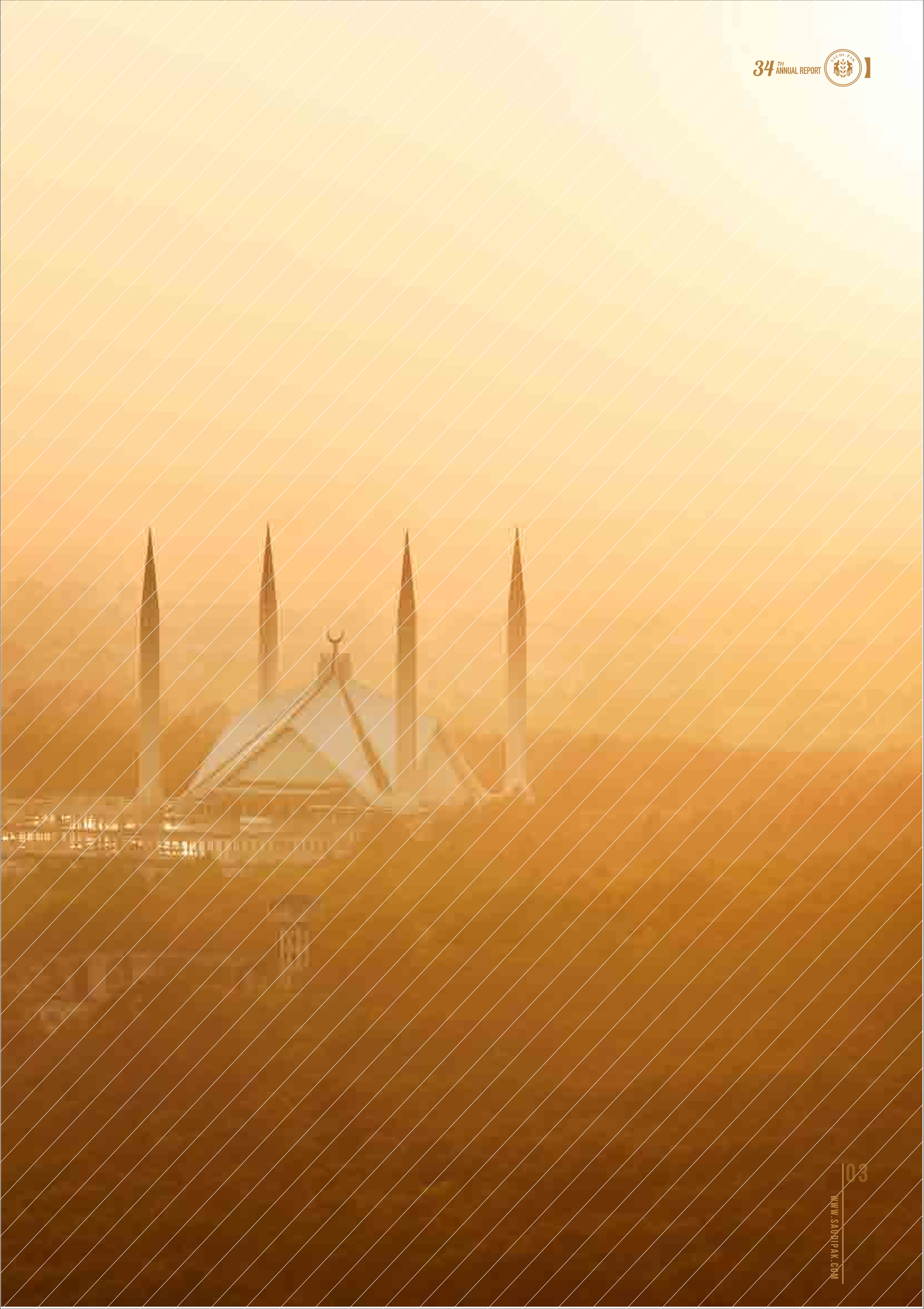
Year 2015 has been very positive for Pakistan, in respect of its economic outlook compared to the past two decades. Three years back it seemed Pakistan will take almost a decade or two to recover from economic crisis, but a series of steps taken by the Government and some opportunities that presented itself last year as well as this year, showed that Pakistan can overcome economic crisis in a year or two.

In March 2015, Moody's Investors Service raised Pakistan's credit outlook rating from stable to positive. Pakistan's credit rating has been upgraded for the first time since 2006.

In May 2015, S&P followed Moody and upgraded Pakistan's credit rating from stable to Positive. Improving finances, low inflation, economic reforms and lower energy prices contributed towards Pakistan's economic optimism.

SAUDI PAK






100%
80%
100%
60%
50%
40%
20%
569.005
100.05

KEY FINANCIAL INDICATORS

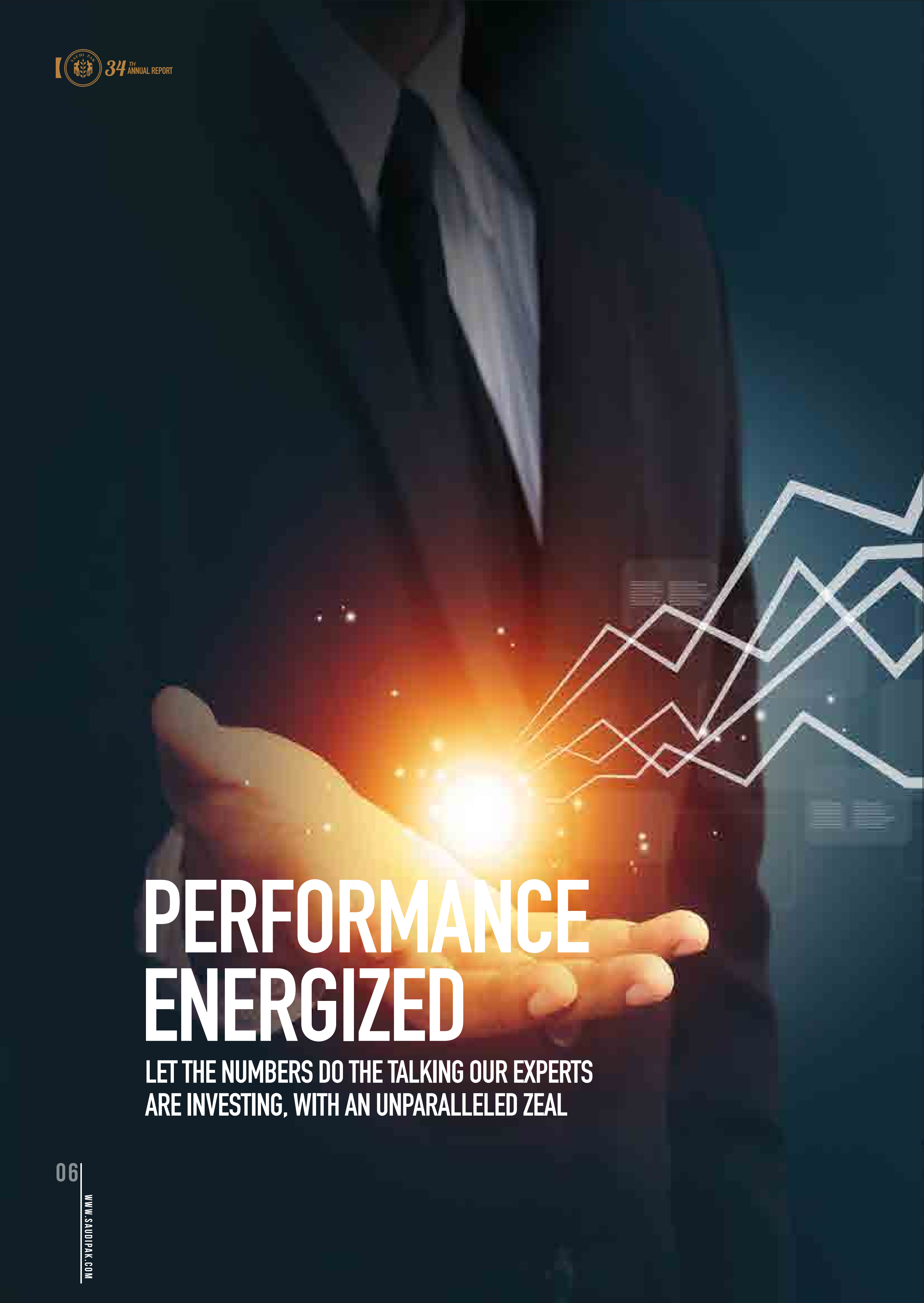
25.78% Net Interest Margin

11.01% Total Income

13.14% Total Assets

9.25% Shareholder's Equity

32.91% Cash Recovery



PERFORMANCE ENERGIZED

LET THE NUMBERS DO THE TALKING OUR EXPERTS ARE INVESTING, WITH AN UNPARALLELED ZEAL

2015
1Billion in pre tax profit

2014
Success continues

2013
Converting challanges into opportunities

2011
Setting direction

2012
Facing daunting challenges

PLAYING A PIVOTAL ROLE IN NATIONAL GROWTH

CONTENTS

CORPORATE INFORMATION	11
BOARD OF DIRECTORS	12
CORPORATE VISION	15
MISSION STATEMENT	15
CORE VALUES	15
CORPORATE OBJECTIVES	15
MANAGEMENT	16
CORPORATE PROFILE	20
OPERATIONAL HIGHLIGHTS	22
FINANCIAL HIGHLIGHTS	23
CHAIRMAN'S MESSAGE	27
DIRECTORS' REPORT	30
STATISTICAL INFORMATION	48
STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE	50
STATEMENT ON INTERNAL CONTROLS	52
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	53
FINANCIAL STATEMENTS	54
AUDITORS' REPORT TO THE MEMBERS	55
CONSOLIDATED FINANCIAL STATEMENTS	126

STANDING TALL WITH THE PROMISE OF A PROSPEROUS TOMORROW

CORPORATE INFORMATON

THE BOARD

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

GM/CHIEF EXECUTIVE

Mr. Kamal Uddin Khan

COMPANY SECRETARY

Mr. Mohammad Nayeem Akhtar

RISK MANAGEMENT COMMITTEE

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

AUDIT COMMITTEE

Mr. Mohammed A. Al-Jarbou	Chairman
Mr. Manzoor Ali Khan	Member
Dr. Shujat Ali	Member
Mr. Khawar Ashfaq	Secretary

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

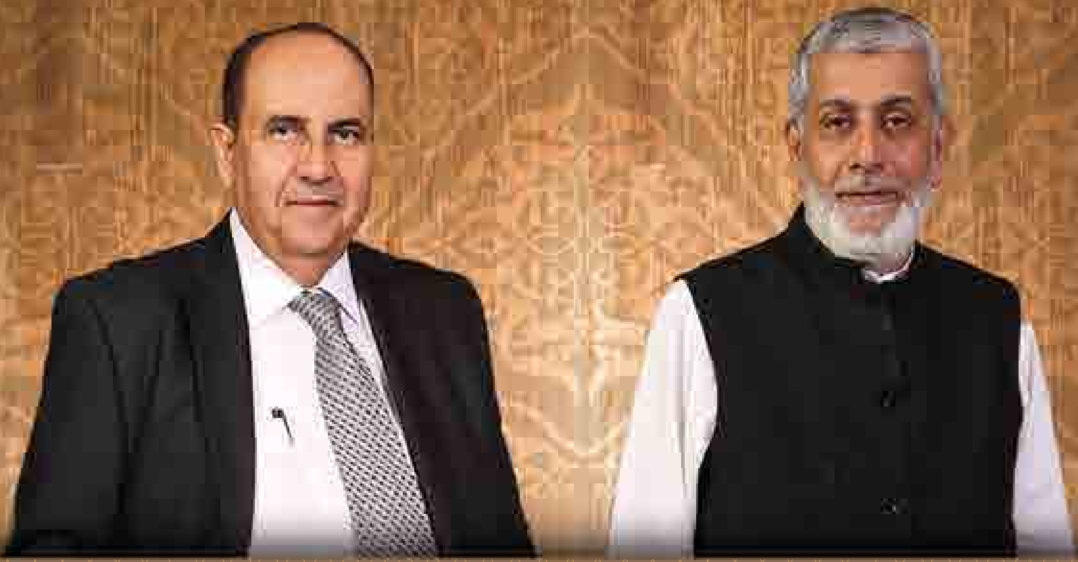
Mr. Rohail Ajmal

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISORS

Hassan Kaunain Nafees



Mohammed W. Al-Harby
Chairman

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

Mr. Manzoor Ali Khan
Deputy Chairman

Secretary Parliamentary Affairs Division
Ministry of Parliamentary Affairs
Government of Pakistan

Mr. Musaad A. Al-Fakhri
Director

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

Dr. Shujat Ali
Director

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

Mr. Mohammed A. Al-Jarbou
Director

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

Mr. Qumar Sarwar Abbasi
Director

Joint Secretary, Finance Ministers Office
Ministry of Finance
Government of Pakistan

THE BOARD OF DIRECTORS

THE ICONIC SAUDI PAK TOWER

In downtown Islamabad, the Saudi Pak Tower stands out as an Iconic building and as a symbol of economic bond between Pakistan and Saudi Arabia.

Built in 1991, it is a beautiful blend of Islamic & modern architecture. The Tower adorns the business hub of the Capital -- the Blue Area.

VISION

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

MISSION

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

CORE VALUES

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

CORPORATE OBJECTIVES

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

Kamal Uddin Khan
Chief Executive

Rohail Ajmal
Executive Vice President

Parveen A. Malik
Executive Vice President

M. Nayeem Akhtar
Executive Vice President

Arshed Ahmed Khan
Executive Vice President

Yawar Khan Afridi
Executive Vice President

Sheikh Aftab Ahmad
Executive Vice President

Saeed Aziz Khan
Head of Treasury

Fozia Fahkar
Senior Vice President

Ali Imran
Senior Vice President

Muhammad Tanweer
Senior Vice President

Zafar Iqbal
Senior Vice President

Irfan Karim
Vice President/Head

Khawar Ashfaque
Vice President/Head

THE MANAGEMENT

CORPORATE PROFILE

Saudi Pak Industrial and Agricultural Investment Company Limited was incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The initial authorized capital of the Company was Rs.1,000 million. As of December 31, 2015 paid up capital of the Company is Rs.6,600 million. It is held as under:

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

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

- Project Finance
    - Medium to long term loans
    - Lease financing
    - Term Finance Certificates (TFCs)
    - Long Term Finance for Export Oriented Projects (LTF-EOP)

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

ENTITY RATING

Long Term
AA+

Short Term
A-1+

Saudi Pak's long term and short term entity rating has been assessed by JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Company. Long Term entity rating has been reaffirmed at AA+ (Double A Plus) and Short Term entity rating reaffirmed at A-1+ (A One Plus). Outlook on assigned rating has been "Stable".

Credit Rating | By JCR-VIS

Long Term	AA+
Short Term	A-1+
Outlook	Stable

AA+

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

A-1+

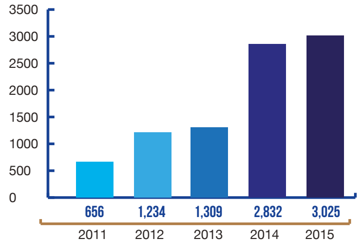
Highest certainty of timely payments. Short Term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's Short Term obligations.

OPERATIONAL HIGHLIGHTS

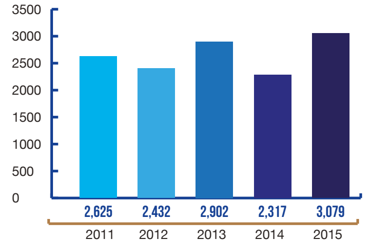
(Million, Rs.)

	2011	2012	2013	2014	2015
Approval of Financing and Investment					
Long Term Finance/TFCs	389.9	980.0	1,200.0	3,150.0	2,705.0
Lease Finance	80.0	-	-	70.0	-
Equity Investment	-	-	250.0	-	-
Short Term Finance	601.1	979.8	382.7	550.4	450.0
Guarantees and Underwriting	35.1	200.0	-	1,150.0	-
Gross Approvals	1,106.1	2,159.8	1,832.7	4,920.4	3,155.0
Withdrawals	576.6	680.0	500.0	700.0	-
Net Approvals	529.5	1,479.8	1,332.7	4,220.4	3,155.0
Gross Cumulative Approvals	53,007.4	55,167.2	56,999.9	61,920.3	65,075.3
Cumulative Withdrawals	1,113.4	1,793.4	2,293.4	2,993.4	2,993.4
Net Cumulative Approvals	51,894.0	53,373.8	54,706.5	58,926.9	62,081.9
Disbursement of Funds					
Long Term Finance/TFCs	208.2	609.0	791.0	2,309.0	2,275.0
Lease Finance	-	-	-	70.0	-
Short Term Finance	448.0	624.9	267.6	452.5	750.0
Direct Equity & Underwriting Take-ups	-	-	250.0	-	-
Total Disbursements	656.2	1,233.9	1,308.6	2,831.5	3,025.0
Cumulative Disbursements	46,885.6	48,119.5	49,428.1	52,259.6	55,284.6
Recoveries					
Total Amount	2,625.2	2,432.4	2,902.4	2,316.6	3,079.0
Current Dues Collection Ratio(%)	80.67	81.40	92.40	90.83	88.02

DISBURSEMENT OF FUNDS



RECOVERIES

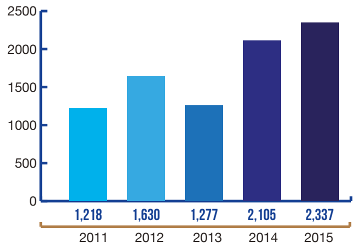


FINANCIAL HIGHLIGHTS

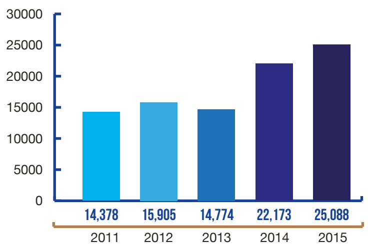
(Million, Rs.)

	2011	2012	2013	2014	2015
Income Statement					
Total Income	1,217.7	1,629.7	1,277.1	2,105.2	2,337.1
Net Income	267.0	961.1	838.2	1,438.3	1,469.8
Profit/(loss) before Tax	(1,411.7)	405.5	434.7	1,402.4	982.6
Profit/(loss) after Tax	(1,468.1)	380.6	764.6	1,158.8	723.7
Balance Sheet at year end					
Total Shareholders' Equity	6,100.5	6,535.2	7,357.6	8,586.2	9,379.7
Total Assets	14,377.7	15,904.5	14,774.3	22,172.9	25,087.5
Selected Ratios					
Return on Average Equity(%)	(21.6)	6.0	11.0	14.5	8.1
Return on Average Assets(%)	(9.0)	2.5	5.0	6.3	3.1
Assets/Equity(times)	2.4	2.4	2.0	2.6	2.7

TOTAL INCOME



TOTAL ASSETS

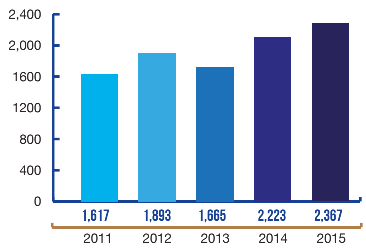


SUMMARY OF CONSOLIDATED ACCOUNTS

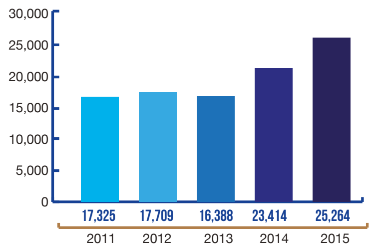
(Million, Rs.)

	2011	2012	2013	2014	2015
Income Statement					
Total Income	1,616.7	1,892.7	1,665.4	2,223.2	2,367.2
Interest/Markup Income	1,479.9	1,246.9	1,007.7	1,370.1	1,720.8
Profit/(Loss) before Tax	(1,747.7)	268.6	726.6	1,188.0	992.0
Profit/(Loss) after Tax	(2,042.6)	247.0	1,051.8	943.4	732.3
Balance Sheet at year end					
Total Shareholders' Equity	7,062.5	7,660.4	8,924.7	10,112.5	11,905.7
Total Assets	17,324.7	17,708.6	16,387.9	23,414.0	25,264.4

TOTAL INCOME



TOTAL ASSETS



CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I would like to present the 34th audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts together with Auditors' Report to Members and the Directors' Report for the year ended December 31, 2015. These accounts do not include Saudi Pak Leasing Company's financial statements due to non availability of its half year ended December 31, 2015 reviewed accounts, exemption for which has been given by the Securities & Exchange Commission of Pakistan (SECP).

During the period under review overall economic environment continued to improve. Low oil prices, continued economic reform and gradually improving domestic security strengthened the economy in FY 2015. Inflation declined, current account deficit narrowed and foreign reserves increased. SBP adopted an expansionary monetary approach, cutting its policy rate by 350 bps to a historic low of 6.0%. Standard & Poor upgraded the country's credit rating from Stable to Positive. KSE-100 crossed a record high of 36,000 level before correcting to 32,816 level. However, private fixed investment and demand for credit did not show much improvement primarily due to continued energy constraints. As a consequence, competition for quality project finance business increased with downward pressure on loan pricing.

Company maintained its strategy of business growth while maintaining concerted efforts on recoveries. Total assets increased by 13.2%. Focus remained on core project finance business which witnessed a growth of 17.3% despite increased competition from commercial banks. Capital market positions were built up with high dividend yielding equities in view of low interest rate environment. While as part of a strategic decision company chose to retain fixed income Govt. securities portfolio foregoing opportunity to book major capital gains.

Net Interest Margin increased by 25.71% to Rs. 850.71 million despite reduction in policy rate. Main reason for this impressive achievement was volumetric growth in business backed by 17.3% increase in advances and 18.3% increase in investments, primarily Government securities. Efficient trading strategy for Capital Markets allowed the company to book income of Rs. 222.48 million (Capital Gain: Rs. 115.93 million; Dividend Income: Rs. 106.55 million) with annualized return of 20.12% compared to KSE-100's return of 2.13%. Company booked capital gains of Rs. 234.35 million from available gains in Govt. securities. Prudent fresh new provisioning of Rs. 268.90 million was made in connection with NPLs brought forward from the past in line with strategy to cleanse the balance sheet.

Overall as a result of the above, the Company achieved a pre-tax profit of Rs 982.62 million and post-tax profit Rs. 723.71 million for the year 2015 which is an extremely commendable achievement. **The shareholders equity increased by 9.24% to Rs 9,379 million as at December 31, 2015. Company issued 10% bonus shares amounting to Rs 600 million increasing its capital base to Rs. 6,600 million reflecting improved financial strength.**

Turnaround in Company's overall risk profile including operating results and financial flexibility was reconfirmed by our Credit Rating Agency JCR-VIS who maintained Company's Long Term entity rating to AA+ and short term to A1+ with stable outlook.

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

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

Mohammed W. Al-Harby
Chairman

SAUDI PAK SINCE ITS INCEPTION HAS EXTENDED LOANS TO 865 INDUSTRIAL AND COMMERCIAL VENTURES SPREAD ALL OVER PAKISTAN. MAJOR SEGMENTS OF THE ECONOMY WHICH BENEFITED FROM SAUDI PAK FINANCING INCLUDE MANUFACTURING, FINANCIAL SERVICES, ENERGY ETC. CUMULATIVE DISBURSEMENTS BY SAUDI PAK AMOUNTS TO OVER RS. 55 BILLION.

DIRECTOR'S REPORT

Economic Overview

Low oil prices, continued economic reform, and gradually improving domestic security strengthened the economy in FY2015. Inflation declined, the current account deficit narrowed, and foreign reserves increased. For FY2016. More rapid and durable growth requires structural reform to improve tax revenues, energy supply, and the business climate.

Pakistan's economy posted GDP growth of 4.2 percent in FY2015 (ended June 30, 2015) compared to 4.0 percent in the previous year. Industrial growth was hobbled by a slowdown in large-scale manufacturing to 3.3% owing to continued power shortages and weaker external demand. The resilience of small-scale manufacturing and construction sustained industrial growth at 3.6%. Agriculture growth remained modest at 2.9%. Headline inflation sharply declined in FY2015. Inflation for both food and other items dropped significantly, reflecting adequate food supplies factoring into domestic prices of lower global prices for oil and other commodities.

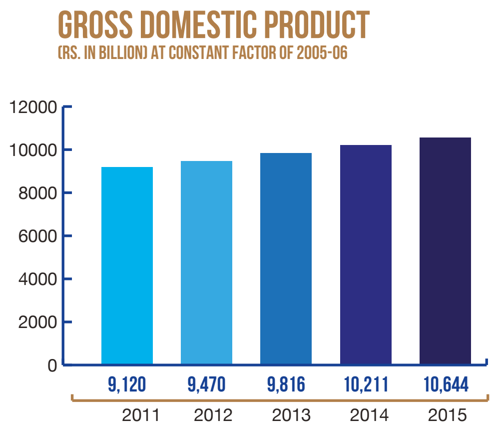
The State Bank of Pakistan, the central bank, significantly eased monetary policy in FY2015 as inflation fell and the government borrowed less from it. The central bank cut policy rates by a cumulative 350 basis points in five steps from November 2014 to October 2015 to 6 %, the lowest in decades. Net credit to the private sector expanded by PRs310 billion during the first 7 months of FY2015 from PRs164 billion in the same period of the previous year, reflecting monetary easing and capacity improvements.

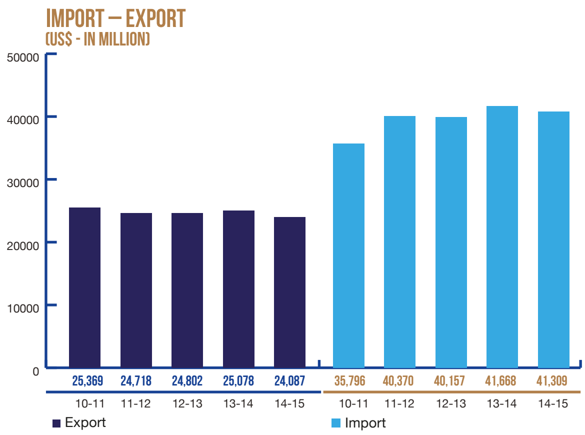
GDP growth is expected to range between 4.5% to 5.0% in FY2016, assuming continued macroeconomic stability, expected improvement in energy supply, and planned infrastructure investment tied to an economic corridor project linking Pakistan with the People's Republic of China (PRC). Further implementation of structural reform will consolidate recent gains in macroeconomic stability and improve the investment climate amidst the improving security situation.

Growth in industry is expected to be driven by strong expansion in construction and continued moderate expansion in mining, utilities, and manufacturing. Growth in large-scale manufacturing accelerated to 3.9% in the first half of FY2016 from 2.7 % in the same period of last year, supported by low prices for raw materials, improved gas and electricity supply, and expanded construction, as well as lower interest rates. Textile production, the largest segment, grew by 1.0 % during the first half and is expected to constrain overall growth in large-scale manufacturing this year, partly because of weaker demand in export markets and rising competition. Strong construction that reflects government spending on development and large investments in power projects has pushed up cement production. Agriculture is likely to continue to grow moderately.

The turnaround on the external front has been quite impressive, which has also led international rating agencies to upgrade the country's sovereign credit ratings in recent months.

Private investment should pick up in line with monetary easing and the improved security situation. Inflation is expected to average 3.2% in FY2016, reflecting lower global oil and commodity prices. In the first 8 months of the fiscal year, Inflation has averaged only 2.5%, with food inflation at 1.5% and other inflation at 3.2%.





The government is currently implementing a structural reform program to relieve constraints on growth by improving service delivery in energy and other infrastructure sectors, expanding fiscal space, fostering a competitive business environment, liberalizing trade, and restructuring or privatizing public enterprises.

Economic reform and an improving security environment should further boost business confidence and foster private investment. Ongoing reforms to address the power deficit, which is the greatest impediment to manufacturing and growth, have shown progress. Improved governance in the energy sector has reduced power outages for industry, improved tariff revenue recovery, and curtailed line losses. Initiatives to monitor the performance of power distribution companies and to introduce multi-year tariffs aim to improve efficiency and strengthen the regulatory environment.

With power tariffs gradually moving toward market-based pricing, power sector subsidies are contained, thus leaving funds for infrastructure spending. Reform is under way to raise tax revenues and widen the tax base through improved governance of tax administration supported by legislative action. The government has also initiated a process for restructuring and possibly privatizing prioritized public enterprises under a dedicated reform strategy. Besides providing fiscal relief and improving service delivery, efficiency improvements thanks to these reforms are critical to improving the competitiveness of downstream industries that depend on production from these enterprises for inputs.

A sustained reform effort will be required over the medium to long term to boost productivity and potential growth, building on the progress achieved so far. Reform needs to be supplemented by other policy measures, including the formulation of a well-coordinated industrial policy to support faster growth and revive exports. While the government is committed to its reform program, implementation challenges that include resistance from various stakeholders could slow progress. In addition, domestic security concerns remain despite improvement, and natural disasters are a perennial downside risk. The price of oil remains a wildcard.

OPERATIONAL REVIEW

CORPORATE FINANCE

During the period under review overall economic environment continued to improve. Low oil prices, significant economic reform and gradually improving domestic security strengthened the economy in FY 2015. Inflation declined, the current account deficit narrowed and foreign reserves increased. SBP adopted an expansionary monetary approach, cutting its policy rate by 350 bps to a historic low of 6.0%. Standard & Poor upgraded the country's credit rating from Stable to Positive. However, private fixed investment and demand for credit did not show much improvement primarily due to energy constraints. As a consequence, competition for soliciting quality new customers has increased with downward pressure on loan pricing.

Increased competition from commercial banks and downward pressure on loan pricing posed a major challenge for DFIs like Saudi Pak to solicit quality project business that meets Risk & Return targets specially given DFIs much higher cost of funds compared to commercial banks. Despite challenging environment Saudi Pak Corporate Finance Division was able to **achieve 17.3 %** increase in project finance business during the year. Total loans approved amounted to Rs.3,155 million while total disbursement amounted to Rs. 3,025 million.

During 2016, in line with its approved Charter Saudi Pak will remain focused on its core business i.e. project financing. Further, as per SBP guidelines to promote SMEs in the country Saudi Pak will also participate in credit extension to SMEs. Requisite professional skills shall be developed for SME financing. It is expected that this addition in its traditional corporate portfolio will open up new avenues for business for Saudi Pak.

CREDIT ADMINISTRATION

The Prime function of Credit Administration Division (CAD) is monitoring of Saudi Pak credit portfolio till their maturity for all types of financing facilities (i.e. loans, TFCs etc.) extended by Saudi Pak. It aims to ensure re-payments of credit facilities to maximize recovery performance. During the year, focused management efforts on recovery produced desired results and CAD surpassed its recovery targets in respect of regular accounts. Against recovery budget of Rs. 1,936 million, an amount of Rs. 2,925 million was recovered surpassing the budgetary target by excellent margin of 51 percent. Overall recovery ratio of Saudi Pak portfolio stood at 88.02% at year close 2015.

CAD plans to gear itself during 2016 for further improvement in its operational efficiency as well as capacity building of its staff.

SPECIAL ASSETS MANAGEMENT DIVISION

The main function of SAMD is cleansing of Saudi Pak Balance Sheet through curtailment of NPLs. In case of litigation SAMD keep a close liaison with the Law Division to recover the suit amount through follow up either by execution of decree or through out of court settlements. Cases categorized under "Loss" but not under litigation are pursued for regularization through analyzing the underlying problems and offering restructuring and rescheduling packages to recover the stuck up loans.

SAMD made significant contribution to Saudi Pak's profit by way of reversal of provision held, through recovery and de-classification of eight cases involving principal of Rs. 246 million. Four cases involving outstanding principal of Rs. 153 million have been declassified. The entire principal of Rs. 93 million of another four cases has been recovered through concerted efforts.

CAPITAL MARKET OPERATIONS

The Pakistan equity market had been one of the best stock markets from 2012 to 2014 as KSE-100 Index posted an average annual return of 41.87%. The KSE-100 Index began the FY2015 on positive note but during the year it remained range bound touching a low of 28,648 points in 1st half of the year and creating new high at 36,472 points in the 2nd half. Subsequently, it was not able to sustain the momentum and closed the year marginally up by 2.13% at 32,816 points.

Stock market's range bound trend was attributable to various positive as well as negative factors such as improving law & order situation, significant reduction in discount rate, China Pakistan Economic Corridor (CPEC) initiatives, unprecedented decline in oil prices hitting 11-year low impacting oil exploration and marketing stocks, offloading by a major US based hedge fund (Everest Capital), China's economic concerns and action against some prominent brokerage houses by regulators/ law enforcement agencies.

Saudi Pak's strategy in FY2015 was to exercise caution with selling on strength and to buy shares of fundamentally strong companies offering high dividend yields.

Income realized in FY2015 through Capital Market Operations stood at Rs.236 million (against budgeted amount of Rs. 155 million), yielding a return of 21.34% as compared to 2.13% return of KSE-100 Index.

TREASURY OPERATIONS

Treasury Division continued the process of revitalization during the past year. In this period, it has managed to achieve significant improvement in key areas.

During 2015, Treasury Division managed to substantially improve its spread income to over 3 percent, through maintaining a longer duration on our assets.

During 2015 , Treasury Division managed to book trading profits of around Rs.240 million, apart from earning spread income of Rs.247 million through Repo's and other well timed borrowing activities. Borrowing cost reduced to slightly 7%, whereas the deployment of funds yielded over 10%.

Saudi Pak's lines with FI's were further enhanced. Saudi Pak image in the market has improved through market based borrowing/placement strategies. The quantum of Repo and long term lines have further improved.

Treasury Division intends to maintain a longer duration on placements as long as the current relatively benign inflation scenario persists.

DIRECTOR'S REPORT

RISK MANAGEMENT FRAMEWORK

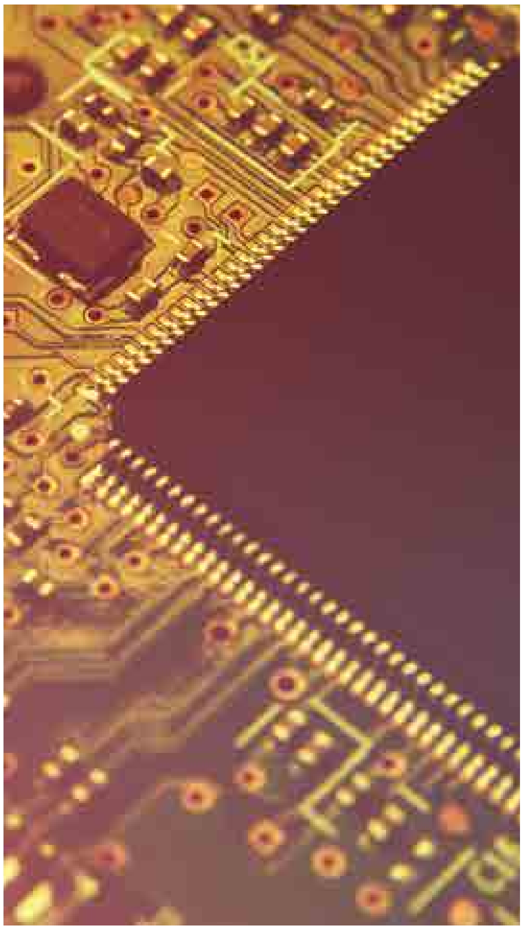
The economic climate during recent years has brought into sharp focus the importance of robust risk management policies. Saudi Pak's special position, being a Joint Venture owned by Kingdom of Saudi Arabia and Islamic Republic of Pakistan, dictates a very careful approach to business. It is the Company's risk appetite, evidenced by its risk policies, and the management of those policies that have helped Saudi Pak remain profitable even in prevailing challenging economic environment.

Like other Financial Institutions (FIs) Saudi Pak faces a number of risks including credit risk, liquidity risk, interest rate risk, market risk, operational risk, regulatory risk and reputational risk. Policies are in place to ensure that Saudi Pak's exposure to these risks is monitored and controlled. Consistent efforts are made to implement and maintain throughout the organization policies, processes and systems for managing risk in all of the institution's material products, activities, processes and systems consistent with the risk appetite and tolerance. Risks are monitored on a regular basis, along with their associated controls and mitigants. The Company performs stress tests as an integral part of monitoring its exposures.

The Company also compiles its own annual Internal Capital Adequacy Assessment Process (ICAAP) report which details how the Company assesses its key risks and sensitivities, how it intends to mitigate those risks and how much current and future capital is deemed necessary to support the Company's operations in light of those risks. Stress testing is applied to identify key sensitivities and to ensure that the Company is well placed to cope with stressed scenarios.

Saudi Pak has a sound capital management framework to measure, deploy and monitor its available capital and assess its adequacy. Capital is managed above the Board-approved Capital Adequacy Ratio. In addition, the Board reviews and approves the Company's annual capital plan. The Assets and Liabilities Management Committee, and Senior Management provide governance over the capital management process. Capital is managed and monitored based on planned changes in the Company's strategy, identified changes in its operating environment or changes in its risk profile. The Company sets internal economic and regulatory capital targets. Economic capital targets ensure the Company's available capital is sufficient within the context of its risk appetite. The Company's regulatory capital targets ensure that it exceeds current, and is well placed to meet expected future, regulatory requirements and has sufficient capital. During 2016 Risk Management Division intends to further enhance its capabilities to asses, monitor and mitigate risks inherent to project financing.

INFORMATION TECHNOLOGY



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

The Servers at Head Office and BCP Site are being upgraded in phased manner. Furthermore, backup devices have been upgraded with latest technology and enhanced capacity in view of future data growth. In addition to this, security tools have also been updated to protect the IT systems and Company's critical data.

VPN connectivity established between Head Office and Regional Offices has paved the way for deploying various software applications and communication system in a secured way. Video Conferencing System has also helped us to curtail the rising travelling cost and to enhance productivity. Moreover, Core Business Application and Risk Systems have been launched online in parallel to existing systems to automate the processes at Saudi Pak offices to support the business functions.

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

HUMAN RESOURCE DEVELOPMENT

Saudi Pak encourages its employees to work together as an effective team in a cooperative and collaborative manner. Company believes in encouragement, motivation for high level of performance. They are guided to resolve concerns that may affect their professional and personal growth. As part of continued restructuring process, the HR management remains focused to incorporate a strong senior management team, capable to take quality business decisions and excel in the financial.

Efforts are made to enhance competencies of employees through planned training and capacity building programmes in order to attain their maximum efficiency and effectiveness. Based on individual as well as Divisional need basis, 83 man days training was provided to employees on various topics during the year 2015. Each employee is encouraged to improve and develop himself/herself and thereby prepare for positions of higher responsibility. HR function contributes to organizational performance by aligning people and practices in line with the Company's strategic business plan.

The company in line with its corporate social responsibility provided internship to 17 students of prestigious educational institutions.

INTERNAL AUDIT

The Internal Audit Function of the company is currently under capacity building phase and fresh measures are being initiated to enhance the capacity and improve the performance of the Internal Audit Division. A plan for capacity building has been developed which is presently under review. Training of new staff is also planned to enhance the capacity, efficiency and value addition for the Internal Audit Division which will ultimately benefit the whole Company.

It is expected that implementation of these initiatives with the coordination of other Divisions, related risks shall be reduced which in turn shall enhance the audit controls and efficiency.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to certify that:

- a The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b Proper books of accounts of the Company have been maintained.
- c Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has adequately been disclosed.
- e The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, composed of three non-executive directors, has been formed for the purpose. The Committee meets periodically and independently throughout the year.
- f There are no significant doubts upon the Company's ability to continue as a going concern.
- g There has been no material departure from the best practices of corporate governance.
- h Transactions undertaken with related parties during the year have been ratified by the Audit Committee and have been properly disclosed in the financial statements.
- i Key operating and financial data for the last five years, in summarized form, is included in this annual report.
- j There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2015, except as disclosed in the financial statements.
- k The value of investment of Provident Fund as at December 31, 2015 according to their audited financial statement is approximately Rs.57.50 million (2014: Rs.53.00 million).

AUDITORS

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2015 and shall retire on the conclusion of 34th Annual General Meeting. The Board on the suggestion of the Audit Committee recommends the appoinment of M/s A. F. Ferguson & Company, Chartered Accountants, a member firm of PwC Network, as statutory auditors of the Company for the year 2016.


IN THE SKY

HELPING REALIZE A VISION

WE MUST WORK OUR DESTINY IN OUR OWN WAY AND PRESENT TO THE WORLD AN ECONOMIC SYSTEM BASED ON TRUE ISLAMIC CONCEPT OF EQUALITY OF MANHOOD AND SOCIAL JUSTICE. WE WILL THEREBY BE FULFILLING OUR MISSION AS MUSLIMS AND GIVING TO HUMANITY THE MESSAGE OF PEACE WHICH ALONE CAN SAVE IT AND SECURE THE WELFARE, HAPPINESS AND PROSPERITY OF MANKIND.

Speech by Quaid e Azam at the occassion of opening of the State Bank of Pakistan on 1st July, 1948.

DIRECTOR'S REPORT

BOARD OF DIRECTORS MEETINGS

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

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Mohammed W. Al-Harby	06	06
Mr. Manzoor Ali Khan	06	06
Mr. Musaad A. Al-Fakhri	06	06
Mr. Mohammed A. Al-Jarbou	06	06
Dr. Shujat Ali	06	06
Mr. Qumar Sarwar Abbasi	01	01

During the year, two meetings of the Risk Management Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Mohammed W. Al-Harby	02	02
Mr. Musaad A. Al-Fakhri	02	02

During the year, nine meetings of the Audit Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Mohammed A. Al-Jarbou	09	09
Mr. Manzoor Ali Khan	09	09
Dr. Shujat Ali	09	09

During the year, two meetings of the Human Resource and Remuneration Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Mohammed W. Al-Harby	02	02
Mr. Manzoor Ali Khan	02	02
Dr. Shujat Ali	02	02

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

CORPORATE SOCIAL RESPONSIBILITY

Saudi Pak is committed to fulfilling its role as a responsible corporate citizen of the country. It has embarked upon adoption of the "Corporate Social Responsibility Voluntary Guidelines 2013" issued by SECP. In this regard donation of Rs. 500,000/- was made to a registered welfare organization working for socio economic empowerment of under privileged women of marginalized communities in Pakistan.

FUTURE OUTLOOK

Steep fall in oil price has created many challenges as well as opportunities for the companies like Saudi Pak. A positive yet cautious approach will be adopted for selection of viable financing and investment options having acceptable risk and reward relationship.

For meeting the requirements of country's emerging economy, substantial investment shall be made towards acquisition of HR having requisite skills. Risk Management Framework will be further improved to curtail uncertainties in financing and investment decisions to the maximum possible extent.

STRATEGIC INVESTMENTS

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

SAUDI PAK REAL ESTATE LIMITED

The Company is wholly owned subsidiary of Saudi Pak established with prime objective of real estate development. It has commercial projects as well as residential projects at its balance sheet. During the year, the Company's main focus remained towards construction work of housing project at Lahore under the brand name of Saudi Pak Houses and recently a model house of the project has been completed.

Hectic Efforts were also made towards recovery of stuck-up receivables from a large land developer and in this regard National Accountability Bureau (NAB) was approached. As a result, developer opted for voluntary scheme under which he agreed to settle all outstanding amounts within six months. This is major achievement which will significantly improve liquidity position of the Company.

As per Annual Accounts of December 31, 2015, the Company's net equity stands at 663.44 million with breakup value of Rs.13.27 per share. The revenue from new housing project is expected to be recognized starting from year 2016 onwards in line with accounting standards when possession of houses will be handed over to the customers.

SAUDI PAK LEASING COMPANY LIMITED

Saudi Pak Leasing Company Limited was a subsidiary of Saudi Pak Industrial and Agricultural Investment Company Limited by way of management rights and **majority of directors on the Board**. The main business of the Company is leasing of assets and the Company is listed on Pakistan Stock Exchange. Saudi Pak Industrial and Agricultural Investment Company Limited holds 35.06 percent of issued ordinary shares of the Company and 63 percent of non-voting, non-cumulative, convertible and unlisted preference shares.

The leasing industry has been fighting for survival since the financial crisis of 2008 and the Company's license to carry out the business of leasing expired at May 18, 2010, though the company continues to carry out operating leases.

The Company is struggling due to poor liquidity position as well as defaults, while recovery from its customers has become an uphill task. Due to shrinking recovery stream and no fresh business since last six years, the management of the Company is in the process of identifying strategic investors to inject funds into the Company for its revival. Owing to termination of Shareholders' Agreement on January 27 2016, **Saudi Pak Leasing Company Limited is no longer a subsidiary of Saudi Pak.**

SAUDI PAK TOWER

Saudi Pak owns a twenty storey High Rise Building in Islamabad known as Saudi Pak Tower. The building, constructed in 1991, is known as a landmark of Islamabad.

Saudi Pak Tower was awarded standardization certification of ISO 9001:2008 in the year 2012 after completion of successful re-certification surveillance audits and implementation, maintaining the Quality Management System of overall building management, its allied services to the valuable tenants.

A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, media offices, hospital service oriented concerns etc are housed in the Tower. Despite stressed business environment the average occupancy level of the building as of December, 2015 stood at 92.97 percent vis-à-vis an average occupancy of 84.23 percent in 2014 translating into revenue of Rs. 254.621 million in 2015 as compared to Rs. 219.00 million in the year 2014.

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

FINANCIAL RESULTS – 2015

Company continued its focus on business growth during the year while maintaining concerted efforts on recoveries and process improvements. As a result balance sheet footing increased by 13.2%. Focus remained on core project finance business which witnessed a growth of 17.3%. Capital market positions were built up with high dividend yielding equities in view of low interest rate environment. While as part of a strategic decision company chose to retain fixed income Govt. securities portfolio foregoing opportunity to book major capital gains. This strategy proved to be extremely successful enabling the Company to reduce its risk profile, improve financial flexibility and report solid earnings.

Net Interest Margin increased by 25.71% to Rs. 850.71 million despite 350 basis point reduction in policy rate. Main reason for this impressive achievement was volumetric growth in business backed by 17.3% increase in advances and 18.3% increase in investments, primarily Government securities. Efficient trading strategy for Capital Markets allowed the company to book income of Rs. 222.48 million (Capital Gain: Rs. 115.98 million; Dividend Income: Rs. 106.55 million) as against budgeted target of Rs. 155.00 million for December 31, 2015 with annualized return of 20.12% as against KSE-100's return of 2.13%. Company booked capital gains of Rs. 234.35 million from available gains in Govt. securities. In line with its strategy to cleanse the balance sheet prudent fresh new provisioning of Rs. 268.90 million was made in connection with NPLs brought forward from the past.

Overall as a result of the above, the Company achieved a pre-tax profit of Rs 982.62 million and post-tax profit Rs. 723.71 million for the year 2015 which is extremely commendable achievement.

The shareholders equity increased by 9.24% to Rs 9,379 million as at December 31, 2015. Company issued 10% bonus shares amounting to Rs 600 million increasing its capital base to Rs. 6,600 million reflecting improved financial strength.

The return on average shareholders' equity figured at 8.1 percent and return on average assets to 3.1 percent in the year 2015.

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

	2015 (Rupees)	2014 (Rupees)
Un-appropriated/(profit) brought forward	1,666,254,393	669,446,458
Profit after tax for the year	723,705,116	1,158,832,461
Surplus on revaluation of fixed assets	71,301,135	72,538,383
Recognition of actuarial (loss)/gain	(1,480,562)	(2,796,417)
Profit available for appropriations	2,459,780,082	1,898,020,885
Appropriations:		
Bonous Shares Issued	600,000,000	-
Transfer to reserve funds	144,741,023	231,766,492
Transfer to general reserve	-	-
Total appropriations	744,741,023	231,766,492
Un-appropriated profit	1,715,039,059	1,666,254,393

Acknowledgement

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

For and on behalf of the Board of Directors

Islamabad
April 29, 2016

Chairman

STATISTICAL INFORMATION

	2011	2012	2013	2014	2015
Net Financing Approved			(Rs. in million)		
Funded:					
Long Term Finance/TFCs	389.9	980.0	1,200.0	3,150.0	**2,705.0**
Lease Finance	80.0	-	-	70.0	**-**
Short Term Finance	601.1	979.8	382.7	550.4	**450.0**
Direct Equity/Investement/Placement	-	-	250.0	-	**-**
Gross Funded (a)	1,071.0	1,959.8	1,832.7	3,770.4	**3,155.0**
Withdrawals (b)	576.6	480.0	500.0	450.0	**-**
Net Funded (c)	494.4	1,479.8	1,332.7	3,320.4	**3,155.0**
Non-Funded:					
Underwriting of Shares	-	-	-	300.0	**-**
Guarantees	35.1	200.0	-	850.0	**-**
Gross Non-Funded (d)	35.1	200.0	-	1,150.0	**-**
Withdrawals (e)	-	200.0	-	250.0	**-**
Net Non-Funded (f)	35.1	-	-	900.0	**-**
Gross (Funded & Non-Funded) (a+d)	1,106.1	2,159.8	1,832.7	4,920.4	**3,155.0**
Withdrawals (b+e)	576.6	680.0	500.0	700.0	**-**
Net (Funded & Non-Funded) (c+f)	529.5	1,479.8	1,332.7	4,220.4	**3,155.0**

Net-Financing and Investment Approved: Cumulative as on December 31, 2015

	(Rs. in million)	As %age of Funded	As %age of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	34,205.2	57.89	52.56
Lease Finance	1,925.8	3.26	2.96
Short Term Finance	16,849.7	28.52	25.89
Direct Equity/Investement/Placement	6,104.2	10.33	9.38
Gross Funded (a)	59,084.9	100.00	90.79
Withdrawals (b)	2,532.7		
Net Funded (c)	56,552.2		
		As %age of Non-Funded	
Non-Funded:			
Underwriting of Shares	3,116.0	52.02	4.79
Guarantees	2,874.4	47.98	4.42
Gross Non-Funded (d)	5,990.4	100.00	9.21
Withdrawals (e)	460.7		
Net Non-Funded (f)	5,529.7		
Gross Cumulative (Funded & Non-Funded) (a+d)	65,075.3		100.00
Cumulative Withdrawals (b+e)	2,993.4		
Net Cumulative (Funded & Non-Funded) (c+f)	62,081.9		

Disbursement: By type of assistance	2011	2012	2013	2014	2015	Since Inception to 31-12-2015
			(Rs. in million)			
Long Term Finance/TFCs	208.2	609.0	791.0	2,309.0	2,275.0	31,450.1
Lease Finance	-	-	-	70.0	-	1,813.3
Short Term Finance	448.0	624.9	267.6	452.5	750.0	15,549.8
Direct Equity/Investment/Placement	-	-	250.0	-	-	2,077.4
Investment in Associated Company	-	-	-	-	-	4,030.6
Share taken up against underwriting	-	-	-	-	-	363.4
Total	656.2	1,233.9	1,308.6	2,831.5	3,025.0	55,284.6

Net Financing and Investment Approved*: Sector Exposure

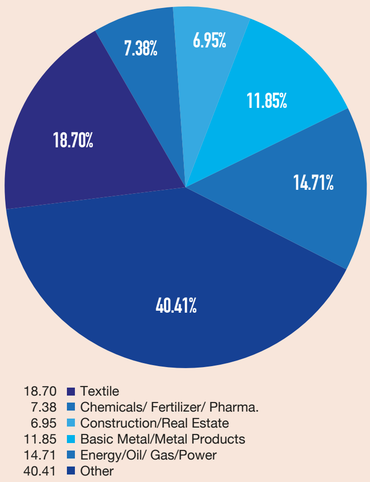
(Rs. in million)

	2015			Since inception to 31-12-2015		
Sector	No.	Amount	%	No.	Amount	%
Financial Services	2	200.0	6.34	165	9,821.5	17.37
Power/Oil & Gas	3	775.0	24.56	69	6,433.3	11.38
Agro Based	-	-	-	16	724.2	1.28
Manufacturing	7	1,680.0	53.25	551	33,159.1	58.64
Services	1	500.0	15.85	64	6,414.1	11.34
Total	**13**	**3,155.0**	**100.00**	**865**	**56,552.2**	**100.00**

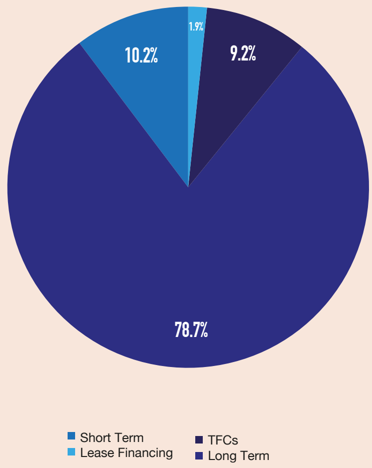
*Excluding underwriting and guarantees

POSITION AS ON DECEMBER 31, 2015

SECTOR WISE EXPOSURE



MODE WISE EXPOSURE



STATEMENT OF COMPLIANCE
WITH CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of Directors of the Company is appointed by the Governments of Islamic Republic of Pakistan and Kingdom of Saudi Arabia. At December 31, 2015 the Board has Six non-executive directors.

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

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

4. One causal vacancy occurred on the Board during the year ended December 31, 2015. The Government of Pakistan has appointed Mr. Qumar Sarwar Abbasi as a director in October 2015, whose Fit and Proper Test has been approved by the State Bank of Pakistan.

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

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

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

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

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

10. During the year the two directors namely Mr. Manzoor Ali Khan and Dr. Shujat Ali acquired certification under the director's training program.

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

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

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

14. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company except for 1,375 shares held by the Chairman.

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

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

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

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

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

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

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

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

For and on behalf of the Board of Directors

Chairman

Jeddah
February 25, 2016

STATEMENT ON INTERNAL CONTROLS

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

The Company's internal control structure comprises of the Board of Directors, Senior Management, Internal Audit, Compliance and Risk Management Division.

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

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

The Company has made efforts during the year 2015 to ensure that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that degree of compliance with policies and procedures may deteriorate.

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

The management of the Company has adopted an international accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan. The Company has completed all stages of its ICFR program as per these guidelines and has been granted exemption from the requirement of submission of Auditors issued Long Form Report to SBP vide its letter No.OSED/DIV-I/SEUIV/048(01)-15/6099 dated March 12, 2015. Audit Committee of the Board is now required to only submit annual assessment report on efficacy of the ICFR. Accordingly, Saudi Pak submitted Annual Assessment Report on ICFR for the year ended December 31, 2014 duly approved by the Audit Committee of the Board on June 05, 2015.

Annual Assessment Report on ICFR for the year ended December 31, 2015 is to be submitted to SBP latest by March 31, 2016 as per OSED Circular No. 01 dated February 07, 2014.

Based upon the results achieved through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Company's existing internal control system is adequate and has been effectively implemented and monitored. The management will continue enhancing its coverage and compliance with the SBP guidelines on Internal Control and further strengthen its control environment on an ongoing basis.

Based on the above, the Board endorses the management's evaluation of Internal Controls.

For and on behalf of the Board of Directors

Chairman

Jeddah
February 25, 2016

REVIEW REPORT
TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliances can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report and if it does not, to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2015.

Islamabad
February 25, 2016

KMPG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Riaz Pesnani

FINANCIAL STATEMENTS 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") as at December 31, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming parts thereof for the year then ended, and we state 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 established 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 Companies Ordinance, 1984. Our responsibility is to express an opinion of these statements based on our audit.

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

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

b) in our opinion –

   i. the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 5 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordincance 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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

   We draw attention to note 12.2.1 to the unconsolidated financial statements wherein it is stated that the Appellate Tribunal Inland Revenue has not accepted Company's appeals primarily on account of disallowance of provision for non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime and consequently the Company has filed reference in Islamabad High Court which has been admitted for hearing. The Company, based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company and accordingly has not recognized any provision in respect of income tax amounting to Rs.1,270.2 million. Our opinion is not qualified in respect of this matter.

25 February, 2016

Islamabad

KMPG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner: Riaz Pesnani

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Cash and balances with treasury banks	6	64,560,467	48,472,808
Balances with other banks	7	758,317,400	693,284,975
Lendings to financial institutions	8	180,000,000	900,000,000
Investments	9	12,702,241,117	10,739,002,841
Advances	10	6,674,954,403	5,688,038,698
Operating fixed assets	11	2,738,964,706	2,255,080,030
Deferred tax assets	15	-	-
Other assets	12	1,968,433,829	1,849,060,411
		25,087,471,922	22,172,939,763
LIABILITIES			
Bills payable		-	-
Borrowings	13	12,010,452,912	10,630,880,109
Deposits and other accounts	14	7,000,000	37,000,000
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	15	878,194,901	720,969,052
Other liabilities	16	449,586,271	393,227,127
		13,345,234,084	11,782,076,288
NET ASSETS		11,742,237,838	10,390,863,475
REPRESENTED BY			
Share capital	17	6,600,000,000	6,000,000,000
Reserve fund		706,004,599	561,263,576
General reserve		358,662,940	358,662,940
Unappropriated profit		1,715,039,059	1,666,254,393
		9,379,706,598	8,586,180,909
Surplus on revaluation of AFS securities - net of tax	18	599,633,914	437,890,335
Surplus on revaluation of operating fixed assets - net of tax	19	1,762,897,326	1,366,792,231
		11,742,237,838	10,390,863,475
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
Mark-up/Return/Interest Earned	21	1,717,979,783	1,343,542,682
Mark-up/Return/Interest Expensed	22	867,266,996	666,934,850
Net Mark-up/Interest Income		850,712,787	676,607,832
Provision/ (reversal) against non-performing loans and advances		2,753,941	(283,272,648)
Provision for diminution in the value of investments	23	94,414,929	72,352,259
Bad debts written off directly		-	-
		97,168,870	(210,920,389)
Net mark-up/interest income after provisions		753,543,917	887,528,221
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		9,541,338	16,380,847
Dividend Income		106,547,220	53,635,346
Gain on dealing in quoted securities		169,413,822	219,733,015
Gain on sale of government securities		234,351,424	405,424,281
Gain on dealing in mutual funds		1,949,997	-
Unrealized gain on revaluation of held for trading investments - net		-	5,595,462
Gain/ (loss) from dealing in foreign currencies		717,935	(1,224,908)
Impairment reversal on asset classified as held for sale at its fair value		-	1,290,118
Other Income	24	96,551,699	60,885,113
Total non mark-up/interest income		619,073,435	761,719,274
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	25	322,429,208	284,570,632
Impairment loss on quoted securities		53,473,724	-
Other provisions/ (reversals)/write offs - net	26	13,512,000	(38,012,563)
Other charges	27	583,000	270,000
Total non-markup/interest expenses		389,997,932	246,828,069
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		982,619,420	1,402,419,426
Taxation – Current		236,135,952	119,383,674
– Super tax		39,563,744	-
– Prior years		(9,708,696)	-
– Deferred		(7,076,696)	124,203,291
	28	258,914,304	243,586,965
PROFIT AFTER TAXATION		723,705,116	1,158,832,461
Basic and diluted earning per share	29	1.097	1.756

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rupees	2014 Rupees
Profit after taxation	723,705,116	1,158,832,461
Other comprehensive income		
Items that will never be reclassified to profit and loss account		
Effect of recognition of acturial (loss) / gain - net	(1,480,562)	(2,796,417)
Comprehensive income - transferred to statement of changes in equity	722,224,554	1,156,036,044
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available-for-sale securities	215,466,993	317,891,469
Related deferred tax	(53,723,413)	(104,904,185)
	161,743,580	212,987,284
Surplus on revaluation of operating fixed assets	578,682,096	-
Related deferred tax	(173,752,153)	-
	404,929,943	-
	566,673,523	212,987,284
Total comprehensive income	1,288,898,077	1,369,023,328

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		982,619,420	1,402,419,426
Less: dividend income		(106,547,220)	(53,635,346)
		876,072,200	1,348,784,080
Adjustments:			
Depreciation / amortization		118,066,173	110,404,975
(Reversal)/ provision against non-performing loans and advances		2,753,941	(283,272,648)
Provision for diminution in the value of investments		94,414,929	72,352,259
Other provisions/ (reversals)/write offs - net		13,512,000	(38,012,563)
Impairment loss on quoted securities		53,473,724	-
Reversal of impairment on AFS securities		(60,606,965)	(160,098,672)
Loss on disposal of operating fixed assets - property and equipment		9,381,872	10,072,176
Provision for gratuity		5,021,860	4,761,443
Provision for compensated absences		2,155,572	2,158,391
Unrealized gain on revaluation investment classified as held for sale		-	(5,595,462)
Impairment reversal on asset classified as held for sale at its fair value		-	(1,290,118)
		238,173,106	(288,520,219)
		1,114,245,306	1,060,263,86
(Increase)/ decrease in operating assets			
Lendings to financial institutions		720,000,000	(490,533,610)
Advances		(989,669,646)	(1,450,943,121)
Other assets		(101,894,053)	(293,311,175)
		(371,563,699)	(2,234,787,906)
Increase/ (Decrease) in operating liabilities			
Borrowings from financial institutions		1,379,572,803	6,304,642,317
Deposits		(30,000,000)	(725,000,000)
Other liabilities		(16,230,490)	76,366,592
Deferred liabilities - advance rental income		(15,387,227)	28,654,731
		1,317,955,086	5,684,663,640
		2,060,636,693	4,510,139,595
Gratuity paid		(30,282,897)	(6,122,000)
Compensated absences paid		(2,321,584)	(1,719,183)
Income tax paid		(171,999,857)	(71,996,439)
Excise duty paid		(14,255,895)	(24,000,000)
		(218,860,233)	(103,837,622)
Net cash generated from/ (used in) operating activities		1,841,776,460	4,406,301,973
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities - net		(2,224,576,745)	(4,231,451,873)
Investment in Held-For-Trading (HFT) securities		25,316,849	(9,871,148)
Investment in Held-To-Maturity (HTM) securities		364,206,925	408,066,077
Receipt against sale of shares in SPI Insurance Company Limited		-	22,868,775
Dividend received		107,047,220	53,135,346
Investment in operating fixed assets		(39,031,050)	(56,390,470)
Sale proceeds on disposal of operating fixed assets - property and equipment		6,380,425	8,335,304
Net cash used in investing activities		(1,760,656,376)	(3,805,307,989)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Increase in cash and cash equivalents		81,120,084	600,993,984
Cash and cash equivalents at beginning of the year		741,757,783	140,763,799
Cash and cash equivalents at end of the year	30	822,877,867	741,757,783

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

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

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at January 01, 2014	6,000,000,000	329,497,084	358,662,940	669,446,458	7,357,606,482
Profit for the year	-	-	-	1,158,832,461	1,158,832,461
Effect of recognition of acturial gain - net				(2,796,417)	(2,796,417)
Total comprehensive income	-	-	-	1,156,036,044	1,156,036,044
Appropriation from reserve fund	-	-	-	-	-
Transfer to reserve fund *		231,766,492	-	(231,766,492)	-
Transfer to general reserve	-	-	-	-	
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	72,538,383	72,538,383
Balance as at December 31, 2014	6,000,000,000	561,263,576	358,662,940	1,666,254,393	8,586,180,909
Balance as at January 01, 2015	6,000,000,000	561,263,576	358,662,940	1,666,254,393	8,586,180,909
Profit for the year	-	-	-	723,705,116	723,705,116
Effect of recognition of acturial loss - net				(1,480,562)	(1,480,562)
Total comprehensive income	-	-	-	722,224,554	722,224,554
Appropriation from reserve fund	-	-	-	-	-
Bonus shares issued	600,000,000	-	-	(600,000,000)	
Transfer to reserve fund *	-	144,741,023	-	(144,741,023)	-
Transfer to general reserve	-	-	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	71,301,135	71,301,135
Balance as at December 31, 2015	6,600,000,000	706,004,599	358,662,940	1,715,039,059	9,379,706,598

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

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1 LEGAL STATUS AND OPERATIONS

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

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

2 BASIS OF PRESENTATION

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

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary companies and associates is accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.1 Functional and presentation currency

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

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962, and directives issued under the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Intitute of Chartered Accountants of Pakistan. Where ever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and directives issued under the Companies Ordinance, 1984 or directives issued by the SECP and the SBP differ with the requirement of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the said directives prevail.

3.2 The SBP vide BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Development Financial Institutions (DFIs) till further instructions. According to the notification of SECP, issued vide SRO 411 (I)/2008 dated April 28, 2008, the IFRS 7 "Financial Instruments' Disclosures" has not been made applicable for DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. The investments have been classified and valued in accordance with the requirements of various circulars issued by the State Bank of Pakistan.

4 BASIS OF MEASUREMENT

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

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

Use of critical accounting estimates and judgments

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

(a) Classification of investments

– Held-For-Trading (HFT)

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

– Held-To-Maturity (HTM)

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

– Available-For-Sale (AFS)

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

(b) Provision against non performing loans and advances

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

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

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

(d) Taxation

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

(e) Fair value of derivatives

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

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

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

(g) Staff retirement benefits

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

(h) Impairment of investments in subsidiaries

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

(i) Provision against other assets and receivables

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of thses unconsolidated financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year.

IFRS 10 - 'Consolidated Financial Statements'

It replaces the current guidance on consolidation in IAS 27 - Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when the investor has the power to control, exposure to variable returns and the ability to use its power to influence the returns of the investee.

SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, provides the requirements of IFRS 10 will not be applicable with respect to investment in mutual funds established under Trust structure.

In light of the above, the application of IFRS 10 did not result in any additional investee being in control of the Company.

IFRS 13 - 'Fair Value Measurement'

It consolidates the guidance on how to measure fair value into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the unconsolidated financial statements of the Company except for certain disclosures as mentioned in note 37.

5.1 Cash and cash equivalents

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

5.2 Sale and repurchase agreements

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

5.3 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) Held-To-Maturity (HTM)

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

(c) Available-For-Sale (AFS)

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

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

(d) Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment, if any.

All purchases and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Company commits to purchase or sell the investments.

5.4 Advances

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

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

5.5 Net investment in finance lease

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

5.6 Operating fixed assets and depreciation/ amortization

(a) Tangibles assets

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

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

Depreciation is provided on straight line method at rates specified in note 11.1 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

(b) Intangibles

Intangible assets are stated at cost less accumulated amortization. Impairment losses, if any, is charged to unconsolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 11.2 to these unconsolidated financial statements to write off cost of the assets over their estimated useful lives.

(c) Capital work in progress

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

5.7 Deposits

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

5.8 Taxation

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

(a) Current

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

(b) Deferred

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

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

5.9 Provisions

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

5.10 Staff retirement benefits

(a) Defined benefit plan

The Company operates an approved funded gratuity scheme for its permanent employees. The scheme was approved by the tax authorities in December 2015. Contributions to the fund are made on the basis of actuarial recommendations based on last drawn basic salary by using the projected unit credit method. The last actuarial valuation of the scheme was carried out as at December 31, 2015.

(b) Defined contribution plan

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

(c) Compensated absences

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

5.11 Revenue recognition

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

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

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

- Fees, commission and brokerage income is recognised at the time of performance of service.

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

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

- Gains and losses on sale of investments are included in income currently.

- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

5.12 Foreign currency transactions

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

5.13 Impairment

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

5.14 Financial instruments

Financial assets and financial liabilities

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

5.15 Off-setting of financial instruments

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

5.16 Segment Reporting

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

(a) Business Segment

– **Corporate finance**

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

– **Trading and Sales**

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

– **Building Rental Services**

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

(b) Geographical Segment

The Company conducts all its operations in Pakistan.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

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

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's unconsolidated financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

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

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

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

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

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

The above amendments are not likely to have an impact on Company's unconsolidated financial statements.

	Note	2015 Rupees	2014 Rupees
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
– Local currency		239,853	134,132
– Foreign currency		-	-
		239,853	134,132
With State Bank of Pakistan in :			
– Local currency current accounts	6.1	64,320,614	48,338,676
– Foreign currency current account		-	-
		64,320,614	48,338,676
With National Bank of Pakistan in :			
– Foreign currency deposit account		-	-
		64,560,467	48,472,808

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

	Note	2015 Rupees	2014 Rupees
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		**6,655,659**	37,639,958
On deposit accounts			
– Local currency	7.1	**732,529,963**	634,468,403
– Foreign currency	7.2	**19,131,778**	21,176,614
		758,317,400	693,284,975

7.1 These deposit accounts carry interest rate ranging from 4.00% to 8.40% per annum (2014: 5.00% to 11.50% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2014: 0.25% per annum).

	Note	2015 Rupees	2014 Rupees
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	**180,000,000**	-
Repurchase agreements lendings (reverse repo)		**-**	900,000,000
		180,000,000	900,000,000

8.1 This includes clean placements and term deposit receipts. These carry markup rate 7.50% per annum.

	2015 Rupees	2014 Rupees
8.2 Particulars of lendings		
In local currency	**180,000,000**	-
In foreign currencies	**-**	900,000,000
	180,000,000	900,000,000

8.3 Securities held as collateral against lendings to financial institutions

	Note	2015 Held by the Company Rupees	2015 Further given as collateral Rupees	2015 Total Rupees	2014 Held by the Company Rupees	2014 Further given as collateral Rupees	2014 Total Rupees
Pakistan Investment Bonds	8.3.1	-	-	-	500,000,000	400,000,000	900,000,000
		-	-	-	500,000,000	400,000,000	900,000,000

8.3.1 These represent the securities obtained under reverse repo transactions.

9 Investments

9.1 Investment by types:

	Note	2015 Held by Company Rupees	2015 Given as collateral Rupees	2015 Total Rupees	2014 Held by Company Rupees	2014 Given as collateral Rupees	2014 Total Rupees
Held-For-Trading securities (HFT)		-	-	-	19,721,387	-	19,721,387
Quoted shares							
Available-For-Sale securities (AFS)		1,289,390,956	-	1,289,390,956	1,115,136,554	-	1,115,136,554
Quoted shares							
Un-quoted shares		703,833,048	-	703,833,048	709,833,048	-	709,833,048
Market Treasury Bills		523,211,395	-	523,211,395	674,052,100	-	674,052,100
Pakistan Investment Bonds (PIBs)		2,395,818,161	6,358,195,317	8,754,013,478	1,712,973,777	4,774,212,673	6,487,186,450
Term Finance Certificates (TFCs)		137,023,918	-	137,023,918	150,797,898	-	150,797,898
Mutual Funds		-	-	-	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)		2,500,000	-	2,500,000	2,500,000	-	2,500,000
Sub-total for AFS securities		5,051,777,478	6,358,195,317	11,409,972,795	4,415,293,377	4,774,212,673	9,189,506,050
Held-To-Maturity securities (HTM)		806,115,122	-	806,115,122	1,170,322,047	-	1,170,322,047
Term Finance Certificates (TFCs)							
Subsidiaries							
Saudi Pak Leasing Company Limited							
– Investment in shares	9.2	243,467,574	-	243,467,574	243,467,574	-	243,467,574
– Investment in preference shares	9.3	333,208,501	-	333,208,501	333,208,501	-	333,208,501
Saudi Pak Real Estate Company Limited	9.4	500,000,000	-	500,000,000	500,000,000	-	500,000,000
Sub-total for subsidiaries		1,076,676,075	-	1,076,676,075	1,076,676,075	-	1,076,676,075
Investment at cost		6,934,568,675	6,358,195,317	13,292,763,992	6,682,012,886	4,774,212,673	11,456,225,559
Provision for diminution in value of investments	9.6	(1,459,557,533)	-	(1,459,557,533)	(1,376,385,845)	-	(1,376,385,845)
Investments (net of provisions)		5,475,011,142	6,358,195,317	11,833,206,459	5,305,627,041	4,774,212,673	10,079,839,714
Surplus on revaluation of AFS securities	18	869,034,658	-	869,034,658	653,567,665	-	653,567,665
Surplus on revaluation of HFT securities	9.8	-	-	-	5,595,462	-	5,595,462
		6,344,045,800	6,358,195,317	12,702,241,117	5,964,790,168	4,774,212,673	10,739,002,841

9.2 This represents the cost of acquisition of 35.06% (2014: 35.06%) shares in the paid up capital of Saudi Pak Leasing Company Limited. The management considers this investment to be a strategic investment. Market value of shares at the year end amounted to Rs. 27.395 million (2014: Rs. 39.588 million).

9.3 These represent 33.321 million preference shares of Rs. 333.208 million of Saudi Pak Leasing Company Limited.

9.4 This represents 50 million shares in Saudi Pak Real Estate Company Limited representing 100% of paid up capital of Saudi Pak Real Estate Company Limited having a break-up value of Rs. 13.27 (2014: Rs. 13.10) per share on the basis of last available unaudited financial statements.

	Note	2015 Rupees	2014 Rupees
9.5 Investment by segments			
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	9.5.5	8,754,013,478	6,487,186,450
– Market Treasury Bills	9.5.5	523,211,395	674,052,100
		9,277,224,873	7,161,238,550
Fully paid up ordinary shares			
– Listed securities	9.5.1	1,532,858,530	1,378,325,515
– Unlisted securities	9.5.2	1,203,833,048	1,209,833,048
		2,736,691,578	2,588,158,563
Term Finance Certificates (TFCs)			
– Listed TFCs	9.5.3	488,536,311	833,909,274
– Unlisted TFCs	9.5.4	454,602,729	487,210,671
		943,139,040	1,321,119,945
Other investments			
Mutual Funds	9.5.6	-	50,000,000
Other - ISE Membership		2,500,000	2,500,000
Investment in preference shares	9.3	333,208,501	333,208,501
		335,708,501	385,708,501
Total investment at cost		13,292,763,992	11,456,225,559
Less: Provision for diminution in value of investments	9.6	(1,459,557,533)	(1,376,385,845)
Investments (net of provisions)		11,833,206,459	10,079,839,714
Surplus on revaluation of Available-For-Sale securities (AFS)		869,034,658	653,567,665
Surplus on revaluation of Held-For-Trading securities (HFT)		-	5,595,462
		12,702,241,117	10,739,002,841

9.5.1 Investment in fully paid up ordinary shares-listed

2015 Number of ordinary shares	2014 Number of ordinary shares	Name of investee companies	2015 Rupees	2014 Rupees
750,000	504,638	Adamjee Insurance Company Limited	36,145,055	21,495,104
4,304,051	4,304,051	Agritech Limited	125,107,957	125,107,483
1,000,000	-	Aisha Steel Limited	8,677,496	-
522,500	1,350,000	Askari Bank Limited	10,866,966	25,388,283
1,000,000	2,500,000	Bank Al-Falah Limited	26,000,630	65,001,585
-	1,000,000	The Bank of Punjab	-	8,324,490
300,000	250,000	Cherat Cement limited	23,262,898	16,771,720
250,000	-	Crescent Textile	5,440,337	-
-	4,000,000	Dewan Salman Fibre Limited	-	21,661,280
-	300,000	Descom Oxychem Limited	-	1,624,832
-	1,000,000	Engro Polymer & Chemicals Limited	-	13,288,670
-	560,000	Engro Corporation Limited	-	108,922,340
500,000	750,000	Engro Fertilizer Limited	36,648,146	47,810,785
500,000	-	Engro Powergen Limited	20,990,557	-
1,500,000	1,000,000	Fatima Fertilizer Company Limited	45,947,617	24,214,360
		Sub-Total carried forward	339,087,659	479,610,932

9.5.1 Investment in fully paid up ordinary shares-listed (continued)

2015	2014	Name of investee companies	2015	2014
Number of ordinary shares			Rupees	Rupees
		Sub-Total carried forward	**339,087,659**	479,610,932
1,000,000	1,500,000	Fauji Cement Company Limited	**26,176,110**	29,705,075
750,000	700,000	Fauji Fertilizer Company Limited	**64,570,201**	46,719,480
1,000,000	1,000,000	Fauji Fertilizer Bin Qasim Limited	**28,753,960**	28,753,960
2,500,000	500,000	Golden Arrow Selected Stocks Fund Limited	**27,057,661**	5,030,155
208,250	110,000	Hascol Petroleum Limited	**15,039,774**	8,753,690
500,000	100,000	The Hub Power Company Limited	**40,211,219**	6,344,368
-	50,000	International Steels Limited	**-**	1,084,838
8,877,963	11,572,199	Japan Power Generation Limited	**36,825,790**	48,001,481
500,000	250,000	Kohinoor Energy Limited	**22,477,248**	10,893,162
1,985,500	2,000,000	Kohinoor Spinning Mills Limited	**47,297,349**	47,642,760
450,000	400,000	Kott Addu Power Company Limited	**22,552,458**	17,862,680
-	1,500,000	Lafarge Pakistan Cement Limited	**-**	23,670,687
100,000	-	MCB Bank Limited	**21,531,761**	-
1,545,500	500,000	National Bank of Pakistan	**94,521,185**	29,006,283
2,000,000	1,000,000	Nishat Chunian Power Limited	**72,559,278**	14,389,050
500,000	250,000	Nishat (Chunian) Limited	**21,927,920**	13,335,812
500,000	400,000	Nishat Power Limited	**11,927,027**	6,418,320
200,000	200,000	Oil & Gas Development Company Limited	**38,773,335**	46,928,240
1,975,000	-	Pakcem Limited	**33,652,316**	
1,340,000	500,000	Pakistan International Bulk Terminal Limited	**38,743,067**	10,752,500
-	175,000	Pakistan State Oil Company Limited	**-**	51,519,002
1,500,000	-	Pakistan Telecommunication Company Limited	**27,445,905**	-
505,000	600,000	Pakistan Petroleum Limited	**74,131,904**	87,477,864
-	1,000,000	Pace Pakistan Limited	**-**	12,860,840
200,000	-	Pakistan Oil Field	**67,362,097**	-
425,000	500,000	Pakistan Reinsurance Co. Limited	**15,897,479**	18,242,528
-	75,000	Pakistan Refinery Limited	**-**	8,445,661
-	500,100	Pak Elektron Limited	**-**	12,959,915
-	75,000	Pakistan National Shipping Corporation Limited	**-**	7,610,044
500,000	-	Saif Power Limited	**19,185,555**	-
15,835,403	15,835,403	Saudi Pak Leasing Company Limited	**243,467,573**	243,467,573
78,400	71,400	Security Papers Limited	**2,470,442**	1,980,000
22,187,000	10,000,000	Silkbank Limited	**34,613,723**	22,743,900
1,000,000	1,000,000	Standard Chartered Bank (Pakistan) Limited	**17,879,403**	17,606,955
105,200	125,000	Shell Pakistan Limited	**26,719,131**	18,507,760
			1,532,858,530	1,378,325,515

9.5.2 Investment in fully paid up ordinary shares/preference shares – unlisted

2015 Number of ordinary shares	2014 Number of ordinary shares	Name of investee companies	2015 Rupees	2014 Rupees
571,000	571,000	Ali Paper Board Industries Limited	**5,710,000**	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited	**10,000,000**	10,000,000
650,000	650,000	Bela Chemical Industries Limited	**6,500,000**	6,500,000
400,000	400,000	Fruit Sap Limited	**4,000,000**	4,000,000
-	630,000	Equity International (Private) Limited	**-**	6,000,000
1,125,000	1,125,000	Taurus Securities Limited	**11,250,000**	11,250,000
5,000,000	5,000,000	Pakistan Textile City Limited	**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited	**50,000,000**	50,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**40,000,000**	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited	**50,000,000**	50,000,000
16,875,000	16,875,000	Pace Barka Properties Limited	**168,750,000**	168,750,000
3,762,304	3,762,304	Innovative Investment Bank Limited	**37,623,048**	37,623,048
2,000,000	2,000,000	Trust Investment Bank Limited	**20,000,000**	20,000,000
100,000,000	100,000,000	Silk Bank Limited - preference shares	**250,000,000**	250,000,000
50,000,000	50,000,000	Saudi Pak Real Estate Limited	**500,000,000**	500,000,000
			1,203,833,048	1,209,833,048

9.5.3 Investment in term finance certificates – listed

2015 Number of certificates	2014 Number of certificates	Name of the company	Original face Value (Rs.)	2015 Rupees	2014 Rupees
-	59,839	Allied Bank Limited	5,000	**-**	298,446,610
44,149	44,419	Azgard Nine Limited	5,000	**136,614,140**	136,614,140
44,780	48,780	Engro Corporation Pakistan Limited	4,957	**222,175,000**	222,175,000
32,300	32,300	Maple Leaf Cement (Sukuk) Limited	5,000	**52,456,602**	85,765,977
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	3,748,500
10,000	10,000	World Call Telecom Limited	5,000	**19,200,843**	21,415,716
15,000	15,000	World Call Telecom Limited	2,150	**19,848,180**	22,486,485
250	250	Pakistan Mobile Communications Limited	100,000	**5,073,125**	13,823,125
6,000	6,000	Summit Bank Limited	5,000	**29,419,921**	29,433,721
				488,536,311	833,909,274

9.5.3.1 These carry rate of return ranging from 7.86% to 8.25% per annum (2014: 10.65% to 13.44% per annum) and having maturity upto 6 years.

9.5.4 Investment in Term Finance Certificates – unlisted

2015 Number of certificates	2014 Number of certificates	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2015 Rupees	2014 Rupees
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**21,875,000**	34,062,500
57,263	57,263	Agritech Limited	Mr. Mohammad Khalid Mir	5,000	**286,283,751**	286,283,751
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**78,943,978**	99,364,420
					454,602,729	487,210,671

9.5.4.1 These carry rate of return ranging from 6.51% to 11% (2014: 9.84% to 13.90%) per annum and having maturity of upto 5 years.

9.5.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	July 2017 to July 2022	On maturity	8.75% to 12.00%	Semi-annually
Market Treasury Bills	March 2016 to May 2016	On maturity	6.89% to 6.95%	On maturity

9.5.6 Investments in mutual funds

Name of investee	2015 Number of units	2014 Number of units	Note	2015 Rupees	2014 Rupees
Pak Oman Advantage Fund	**-**	5,000,000		**-**	50,000,000
				-	50,000,000

9.6 Provision for diminution in value of investments

	Note	2015 Rupees	2014 Rupees
Opening balance		**1,376,385,845**	1,468,632,258
Charge for the year		**249,475,195**	169,618,608
Reverse for the year		**(105,696,542)**	(101,766,349)
Reversals (related to quoted AFS securities)		**(60,606,965)**	(160,098,672)
Written off		**-**	-
Closing balance	**9.6.1**	**1,459,557,533**	1,376,385,845

9.6.1 Particulars of provision in respect of type and segments

	2015 Rupees	2014 Rupees
Available-For-Sale (AFS) securities		
Impairment on quoted securities	**163,955,194**	171,088,435
Un-quoted securities	**291,302,066**	251,444,299
Term Finance Certificates (TFCs)	**67,181,343**	48,564,627
Held-To-Maturity (HTM) securities		
Term Finance Certificates (TFCs)	**360,442,855**	328,612,409
Subsidiary		
Saudipak Leasing Company Limited – Listed	**576,676,075**	576,676,075
	1,459,557,533	1,376,385,845

9.6.2 Investment in term finance certificates (TFCs) includes Rs. 533.195 million (2014: Rs. 671.476 million) which has been placed under non-performing status as detailed below:-

Category of classification of TFCs

	2015		
	Classified investment	Specific provision required	Specific provision held
	Rupees	Rupees	Rupees
Substandard	**-**	**-**	**-**
Doubtful	**39,048,848**	**19,524,425**	**19,524,425**
Loss	**494,146,391**	**408,099,773**	**408,099,773**
	533,195,239	**427,624,198**	**427,624,198**

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

9.7 Quality of available for sale securities

(a) Quoted Securities

	2015		2014	
	Rating	Market value Rupees	Rating	Market value Rupees
Companies				
Adamjee Insurance Company Limited	**AA**	**56.51**	AA	49.46
Agritech Limited	**unrated**	**9.35**	unrated	7.75
Aisha Steel Mills Limited	**unrated**	**8.71**	-	-
Askari Bank Limited	**AA/A-1+**	**21.74**	AA/A-1+	23.07
Bank Alfalah Limited	**AA/A-1+**	**28.82**	AA/A-1+	34.88
The Bank of Punjab	**AA-/A1+**	**-**	AA-/A-1+	10.95
Cherat Cement Company Limited	**A/A1**	**90.18**	unrated	68.68
The Crescent Textile Mills Limited	**-**	**19.03**	-	-
Dewan Salman Fiber Limited	**-**	**-**	unrated	1.91
Descom Oxychem Limited	**-**	**-**	A/A1	6.00
Engro Corporation Limited	**-**	**-**	AA-/A1+	221.51
Engro Fertilizer Limited	**AA-/A1+**	**84.13**	A+/A1	78.10
Engro Polymer & Chemicals Limited	**-**	**-**	A/A1	12.00
Fauji Cement Company Limited	**unrated**	**36.82**	unrated	25.84
Fatima Fertilizer Company Limited	**AA-/A1+**	**44.73**	AA-/A1+	35.77
Fauji Fertilizer Bin Qasim Limited	**unrated**	**52.68**	unrated	45.21
Fauji Fertilizer Company Limited	**unrated**	**117.98**	unrated	117.11
Golden Arrow Selected Stocks Fund Limited	**4 Star/ 4 Star**	**9.60**	5 Star/ 4 Star	11.05
Hascol Petroleum Limited	**A+/A-1**	**144.25**	A+/A1	74.10
Hub Power Company Limited	**AA+/A1+**	**102.60**	AA+/A1+	78.36
International Steels Limited	**unrated**	**25.45**	unrated	25.45
Japan Power Generation Limited	**unrated**	**3.96**	unrated	3.45
Kohinoor Energy Limited	**AA/A1+**	**43.00**	AA/A1+	49.35
Kohinoor Spinning Mills Limited	**unrated**	**16.70**	unrated	24.45
Kot Addu Power Company Limited	**AA+/A1+**	**81.00**	AA+/A1+	78.94
Lafarge Pakistan Cement Limited	**-**	**-**	unrated	17.35
MCB Bank Limited	**AAA/A1+**	**216.85**	-	-
National Bank of Pakistan	**AAA/A1+**	**54.04**	AAA/A1+	69.46
Nishat Power Limited	**A+/A1**	**53.68**	A+/A1	45.60

(a) Quoted Securities (continued)

	2015 Rating	2015 Market value Rupees	2014 Rating	2014 Market value Rupees
Nishat (Chunian) Limited	A-/A-2	34.00	A-/A-2	45.42
Nishat Chunian Power Limited	A+/A-2	55.05	A+/A-2	49.55
Oil and Gas Development Company Limited	AAA/A1+	117.34	AAA/A1+	205.87
Pakistan International Bulk Terminal Limited	unrated	27.97	unrated	24.69
Pakistan Telecommunication Company Limited	unrated	16.49	-	-
Pakistan Oilfields Limited	unrated	268.02	-	-
Pakistan Petroleum Limited	unrated	121.80	unrated	176.52
Pakistan State Oil Company Limited	-	-	AA+/A1+	357.91
Pace Pakistan Limited	-	-	unrated	3.33
Pakcem Limited	A-/A2	17.03	-	-
Pakistan Reinsurance Company Limited	AA	33.85	AA	30.34
Pakistan Refinery Limited	-	-	A-/A2	162.75
Pak Elektron Limited	-	-	A-/A2	40.93
Saif Power Limited	A+/A1	32.75	-	-
Saudi Pak Leasing Company Limited	unrated	1.73	unrated	2.50
Silkbank Limited	A-/A2	1.82	A-/A2	2.22
Standard Chartered Bank (Pakistan) Limited	AAA/A1+	21.90	AAA/A1+	23.60
Security Papers Limited	unrated	88.10	unrated	77.40
Shell Pakistan Limited	unrated	228.24	unrated	258.88

(b) Mutual Funds

Companies

	2015 Rating	2015 Market value Rupees	2014 Rating	2014 Market value Rupees
Pak Oman Advantage Fund	-	-	A+(f)	10.83

9.8 Unrealized gain on revaluaiton of investments classified as held for trading

	Note	2015 Rupees	2014 Rupess
Fully paid up ordinary shares		-	5,595,462

10 ADVANCES

	Note	2015 Rupees	2014 Rupess
– In Pakistan		8,591,513,212	7,573,542,204
– Outside Pakistan		-	-
		8,591,513,212	7,573,542,204
Net investment in finance lease			
– In Pakistan	10.2.1	182,631,084	210,932,446
– Outside Pakistan		-	-
		182,631,084	210,932,446
Bills discounted and purchased		-	-
Advances – gross	10.1	8,774,144,296	7,784,474,650
Provision for non-performing advances	10.1.6	(1,958,541,177)	(1,953,737,236)
Provision for non-performing lease finance	10.2.3	(140,648,716)	(142,698,716)
Advances – net of provision		6,674,954,403	5,688,038,698

10.1 Particulars of advances - gross

		Note	2015 Rupees	2014 Rupess
10.1.1	– In local currency		8,736,916,508	7,747,246,862
	– In foreign currencies		37,227,788	37,227,788
			8,774,144,296	7,784,474,650
10.1.2	Long term advances	10.1.3	7,752,508,697	6,854,845,014
	Short term advances	10.1.4	981,053,877	898,991,189
	Staff advances	10.3	40,581,722	30,638,447
			8,774,144,296	7,784,474,650

10.1.3 These advances are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 17.88% per annum (2014: 7.00% to 17.88% per annum).

10.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 7.35% to 9.60% per annum (2014: 10.92% to 13.18% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

10.1.5 Advances include Rs. 2,675.026 million (2014: Rs. 2,072.793 million) which have been placed under non-performing status as detailed below:-

	2015		
Category of classification	**Classified advances Rupees**	**Specific Provision required Rupees**	**Specific Provision held Rupees**
Substandard	**458,333,333**	**-**	**-**
Doubtful	**200,000,000**	**-**	**-**
Loss	**2,016,692,977**	**1,958,541,177**	**1,958,541,177**
	2,675,026,310	**1,958,541,177**	**1,958,541,177**

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

10.1.6 Particulars of provisions against non-performing advances

	2015 Rupees	2014 Rupees
	Specific	Specific
Opening balance	**1,953,737,236**	2,235,603,252
Charge for the year	**118,758,927**	42,054,605
Amounts written off	**-**	-
Reversals	**(113,954,986)**	(323,920,621)
Closing balance	**1,958,541,177**	1,953,737,236

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

The bank has availed the benefit of forced sale value (FSV) of mortgage properties held as collaterals against non performing advances as allowed under BSD Circular No. 1 of 2011. Had the benefit under the said circular not been taked by the Company, the provision against non performing advances would have been higher by Rs. 272.735 million (2014: Rs. 119.056 million) and consequently profit after tax would have been lower by Rs. 188.188 million (2014: Rs. 79.767 million). The FSV benefit availed is not available for distribution of cash or stock dividend to share holders.

	2015 Rupees	2014 Rupees

10.1.7 Particulars of write offs:

	2015 Rupees	2014 Rupees
Against provisions	-	-
Directly charged to the unconsolidated profit and loss account	-	-
	-	-

10.1.8 Particulars of amounts written off against provisions

	2015 Rupees	2014 Rupees
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs. 500,000	-	-
	-	-

10.1.9 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2015 is given at Annexure - 1.

10.2 Net investment in finance lease

	Note	2015 Rupees	2014 Rupees
Minimum lease payments receivables		259,383,533	296,389,107
Less: Unearned finance income		(76,752,449)	(85,456,661)
Present value of minimum lease payments	10.2.1	182,631,084	210,932,446
Less: Provision for potential lease losses	10.2.2	(140,648,716)	(142,698,716)
Net investment in lease		41,982,368	68,233,730

10.2.1 Net investment in finance lease

	2015		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	234,124,857	25,258,676	259,383,533
Less: Unearned finance income	75,229,975	1,522,474	76,752,449
Present value of minimum lease payments	158,894,882	23,736,202	182,631,084

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

10.2.2 Investment in lease finance includes Rs. 140.649 million (2014: Rs. 142.699 million) which has been placed under non-performing status as detailed below:-

Category of classification	2015 Classified advance Rupees	2015 Specific provision required Rupees	2015 Specific provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	140,648,716	142,698,716	140,648,716
	140,648,716	142,698,716	140,648,716

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

10.2.3 Particulars of provisions against non-performing lease finance

	2015 Rupees Specific	2014 Rupees Specific
Opening balance	142,698,716	144,105,348
Charge for the year	-	-
Amounts written off	-	-
Reversals	(2,050,000)	(1,406,632)
Closing balance	140,648,716	142,698,716

10.2.4 Particulars of amounts written off against provisons

	2015 Rupees	2014 Rupees
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs. 500,000	-	-
	-	-

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

	2015	2014
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	40,581,722	30,638,447
Debts due by companies or firms in which the directors of the Company are interested as directors, partners	-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	-	-

10.3.1	2015	2014
Opening balance	30,638,447	31,458,350
Loans granted during the year	25,961,433	15,586,589
Repayments during the year	(16,018,158)	(16,406,492)
Closing balance	40,581,722	30,638,447

11 OPERATING FIXED ASSETS

	Note	2015	2014
Capital work-in-progress	11.1	-	458,640
Property and equipment	11.1	2,737,259,094	2,253,048,654
Intangible assets	11.2	1,705,612	1,572,736
		2,738,964,706	2,255,080,030

11.1 Property and equipment

	2015												
	COST/REVALUATION							DEPRECIATION					
	Opening balance	Additions	Revaluation surplus/ (deficit)	Adjustment for revaluation	Disposals/ adjustments	Closing balance	Rate	Opening balance	For the year	Adjustment for revaluation	Disposals/ adjustments	Closing balance	Net Book value
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Freehold land	8,088,120	-	-	-	-	8,088,120	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	168,577,475	44,571,225	-	1,372,500,000	1.50	29,714,150	14,857,075	44,571,225	-	-	1,372,500,000
Building - Islamabad	720,117,702	6,018,010	243,706,659	86,091,371	-	883,751,000	4	57,202,342	28,889,029	86,091,371	-	-	883,751,000
Building	19,975,000	-	6,861,991	2,396,991	-	24,440,000	4	1,597,994	798,997	2,396,991	-	-	24,440,000
Building - Islamabad- ISE towers	25,500,000	-	9,517,100	872,100	-	34,145,000	1.14	581,400	290,700	872,100		-	34,145,000
Heating and air-conditioning	126,808,691	-	63,026,081	56,487,198	-	133,347,574	15	37,883,747	18,857,094	56,487,198	-	253,643	133,093,931
Elevators	64,932,976	14,327,786	21,816,795	21,158,170	19,099,387	60,820,000	15	19,385,564	8,367,290	21,158,170	6,594,678	6	60,819,994
Electrical fittings	139,822,325	1,734,710	63,261,744	57,888,778	-	146,930,001	15	37,281,373	21,190,155	57,888,778	-	582,750	146,347,251
Fire fighting equipment	3,798,595	-	375,674	1,697,082	26,787	2,450,400	15	1,139,422	568,706	1,697,082	11,046	-	2,450,400
Leasehold improvement	6,302,839	-	-	-	-	6,302,839	15	5,026,333	918,347	-	-	5,944,680	358,159
Motor vehicles	85,109,860	10,268,512	-	-	12,143,677	83,234,695	20	27,736,753	14,695,823	-	9,300,093	33,132,483	50,102,212
Furniture, fixture and fittings	14,799,256	279,459	-	-	259,586	14,819,129	20	13,739,056	382,952	-	222,913	13,899,095	920,034
Office equipment	39,283,567	4,754,405	-	-	2,590,898	41,447,074	33.33	32,661,075	4,018,985	-	2,531,624	34,148,436	7,298,638
Telephone installation	2,209,736	-	(280,222)	834,668	-	1,094,846	15	966,659	264,042	834,668	-	396,033	698,813
Electrical appliances	5,470,777	836,925	-	-	4,697	6,303,005	15	2,445,457	753,815	-	4,693	3,194,579	3,108,426
Loose tools	1,170,325	62,406	-	-	-	1,232,731	15	883,810	144,030	-	-	1,027,840	204,891
Miscellaneous	804,769	-	-	-	-	804,769	15	793,527	4,017	-	-	797,544	7,225
Security systems	13,399,065	-	1,818,799	5,778,333	514,531	8,925,000	15	4,000,037	1,990,515	5,778,333	212,219	-	8,925,000
	2,526,087,353	38,282,213	578,682,096	277,775,916	34,639,563	2,830,636,183		273,038,699	116,991,572	277,775,916	18,877,266	93,377,089	2,737,259,094
Capital work in progress	458,640	-	-	-	458,640	-		-	-	-	-	-	-
	2,526,545,993	38,282,213	578,682,096	277,775,916	35,098,203	2,830,636,183		273,038,699	116,991,572	277,775,916	18,877,266	93,377,089	2,737,259,094

11.2 Intangible assets

	2015												
	COST/REVALUATION							DEPRECIATION					
	Opening balance	Additions	Revaluation surplus/ (deficit)	Adjustment for revaluation	Disposals/ adjustments	Closing balance	Rate	Opening balance	For the year	Adjustment for revaluation	Disposals/ adjustments	Closing balance	Net Book value
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Software and others	13,139,576	1,207,477	-	-	-	14,347,053	33.33	11,566,840	1,074,601	-	-	12,641,441	1,705,612

11.1 Property and equipment (continued)

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

11.2 Intangible assets (continued)

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

11.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Toyota Corolla GLI SW-259	1,521,779	1,141,331	380,448	-	380,448	-	As per policy	Rohail Ajmal (EVP-FD)
Toyota Corolla GLI SW-623	1,524,779	1,143,581	381,198	-	381,198	-	As per policy	M. Nayeem Akhtar (EVP-Law)
Toyota Corolla GLI PA-506	1,450,017	1,450,016	1	-	1,240,000	1,239,999	Auction	Mazhar Javed
Elevators 2.No. LRA	19,099,384	6,594,680	12,504,704	12,504,704	808,000	(11,696,704)	Auction	Creative Electronics
Toyota Corolla GLI SW-482	1,524,779	1,245,233	279,546	-	279,546	-	As per policy	Ms. Parveen A. Malik (EVP-PMD)
Toyota Corolla GLI SX-259	1,524,779	1,270,644	254,135	-	254,135	-	As per policy	Arshed Ahmed Khan (EVP-ROL)
Gestetner Multifuntion Printer Mp-2000	174,968	174,966	2	-	20,000	19,998	Auction	Hascombe Business Solutions
Gestetner Multifuntion Printer Mp-2000	300,142	300,141	1	-	20,000	19,999	Auction	Hascombe Business Solutions
Gestetner Multifuntion Printer Mp-2000	300,866	241,619	59,247	-	20,000	(39,247)	Auction	Hascombe Business Solutions
Toyota Corolla ARX-897 (Pool Car Rok)	1,721,000	1,720,999	1	-	1,062,000	1,061,999	Auction	Muhammad Imran
Honda City A/T 1.3 (Wh-451)	1,807,154	1,114,409	692,745	-	692,745	-	As per policy	Atif Islam (SVP-IA)
Dell Laptop E-6530	153,006	153,005	1	-	7,650	7,649	As per policy	Atif Islam (SVP-IA)
Office Equipment (Misc Items)	1,392,461	1,392,445	16	-	70,000	69,984	Auction	Saman Jan
Office Equipment (Misc Items)	269,455	269,448	7	-	10,200	10,193	Auction	Ghulam Mustafa
Electrical Appliances	4,697	4,693	4	-	1,000	996	Auction	Saman Jan
Furniture Fixture	259,586	222,913	36,673	-	125,000	88,327	Auction	Saman Jan
Fire Extinguisher	26,787	11,046	15,741	15,741	1,500	(14,241)	Auction	Saman Jan
Security System (Misc. Items)	514,531	212,219	302,312	302,312	80,000	(222,312)	Auction	Saman Jan
Suzuki Cultus CZ-858	1,069,390	213,878	855,512	-	927,000	71,488	Auction	Ibrar Hussain
	34,639,560	18,877,266	15,762,294	12,822,757	6,380,422	(9,381,872)		

11.4 Depreciation for the year has been allocated as follows:

	Note	2015 Rupees	2014 Rupees
Rental income	24.1	**96,508,645**	97,244,382
Administrative expenses	25	**21,557,528**	13,160,593
		118,066,173	110,404,975

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

	2015 Rupees	2014 Rupees
Furniture, fixture and fittings, electrical fittings, office equipment and computer equipment	**63,087,472**	53,287,333
Vehicles	**8,083,828**	11,254,845
Loose tools	**215,330**	215,330
	71,386,630	64,757,508

11.6 Revaluation of property and equipment

The property and equipment of the Company were last revalued by independent professional valuer as at 31 December 2015. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 578.682 million. the total surplus arising against revaluation of fixed assets as at 31 December 2015 amounts to Rs. 2,519.850 million. Had there been no revaluation, the carrying amouont of the revalued assets as at 31 December 2015 would have been as follows:

	Note	2015 Rupees	2014 Rupees
Land		**1,008,776**	1,021,224
Building and other assets		**146,312,485**	134,295,524
		147,321,261	135,316,748

12 OTHER ASSETS

	Note	2015 Rupees	2014 Rupees
Accrued income and receivables	12.1	**646,170,488**	575,211,914
Advances, deposits, prepayments and other receivables	12.2	**1,322,263,341**	1,273,848,497
		1,968,433,829	1,849,060,411

12.1 Accrued income and receivables

	Note	2015 Rupees	2014 Rupees
Dividend Income		**-**	500,000
Accrued income from advances	12.1.1	**114,028,647**	114,300,123
Accrued income from investments	12.1.3	**523,058,641**	451,688,599
Accrued income from lendings to financial institutions		**67,096**	4,037,370
Others		**12,165,452**	7,835,170
Less: provision for doubtful income receivables	12.1.5	**(3,149,348)**	(3,149,348)
		9,016,104	4,685,822
		646,170,488	575,211,914

		Note	2015 Rupees	2014 Rupees
12.1.1	**Accrued income from advances**			
	Long term advances		**746,527,599**	730,470,423
	Short term advances		**127,886,866**	165,599,948
	Lease financing		**63,748,478**	63,139,942
	Others		**5,035,752**	6,418,472
			943,198,695	965,628,785
	Less: provision for doubtful accrued income from advances	**12.1.2**	**(829,170,048)**	(851,328,662)
			114,028,647	114,300,123
12.1.2	**Provision for doubtful accrued income from advances**			
	Opening balance		**851,328,662**	887,974,125
	Charge for the year		**33,371,014**	47,283,614
	Amounts written off		**(33,568,414)**	-
	Reversals		**(21,961,214)**	(83,929,077)
	Closing balance		**829,170,048**	851,328,662
12.1.3	**Accrued income from investments**			
	Government Securities		**404,507,066**	353,937,769
	Term Finance Certificates (TFCs)		**258,008,820**	236,055,487
	Income on equity (preference shares)		**97,424,658**	62,424,658
			759,940,544	652,417,914
	Less: provision for doubtful accrued income from investments	**12.1.4**	**(236,881,903)**	(200,729,315)
			523,058,641	451,688,599
12.1.4	**Provision for doubtful accrued income from investments**			
	Opening balance		**200,729,315**	177,135,138
	Charge for the year		**44,046,033**	71,959,499
	Reversals		**(7,893,445)**	(48,365,322)
	Closing balance		**236,881,903**	200,729,315
12.1.5	**Provision for doubtful income receivables**			
	Opening balance		**3,149,348**	3,149,348
	Charge for the year		**-**	-
	Closing balance		**3,149,348**	3,149,348
12.2	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers		**7,068,090**	14,769,283
	Security deposits		**7,398,245**	7,388,245
	Prepayments		**3,209,117**	4,495,275
	Receivable from stock brokers		**27,215,516**	3,332,711
	Advance tax	**12.2.1**	**984,881,815**	967,646,344
	Excise duty		**38,255,895**	24,000,000
	Non banking assets acquired in satisfaction of claims	**12.2.2**	**356,494,933**	355,964,909
	Advance for purchase of shares		**256,792**	256,792
	Others		**15,000,000**	-
			1,439,780,403	1,377,853,559
	Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
	Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
	Less: provision for non banking assets acquired in satisfaction of claims		**(113,442,000)**	(99,930,000)
			(117,517,062)	(104,005,062)
			1,322,263,341	1,273,848,497

12.2.1 This includes Rs. 782.6 million paid to tax authorities or withheld against assessment in respect of tax years 2004,2005,2006,2008, 2009,2010,2012 and 2013. Total exposure in respect of tax years under litigation at various appellate forums including on account of primary issues involving disallowance of provision for non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime amounts to Rs. 1,270.2 million. During the year, Appellate Tribunal Inland Revenue Islamabad (ATIR) has not accepted the Company's grounds of appeal in respect of tax year 2004 to 2006 and 2008 to 2010 on the above mentioned issues and consequently the Company has filed the reference in Islamabad High Court which has been admitted for hearing. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company. For further detail on tax contingencies also refer to note 20.4 to the unconsolidated financial statements.

12.2.2 These represent the amount of assets acquired against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited and M/s Amir Evaluators and Consultants. Market value assessed amounts to Rs. 272.288 million (2014: Rs. 285.911) million. Provision has been created against the shortfall.

	Note	2015 Rupees	2014 Rupees
13 BORROWINGS			
In Pakistan		**12,010,452,912**	10,630,880,109
Outside Pakistan		**-**	-
		12,010,452,912	10,630,880,109
13.1 Particulars of borrowings with respect to currencies			
In local currency		**12,010,452,912**	10,630,880,109
In foreign currency		**-**	-
		12,010,452,912	10,630,880,109
Long term borrowings	**13.2**	**2,695,452,912**	3,397,037,894
Short term borrowings	**13.3**	**9,315,000,000**	7,233,842,215
		12,010,452,912	10,630,880,109
13.2 Long term borrowings			
Against book debts/receivables	**13.2.1**	**2,450,000,000**	2,900,000,000
Against SBP refinance scheme - long term financing facility (LTFF)	**13.2.2**	**245,452,912**	497,037,894
		2,695,452,912	3,397,037,894

13.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 5,066.667 million (2014: Rs. 4,000 million). The mark up is charged at varying rates ranging from 7.10% to 7.24% per annum (2014: 10.21% to 10.93% per annum). These facilities will mature during March 2016 to June 2019 (2014: March 2015 to June 2019).

13.2.2 These represent facilities obtained against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 8.40% per annum (2014: 7.90% to 10.10% per annum). These facilities will mature during June 2016 to June 2020 (2014: January 2015 to June 2020).

	Note	2015 Rupees	2014 Rupees
13.3 Short term borrowings			
Against book debts/receivables	**13.3.1**	**1,000,000,000**	1,000,000,000
Repurchase agreements under PIBs - repo	**13.3.2**	**6,215,000,000**	5,015,842,215
Clean / letter based financing		**-**	418,000,000
Morahaba finance	**13.3.3**	**2,100,000,000**	800,000,000
		9,315,000,000	7,233,842,215

13.3.1 These represent facilities obtained against charge on book debts / receivables valuing Rs. 1,333.333 million (2014: 1,333.333 million). The mark-up is charged at the rate of 6.76% (2014 : 10.08%) per annum . These facilities will mature in September 2016 (2014: September 2015).

13.3.2 These facilities are secured against Pakistan Investment Bonds. These carry markup rates ranging from 6.40% to 6.50% (2014: 9.75% to 10.30%) per annum and will mature in January 2016 to February 2016 (2014: January 2015).

13.3.3 This represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 6.63% to 6.74% (2014: 10.06% to 10.19%) per annum. These will mature in January 2016 to April 2016 (2014: January 2015).

	Note	2015 Rupees	2014 Rupees
13.4 Details of borrowings secured/unsecured			
Secured			
Borrowings from State Bank of Pakistan - long term financing facility (LTFF)		**245,452,912**	497,037,894
Repurchase agreement borrowings		**6,215,000,000**	5,015,842,215
Against book debts/receivables		**3,450,000,000**	3,900,000,000
Morahaba finance		**2,100,000,000**	800,000,000
		12,010,452,912	10,212,880,109
Unsecured			
Call borrowings		**-**	418,000,000
		12,010,452,912	10,630,880,109

14 DEPOSITS AND OTHER ACCOUNTS

	Note	2015 Rupees	2014 Rupees
Certificate of Investments (COIs)	**14.1**	**7,000,000**	37,000,000

14.1 These represent certificate of investments issued to various institutions. The mark up is charged at 6.75% per annum (2014: 9.50% to 10.00% per annum). These are repayable in period May 2016 (2014: February 2015 to November 2015).

15 DEFERRED TAX LIABILITIES

	Note	2015 Rupees	2014 Rupees
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		**16,880,386**	20,099,726
Surplus on revaluation of operating fixed assets	**19**	**756,952,802**	673,196,173
Surplus on revaluation of securities	**18**	**269,400,744**	215,677,331
		1,043,233,932	908,973,230
Deferred tax debits arising due to following deductible temporary differences:			
Acturial loss on gratuity valuation		**(2,074,075)**	(1,377,341)
Net investment in leases		**(645,096)**	9,274,905
Provision for investment in TFCs		**(128,287,260)**	(124,468,422)
Provision for non banking assets acquired in satisfaction of claims		**(34,032,600)**	-
Accumulated tax losses		**-**	(71,433,320)
		(165,039,031)	(188,004,178)
		878,194,901	720,969,052

15.1 Movement in temporary differences during the year:

	2015				
	Opening balance Rupees	Impact on deffered tax liability due to rate change Rupees	Recognised in profit or loss Rupees	Recognised in equity Rupees	Closing balance Rupees
Taxable temporary differences					
Accelerated tax depreciation	**20,099,726**	**-**	**(3,219,340)**	**-**	**16,880,386**
Surplus on revaluation of operating fixed assets	**673,196,173**	**(58,373,005)**	**(27,519,237)**	**169,648,871**	**756,952,802**
Surplus on revaluation of securities	**215,677,331**	**-**	**-**	**53,723,413**	**269,400,744**
Deductible temporary differences					
Acturial loss on gratuity valuation	**(1,377,341)**	**-**	**-**	**(696,734)**	**(2,074,075)**
Net investment in leases	**9,274,905**	**-**	**(9,920,001)**	**-**	**(645,096)**
Provision for investment in TFCs	**(124,468,422)**	**-**	**(3,818,838)**	**-**	**(128,287,260)**
Provision for non banking assets acquired in satisfaction of claims	**-**	**-**	**(34,032,600)**	**-**	**(34,032,600)**
Accumulated tax losses	**(71,433,320)**	**-**	**71,433,320**	**-**	**-**
	720,969,052	**(58,373,005)**	**(7,076,696)**	**222,675,550**	**878,194,901**

	2014				
	Opening balance Rupees	Impact on deffered tax liability due to rate change Rupees	Recognised in profit or loss Rupees	Recognised in equity Rupees	Closing balance Rupees
Taxable temporary differences					
Accelerated tax depreciation	24,286,129	-	(4,186,403)	-	20,099,726
Surplus on revaluation of operating fixed assets	728,014,605	(21,269,358)	(28,692,640)	(4,856,434)	673,196,173
Surplus on revaluation of securities	114,129,907	(3,356,761)	-	104,904,185	215,677,331
Deductible temporary differences					
Acturial loss on gratuity valuation	-	-	-	(1,377,341)	(1,377,341)
Net investment in leases	(12,491,017)	-	21,765,922	-	9,274,905
Provision for investment in TFCs	-	-	(124,468,422)	-	(124,468,422)
Accumulated tax losses	(331,218,154)	-	259,784,834	-	(71,433,320)
	522,721,470	(24,626,119)	124,203,291	98,670,410	720,969,052

16 OTHER LIABILITIES

	Note	2015 Rupees	2014 Rupees
Mark-up/return/interest accrued on borrowings	**16.1**	**96,300,823**	114,684,168
Creditors, accrued and other liabilities	**16.2**	**305,070,216**	191,690,747
Deferred liabilities	**16.3**	**48,215,232**	86,852,212
		449,586,271	393,227,127

16.1 Mark-up/return/interest accrued on borrowings

	2015	2014
Long term borrowings	**18,796,037**	46,669,941
Short term borrowings	**25,890,834**	15,744,916
Securities purchased under Repurchase agreements - repo	**51,613,952**	52,269,311
	96,300,823	114,684,168

	Note	2015 Rupees	2014 Rupees
16.2 Creditors, accrued and other liabilities			
Directors' remuneration		**3,250,660**	2,522,554
Other payables		**48,239,709**	44,060,225
Receivable / payable on employees account		**(512,602)**	(1,376,848)
Corporate income tax payable		**225,166,522**	113,939,908
Accrued liabilities		**28,925,927**	32,544,908
		305,070,216	191,690,747
16.3 Deferred liabilities			
Provision for staff gratuity	32.1	**2,090,658**	25,174,399
Provision for compensated absences	16.3.1	**4,593,242**	4,759,254
Advance rental income	16.3.2	**41,531,332**	56,918,559
		48,215,232	86,852,212
16.3.1 Provision for compensated absences			
Opening balance		**4,759,254**	4,320,046
Charge during the year		**2,155,572**	2,158,391
payment during the year		**(2,321,584)**	(1,719,183)
Closing balance		**4,593,242**	4,759,254

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

17 SHARE CAPITAL

	Note	2015 Rupees	2014 Rupees
Authorized capital:			
1,000,000,000 ordinary shares of Rs. 10 each (2014: 1,000,000,000 ordinary shares of Rs. 10 each)		**10,000,000,000**	10,000,000,000
Issued, subscribed and paid up capital:			
400,000,000 ordinary shares of Rs. 10 each issued for cash (2014: 400,000,000 ordinary shares of Rs. 10 each issued for cash)		**4,000,000,000**	4,000,000,000
260,000,000 bonus shares of Rs. 10 each (2014: 200,000,000 bonus shares of Rs. 10 each)		**2,600,000,000**	2,000,000,000
	17.1	**6,600,000,000**	6,000,000,000

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

	2015	2014
	Number of shares	
Opening balance	**600,000,000**	600,000,000
Issued during the year	**60,000,000**	-
Closing balance	**660,000,000**	600,000,000

18 SURPLUS ON REVALUATION OF AFS SECURITIES - NET OF TAX

	Note	2015	2014
Quoted securities- AFS		**191,340,472**	305,568,210
Quoted securities- HFT		**-**	-
Government securities- AFS		**676,367,460**	374,354,178
Term Finance Certificates (TFCs)- AFS		**1,326,726**	(3,154,723)
Un-quoted securities- AFS		**-**	(28,000,000)
Mutual fund units- AFS	9.1	**-**	4,800,000
	15	**869,034,658**	653,567,665
Less: related deferred tax asset		**(269,400,744)**	(215,677,330)
Surplus on revaluation of AFS securities- net of tax		**599,633,914**	437,890,335

		Note	2015 Rupees	2014 Rupees
19	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**			
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		**2,039,988,404**	2,141,219,427
	Surplus on revaluation of fixed assets		**578,682,096**	-
	Surplus realized on disposal - transferred to unappropriated profit		**12,822,757**	14,283,628
	Transferred to unappropriated profit in respect of			
	– Incremental depreciation charged during the year		**(58,478,378)**	(58,254,755)
	– Deferred tax		**(27,519,237)**	(28,692,640)
			(85,997,615)	(86,947,395)
	Surplus on revaluation of operating fixed assets		**2,519,850,128**	2,039,988,404
	Related deferred tax liability		**(673,196,173)**	(728,014,605)
	Deferred tax recognized on surplus on revaluation of fixed assets		**(173,752,153)**	-
	Deferred tax effect of surplus realized on disposal		**4,103,282**	4,856,434
	Impact of change in tax rate		**58,373,005**	21,269,358
	Transferred to unconsolidated profit and loss account in respect of incremental depreciation		**27,519,237**	28,692,640
		15	**(756,952,802)**	(673,196,173)
	Closing balance		**1,762,897,326**	1,366,792,231
20	**CONTINGENCIES AND COMMITMENTS**			
20.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		**100,000,000**	350,000,000
20.2	**Non disbursed commitment for term and working capital finance**		**430,000,000**	1,150,000,000
20.3	**Commitments for the acquisition of operating fixed assets (intangibles assets)**		**4,966,892**	19,658,034
			534,966,892	1,519,658,034

20.4 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006

Provision for Non-Performing Loans (NPLs) for tax years 2004, 2005 and 2006 were disallowed by the tax authorities and restricted the credit for tax paid/suffered during the relevant tax years. As a consequence of foregoing, cumulative income tax demand of Rs. 63.8 million was raised by the Income Tax Authorities. Although the said demands have been paid, these are being contested by the Company and related appeals are presently pending for adjudication before Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(b) Tax year 2008 and 2009

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs. 231 million and Rs. 612 million for the tax year 2008 and 2009 respectively out of which the Company paid Rs. 425 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are pending for adjudication by the Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(c) Tax year 2010

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs. 147 million out of which the Company paid Rs. 67 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are pending for adjudication before Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(d) Tax year 2012 and 2013

Provision for NPL, realised exchange loss and other expenses for tax years 2012 and 2013 were disallowed by tax authority vide amended assessment orders No. 003/005 and 004/005 both dated 21 May 2014 and demand of Rs. 97.9 million for tax year 2012 and Rs. 118.8 million for tax year 2013 have been raised against the Company. The Company filed appeals before Commissioner Inland Revenue (Appeals), Islamabad. However, actions of the lower authority were upheld by Commissioner Inland Revenue (Appeals) in terms of appellate orders No 799/2015 and No. 800/2015 dated 16 April 2015. Thus the Company filed an appeal before Appellate Tribunal Inland Revenue which is pending for adjudication. It is likely that the appeals will be decided in favor of the Company.

(e) Sales Tax & Federal Excise Duty

The Deputy Commissioner Inland Revenue, Audit - VI, Large Taxpayers Unit, Islamabad (DCIR) through Order in Original 08/52 dated 30 April 2014 imposed federal excise duty amounting to Rs. 71.3 million. An appeal against the aforesaid order dated April 30, 2014 were filed before the Commissioner Inland Revenue - (Appeals) [CIR(Appeals)]. The CIR (Appeals) vide his order ST/FED-530/2014/562 dated 17 June 2014 has upheld the action of DCIR. The Company filed appeal before ATIR which is pending adjudication. Further, the Company has deposited Rs 38.26 million in government treasury in connection with the recovery notice issued by the DCIR. The Company has obtained stay from the High Court against the recovery of outstanding demand.

20.5 Other contingencies

(a) Eden Developers (Pvt.) Ltd (COS No.18/2015 of Rs. 697.350 million)

Customer is a real estate developer in Lahore who had availed a Term Finance Facility from the Company creating mortgage over few plots in the Eden City Housing Scheme, Lahore, offered as security. On default in repayments, the Company had served a legal notice on 17 February 2014 and then filed a recovery suit (COS. No.66/2014) of Rs. 92.3 million against the customer in the Lahore High Court, Lahore on 20 December 2014 in which the proceedings continue.

Further, to secure the mortgaged properties from alienation/creating third party interest, the Company also published notice in local newspapers for public alert. But, the customer as a counter blast filed the subject frivolous declaratory and damages suit against the Company on 23 October 2014 in the Lahore High Court, Lahore. In its suit, the customer claimed damages on account of alleged overpayments, loss of business, loss of reputation etc. On receipt of court notice, the Company filed its reply (PLA). The customer has not yet filed replication of the Company's Reply/PLA.

"

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

Macpac Films Limited (MFL) Karachi is a former customer of the Company who had availed a Term Finance Facility of Rs.125.00 million (for 04 years) in the year 2003-04. Customer was irregular in payments. As on 30 September 2011, a sum of Rs. 195.795 million was overdue therefore a legal notice dated 02 November 2011 was served upon the Customer. However, the Customer negotiated a settlement which was approved by the Company vide letter dated 13 May 2011. The settlement involved waiver/write-off of liquidated damages of Rs.43.930 million and 50% frozen Markup of Rs.28.729 million (total Rs.72.659 million) subject to payment of Rs.100.141 million. The Customer accepted it and paid the settlement amount of Rs.100.141 million to the Company (net of liquidated damages and 50% of frozen markup). Thereafter in compliance with the circular/instructions of State Bank of Pakistan (SBP), the data of amount written off/waived off was communicated by the Company to the SBP in ordinary course. Since then, the amount waived was appearing in the SBP's eCIB every month. The Customer requested the Company as well as SBP to stop reporting it on eCIB as it was allegedly reflecting bad on the Customer's business. However owing to the SBP's circulars/instructions, neither the Company nor SBP agreed with the Customer.

Feeling aggrieved, the Customer filed the subject frivolous damages suit on 27 March 2014 against the Company in the Sindh High Court, Karachi. On receipt of Court Notice dated 29 March 2014, the Company filed its reply and prayed to dismiss the frivolous suit. The Customer had also filed a stay application the reply of which was filed by Saudi Pak. The High Court partly heard arguments on the stay application on 17 February 2015 and sought comments of SBP. In compliance with the Court order, SBP filed its comments on 22 April 2015. Thereafter, the High Court framed issues and appointed local Commissioner for recording evidence of parties. The Customer filed affidavit in evidence of one of its employee who was to be cross-examined by the Company lawyer on 23 January 2016 but neither the Customer's witness appeared nor its lawyer and requested for adjournment. Therefore, the Commissioner adjourned the matter for cross examination of the Customer's witness on 18 February 2016. After, close of evidence of the Customer, the Company lawyer will file affidavit in evidence of the Company's witness(es) for cross-examination by the Customer's counsel. Once evidence of parties is completed, the suit will be fixed for final arguments and decision.

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

Through publication in national dailies on 27 April 2014, the Company invited bids for the sale of a Farm House at Gadap Town and three (03) other plots (Plots No.9-C, 17-C, 20-C) at DHA Karachi. Bids of Mr. Sultan Paracha and some other bidders were found lower than the bid of Syed Mudassar Hussain who, after acceptance of his bid, also entered into a Sale Agreement dated 02 June 2014 (through his nominee) in regard to three (03) plots situated at DHA only. Mr. Sultan Paracha offered an aggregate bid of Rs. 93.00 million against all the four (04) properties whereas the successful bidder agreed to pay Rs.134.500 million (enhanced from Rs.127.600 million) against only three plots in DHA Karachi. In this scenario, all lower bids including that of Mr. Zafar Sultan Paracha, were rejected by the Company.The successful bidder also paid to the Company a down payment of Rs.26.900 million as provided in the Sale Agreement. Mr. Sultan Paracha attempted to frustrate the sale and filed the subject suit on 01 July 2014 in the Sindh High Court, Karachi. Mr. Sultan Paracha also obtained an interim stay on 05 July 2014 from the august Court against creation of third party interest in the suit properties. On receipt of Court Notice, the Company filed counter-affidavit/reply of the stay application in the High Court, sought vacation of the interim stay and prayed for dismissal of the frivolous suit. Pursuant thereto, the High Court heard arguments of counsels of parties on 20 August 2014 at length and reserved the judgment. The Court has not yet announced judgment.

		Note	2015 Rupees	2014 Rupees
21	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	21.1	585,602,915	609,589,146
	On investments	21.2	1,086,201,370	579,402,175
	On lendings to financial institutions		21,550,162	133,099,225
	On lease financing		6,008,072	6,550,355
	On profit and loss saving accounts		18,617,264	14,901,781
			1,717,979,783	1,343,542,682
21.1	**On advances**			
	Long term advances		536,794,810	553,756,210
	Short term advances		47,572,256	54,668,181
	Staff advances		1,235,849	1,164,755
			585,602,915	609,589,146
21.2	**On investments**			
	Term Finance Certificates		67,715,027	141,771,539
	Government securities		983,486,343	402,630,636
	Return on equity (preference shares)		35,000,000	35,000,000
			1,086,201,370	579,402,175
22	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	22.1	861,130,722	662,420,578
	PIB's premium amortization		-	730,504
	Brokerage fee		6,136,274	3,783,768
			867,266,996	666,934,850
22.1	**Mark-up/return/interest expensed**			
	Long term borrowings		286,311,529	346,941,630
	Short term borrowings		164,706,657	188,572,002
	Securities purchased under repurchase agreements - repo		410,112,536	126,906,946
			861,130,722	662,420,578
23	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions is as under:			
	Term Finance Certificates (TFCs)		50,447,162	67,874,910
	Unquoted investment		43,967,767	4,477,349
			94,414,929	72,352,259
24	**OTHER INCOME**			
	Net rental income	24.1	104,728,352	69,244,084
	Net (loss)/gain on disposal of operating fixed assets - property and equipment	11.3	(9,381,872)	(10,072,176)
	Others	24.2	1,205,219	1,713,205
			96,551,699	60,885,113

	Note	2015 Rupees	2014 Rupees
24.1 Net rental income			
Rental income		**254,161,899**	218,938,194
Less: Operating expenses			
Salaries, allowances and employee benefits	25.1	**18,976,611**	16,106,808
Traveling and conveyance		**1,600**	2,300
Medical		**433,679**	290,690
Janitorial services		**5,691,979**	5,258,876
Security services		**13,743,944**	10,601,877
Insurance		**1,428,356**	1,551,654
Postage, telegraph, telegram and telephone		**65,148**	68,982
Printing and stationery		**292,973**	173,934
Certification services		**-**	49,500
Utilities		**5,552,954**	13,364,231
Consultancy and professional charges		**161,000**	-
Repairs and maintenance		**4,696,952**	3,172,764
Rent, rates and taxes		**1,427,194**	1,415,600
Depreciation	11.4	**96,508,645**	97,244,382
Office general expenses		**452,512**	392,512
		149,433,547	149,694,110
		104,728,352	69,244,084

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

25 ADMINISTRATIVE EXPENSES

	Note	2015 Rupees	2014 Rupees
Salaries, allowances and employee benefits	25.1	**183,501,935**	161,872,591
Traveling and conveyance	25.2	**29,174,319**	23,997,769
Vehicle running expenses		**5,192,412**	3,733,350
Utilities		**16,300,912**	16,348,138
Advertisement and publicity		**1,351,424**	2,300,339
Postage, telegram, telephone and telex		**6,619,628**	5,921,094
Printing, stationery and periodical		**3,885,432**	3,446,305
Legal and professional charges		**8,178,928**	6,334,886
Consultancy, custodial and rating services		**9,447,794**	14,468,281
Auditor's remuneration	25.3	**1,100,000**	1,000,000
Repair and maintenance		**6,980,579**	5,153,415
Office and general expenses		**22,951,004**	22,096,357
Bank charges		**389,635**	493,665
Professional training		**2,536,959**	1,812,730
Insurance		**3,260,719**	1,931,119
Depreciation	11.4	**21,557,528**	13,160,593
Donations		**-**	500,000
		322,429,208	284,570,632

25.1 This includes the followings staff benefits:

- Rs. 4.812 million (2014: Rs. 3.921 million) on account of employee provident fund expense;
- Rs. 5.022 million (2014: Rs. 4.761 million) on account of gratuity expense; and
- Rs. 2.156 million (2014: Rs. 2.158 million) on account of compensated absences expense.

25.2 This includes payments made to directors of the Company for attending Board / Board's committee meetings amounting to Rs. 18.607 million (2014: Rs. 13.711 million).

			2015 Rupees	2014 Rupees
25.3	**Auditors' remuneration**			
	Audit fee		**857,000**	770,000
	Half yearly review		**110,000**	100,000
	Code of Corporate Governance review		**33,000**	30,000
	Out of pocket expenses		**100,000**	100,000
			1,100,000	1,000,000
26	**OTHER PROVISIONS/(REVERSALS)/WRITE OFFS - NET**			
	Charge / (reversals) against non banking assets acquired in satisfaction of claims - net		**13,512,000**	(38,012,563)
			13,512,000	(38,012,563)
27	**OTHER CHARGES**			
	Penalties imposed by the State Bank of Pakistan		**583,000**	270,000
28	**TAXATION**			
	– Current year		**236,135,952**	119,383,674
	– Super tax	**28.2**	**39,563,744**	-
	– Prior years		**(9,708,696)**	-
	– Deferred		**(7,076,696)**	124,203,291
		28.1	**258,914,304**	243,586,965
28.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		**982,619,420**	1,402,419,426
	Tax rate		**32%**	33%
	Tax on accounting profit		**314,438,214**	462,798,411
	Tax effect on income subject to lower rate of taxation		**(96,173,493)**	(108,605,826)
	Tax effect of prior years		**(9,708,696)**	-
	Impact of super tax		**39,563,744**	-
	Impact of change in tax rate		**(65,542,641)**	(15,374,161)
	Others		**76,337,176**	(95,231,459)
			258,914,304	243,586,965

28.2 Through Finance Act, 2015, a new section 4B has been introduce in the Income Tax Ordinance, 2001, according to which a one time super tax has been imposed for tax year 2015 on the income of individuals, association of persons and companies which are earning income of Rs. 500 million or above in the tax year 2015. Super tax has been charged at the rate of 3% for persons other that banking companies.

28.3 For tax related contingencies - refer note 20.4

	Note	2015 Rupees	2014 Rupees Restated
29 BASIC AND DILUTED EARNING PER SHARE			
Profit for the year - Rupees		**723,705,116**	1,158,832,461
Weighted average number of ordinary shares - Number		**660,000,000**	660,000,000
Basic and diluted earning per share - Rupees		**1.097**	1.756
30 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	6	**64,560,467**	48,472,808
Balance with other banks	7	**758,317,400**	693,284,975
		822,877,867	741,757,783

31 STAFF STRENGTH		2015 Numbers	2014 Numbers
Permanent		**63**	53
Temporary/on contractual basis		**5**	3
Company's own staff strength at the end of the year		**68**	56
Outsourced	31.1	**98**	104
Total staff strength		**166**	160

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

32 EMPLOYEE BENEFITS – Staff gratuity

During the year, the Company has establised a separate fund and has paid its obligation as of 01 January 2015 to the fund. The Saudi Pak Industrial And Agricultural Investment Company Limited Staff Gratuity Fund is managed by trustees, who are employees of the Company.

	Note	2015 Rupees	2014 Rupees
32.1 The amounts recognized in the unconsolidated statement of financial position are determined as follows:			
Present value of defined benefit obligation		**27,265,055**	25,174,397
Fair value of plan assets		**(25,174,397)**	-
		2,090,658	25,174,397
32.2 The amounts recognized in the unconsolidated profit and loss account are as follows:			
Service cost		**2,640,281**	2,101,611
Interest cost		**2,381,580**	2,659,831
		5,021,861	4,761,442
32.3 Movement in the net defined benefit liability			
Opening balance		**25,174,397**	22,361,198
Net periodic benefit cost/ (income) for the year ended		**5,021,861**	4,761,442
Benefits paid to outgoing members		**(5,108,500)**	(6,122,000)
Actual contribution by employer		**(25,174,397)**	-
Re-measurement losses/ (gains) recognized in other comprehensive income		**2,177,297**	4,173,757
Closing balance		**2,090,658**	25,174,397
32.4 Movement in the present value of defined benefit obligation in the unconsolidated statement of financial position are determined as follows:			
Opening balance		**25,174,397**	22,361,198
Service cost		**2,640,281**	2,101,611
Interest cost		**2,381,580**	2,659,831
Actuarial loss /(gain)		**2,177,297**	4,173,757
Benefits payable to outgoing members		**(5,108,500)**	(6,122,000)
Closing balance		**27,265,055**	25,174,397
32.5 Movements in the fair value of plan assets			
Fair value of plan assets at the beginning of the year		**-**	-
Interest income on plan assets		**-**	-
Actual contribution by employer		**-**	-
Actual benefits paid from the fund during the year		**25,174,397**	-
Re-measurements: actuarial gain /(loss) on plan assets		**-**	-
Fair value of plan assets at end of the year		**25,174,397**	-
32.6 The principal actuarial assumptions used are as follows:		**2015**	2014
Discount rate		**9.00%**	10.50%
Expected rate of increase in salary		**7.00%**	8.50%
Mortality rate		**SLIC (2001-05)-1**	SLIC (2001-05)-1

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

32.8 Sensitivity analysis

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

	Defined benefit obligation	
	1 % increase	1 % decrease
Effect in Rupees		
Discount rate	(1,288,094)	1,446,557
Salary increase rate	1,594,698	(646,657)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

33 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015	2014	**2015**	2014	**2015**	2014
	Chief Executive		Directors		Executives	
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Fees	**-**	-	**3,250,660**	2,522,554	**-**	-
Managerial remuneration	**11,987,097**	7,200,000	**-**	-	**23,405,114**	21,096,115
Contribution to defined contribution plan	**1,198,710**	720,000	**-**	-	**2,340,511**	2,000,637
Rent and house maintenance	**6,329,108**	4,432,380	**-**	-	**14,043,068**	11,966,469
Utilities	**1,198,710**	720,000	**-**	-	**2,340,511**	1,994,412
Medical	**407,973**	144,677	**-**	-	**3,899,390**	3,359,242
Bonus and Others	**9,812,844**	5,434,270	**-**	-	**25,063,187**	17,599,233
	30,934,442	18,651,327	**3,250,660**	2,522,554	**71,091,781**	58,016,108
Number of persons	**1**	1	**6**	5	**31**	27

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

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

34 DERIVATIVE INSTRUMENTS

The Company does not deal in derivative instruments.

35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2015			
	Corporate Finance Rs. 000	Trading and sales Rs. 000	Building rental services Rs. 000	Total Rs. 000
Total income	652,020	1,579,100	255,367	2,486,487
Total expenses	401,047	924,881	149,434	1,475,362
Net income (loss)	250,973	654,219	105,933	1,011,125
Segment assets (gross)	11,116,878	15,791,367	2,161,678	29,069,923
Segment non performing loans	3,271,765	77,105	-	3,348,870
Segment provision required	2,459,633	67,181	-	2,526,814
Segment liabilities	4,938,371	7,433,691	817,840	13,189,902
Segment Return On net Assets (ROA) (%)	2.26	4.14	4.90	3.48
Segment cost of funds (%)	3.61	5.86	6.91	5.08

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

Assumptions used:

– Administrative expenses have been allocated to segments based on respective segment income.

– Unallocatable assets representing 6.71 % (2014: 6.04 %) of the total assets have been allocated to segments based on their respective incomes.

– Unallocatable liabilities representing 2.04 % (2014: 3.03 %) of the total liabilities have been allocated to segments based on their respective assets.

36 RELATED PARTY TRANSACTIONS

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

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

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

36.2 Following are the transactions and balances with related parties

Nature of balances / transactions	Name of the Entity	2015 Rupees	2014 Rupees
Outstanding balances at year end			
Subsidiary / Associated companies			
– Investments – cost	Saudi Pak Real Estate Company Limited	**500,000,000**	500,000,000
– Investments – cost	Saudi Pak Leasing Company Limited	**243,467,574**	243,467,574
– Investment in preference shares - cost	Saudi Pak Leasing Company Limited	**333,208,501**	333,208,501
– Borrowing	Saudi Pak Leasing Company Limited	**-**	18,000,000
– Security deposit	Saudi Pak Real Estate Company Limited	**278,280**	278,280
– Rent received in advance	Saudi Pak Real Estate Company Limited	**805,391**	1,687,505
– Interest payable	Saudi Pak Leasing Company Limited	**-**	70,274
– Rent receivable	Saudi Pak Leasing Company Ltd	**46,585**	-
– Rent payable for generator	Saudi Pak Leasing Company Ltd	**30,000**	33,776
Key management personnel			
– Advances to executives		**19,854,500**	8,164,200
Employee funds			
– Deposits against COIs	Employee funds	**7,000,000**	7,000,000
– Interest payable	Employee funds	**50,486**	72,877
– Contribution payable	Staff gratuity fund	**2,090,658**	-
Transactions during the year			
Subsidiary / Associated companies			
– Borrowing availed	Saudi Pak Leasing Company Limited	**32,000,000**	20,000,000
– Maturity of borrowing	Saudi Pak Leasing Company Limited	**50,000,000**	2,000,000
– Interest expensed	Saudi Pak Leasing Company Limited	**2,548,143**	401,780
– Rent received	Saudi Pak Leasing Company Limited	**512,435**	542,080
– Rent paid for generator	Saudi Pak Leasing Company Limited	**130,630**	99,487
– Rent received	Saudi Pak Real Estate Company Limited	**2,899,399**	3,681,830
– Sale of Tricon Tower	Saudi Pak Real Estate Company Limited	**-**	50,000,000
Transactions during the year			
Key Management Personnel			
– Advances to executives		**19,854,500**	8,164,200
– Repayment of advances		**12,457,487**	9,264,557

	2015 Rupees	2014 Rupees
Employee funds		
– Maturity of deposits against COIs	**-**	3,000,000
– Contribution to the employees provident fund	**4,810,350**	3,925,576
– Interest expense	**675,691**	809,761
– Contribution to the staff gratuity fund	**25,174,397**	-

36.3 On April 28, 2015 the Company allotted 60 million bonus shares of Rs. 10 each to Government of Pakistan and Government of Kingdom of Saudi Arabia in proportion to their respective shareholdings. For further details please refer to note 17 of the unconsolidated financial statements.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity as carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient relaibility due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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 these are either short term in nature or, in the case of deposits, are frequently pre-priced.

37.1 On balance sheet financial instruments

		BOOK VALUE							FAIR VALUE				
		Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
		2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets measured at fair value													
- Investments													
Government Securities (T bills and PIBs)		9,277,224,873	-	-	-	-	-	9,277,224,873	-	9,953,592,333	-	-	9,953,592,333
Ordinary shares of listed companies		1,127,935,762	-	-	-	-	-	1,127,935,762	1,319,276,234	-	-	-	1,319,276,234
Debt securities (Listed TFCs)		69,842,575	445,672,267	-	-	-	-	515,514,842	516,841,568	-	-	-	516,841,568
Investment in mutual fund		-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value													
- Cash and bank balances with treasury banks	37.2	-	-	-	-	64,560,467	-	64,560,467	-	-	-	64,560,467	64,560,467
- Balances with other banks	37.2	-	-	-	-	758,317,400	-	758,317,400	-	-	-	758,317,400	758,317,400
- Lending to financial institutions	37.2	-	-	-	180,000,000	-	-	180,000,000	-	-	-	180,000,000	180,000,000
- Advances	37.2	-	-	-	6,674,954,403	-	-	6,674,954,403	-	-	-	6,674,954,403	6,674,954,403
- Other assets	37.2	-	-	-	-	571,125,734	-	571,125,734	-	-	-	571,125,734	571,125,734
- Equity security securities unlisted		412,530,982	-	-	-	-	-	412,530,982	-	-	-	412,530,982	412,530,982
- Subsidiaries													
Unlisted shares		-	-	-	-	500,000,000	-	500,000,000	-	-	-	500,000,000	500,000,000
Financial liabilities not measured at fair value													
- Deposits	37.3	-	-	-	-	-	7,000,000	7,000,000	-	-	-	7,000,000	7,000,000
- Borrowings	37.3	-	-	-	-	-	12,010,452,912	12,010,452,912	-	-	-	12,010,452,912	12,010,452,912
- Other Liabilities	37.3	-	-	-	-	-	449,586,271	449,586,271	-	-	-	449,586,271	449,586,271

37.1 On balance sheet financial instruments (continued)

	BOOK VALUE							FAIR VALUE				
	Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets measured at fair value												
- Investments												
Government Securities (T bills and PIBs)	7,161,238,550	-	-	-	-	-	7,161,238,550	-	7,180,068,283	-	-	7,180,068,283
Ordinary shares of listed companies	946,548,119	-	19,721,387	-	-	-	966,269,506	1,271,837,716	-	-	-	1,271,837,716
Debt securities (Listed TFCs)	102,233,271	841,709,638	-	-	-	-	943,942,909	940,788,186	-	-	-	940,788,186
Investment in mutual fund	50,000,000	-	-	-	-	-	50,000,000	54,800,000	-	-	-	54,800,000
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	-	48,472,808	-	48,472,808	-	-	-	48,472,808	48,472,808
- Balances with other banks	-	-	-	-	693,284,975	-	693,284,975	-	-	-	693,284,975	693,284,975
- Lending to financial institutions	-	-	-	-	900,000,000	-	900,000,000	-	-	-	900,000,000	900,000,000
- Advances	-	-	-	5,688,038,698	-	-	5,688,038,698	-	-	-	5,688,038,698	5,688,038,698
- Other assets	-	-	-	-	474,796,355	-	474,796,355	-	-	-	474,796,355	474,796,355
- Equity security securities unlisted	458,388,749	-	-	-	-	-	458,388,749	-	-	-	458,388,749	458,388,749
					-							
- Subsidiaries												
Unlisted shares	-	-	-	-	500,000,000	-	500,000,000	-	-	-	500,000,000	500,000,000
Financial liabilities not measured at fair value												
- Deposits	-	-	-	-	-	37,000,000	37,000,000	-	-	-	37,000,000	37,000,000
- Borrowings	-	-	-	-	-	10,630,880,109	10,630,880,109	-	-	-	10,630,880,109	10,630,880,109
- Other Liabilities	-	-	-	-	-	393,227,127	393,227,127	-	-	-	393,227,127	393,227,127

On Balance sheet financial instruments

The bank measures fair values using the following fair values heirarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Fair value measurement using quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

37.2 The bank has not disclosed the fair value for these financial assets and liabilities, as these are for short term and or re-priced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

37.3 The bank's policy is to recognise transfer into and out of the different fair value heirarchy levels at the date, the event or change in circumstances, that caused the transfer occurred. There were no transfers between level 1 and level 2 during the year.

37.4 Currently no financial instruments are classified in level 3.

38 CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

38.1 Capital Adequacy

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

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

The overall focus of risk and capital management throughout 2015 was on maintaining Saudi Pak’s risk profile in line with the Company’s risk strategy, increasing its capital base and supporting its strategic management initiatives with a focus on balance sheet optimization.

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

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

The leverage ratio of the Company is 31.84% (2014: 31.38%), The total tier 1 capital is Rs. 8,157.164 million (2014: Rs. 7,434.080 million) and the total exposure is Rs. 25,622.439 million (2014: Rs. 23,692.598 million).

38.2 Scope Of Application

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

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

S.No		2015 Rs. 000	2014 Rs. 000
38.3	**CAPITAL ADEQUACY RETURN AS OF DECEMBER 31**		
S.No	**Common Equity Tier 1 capital (CET1): Instruments and reserves**		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,000,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	1,064,668	919,927
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,715,039	1,666,254
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	CET 1 before Regulatory Adjustments	9,379,707	8,586,181
10	Total regulatory adjustments applied to CET1 (Note 38.3.1.1)	(1,343,841)	(1,152,101)
11	Common Equity Tier 1	8,035,866	7,434,080
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 38.3.1.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	8,035,866	7,434,080
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	1,181,141	765,404
29	of which: Unrealized gains/losses on AFS	401,755	245,219
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before regulatory adjustments	1,582,896	1,010,623
33	Total regulatory adjustment applied to T2 capital (Note 38.3.1.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	1,582,896	1,010,623
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	9,618,762	8,444,703
39	Total Risk Weighted Assets (RWA) (Note 38.6)	22,379,788	21,847,618
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	35.91%	34.03%
41	Tier-1 capital to total RWA	35.91%	34.03%
42	Total capital to total RWA	42.98%	38.65%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	5.50%
49	Tier 1 minimum ratio	7.50%	7.00%
50	Total capital minimum ratio	10.00%	10.00%

38.3.1 Regulatory Adjustments and Additional Information

38.3.1.1 Common Equity Tier 1 capital: Regulatory adjustments

	2015 Rs. 000	2015 Amount subject to pre Basel III treatment Rs.000	2014 Rs. 000
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	(6,182)	-	(6,047)
3 Shortfall in provisions against classified assets	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	(14,287)
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	(1,337,659)	-	(1,131,767)
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(1,343,841)	-	(1,152,101)

38.3.1.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

	2015 Rs. 000	2015 Amount subject to pre Basel III treatment Rs.000	2014 Rs. 000
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-

38.3.1.3 Tier 2 Capital: regulatory adjustments

	2015 Rs. 000	2015 Amount subject to pre Basel III treatment Rs.000	2014 Rs. 000
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-	-

38.3.1.4 Additional Information
Risk Weighted Assets subject to pre-Basel III treatment

		2015 Rs. 000	2014 Rs. 000
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities		
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

38.4 Capital Structure Reconciliation

38.4.1 Step-I of Capital Structure Reconciliation

	2015	
	Balance sheet as in published financial statements Rs. 000	Under regulatory scope of consolidation Rs. 000
ASSETS		
Cash and balances with treasury banks	64,560	64,560
Balances with other banks	758,317	758,317
Lendings to financial institutions	180,000	180,000
Investments	12,702,241	12,702,241
Advances	6,674,955	6,674,955
Operating fixed assets	2,738,965	2,738,965
Deferred tax assets	-	-
Other assets	1,968,434	1,968,434
TOTAL ASSETS	25,087,472	25,087,472
LIABILITIES AND EQUITY		
Bills payable	-	-
Borrowings	12,010,453	12,010,453
Deposits and other accounts	7,000	7,000
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	878,195	878,195
Other liabilities	449,586	449,586
TOTAL LIABILITIES	13,345,234	13,345,234
Share capital	6,600,000	6,600,000
Reserves	1,064,668	1,064,668
Unappropriated/ Unremitted profit	1,715,039	1,715,039
Minority Interest	-	-
Surplus on revaluation of assets	2,362,531	2,362,531
TOTAL EQUITY	11,742,238	11,742,238
TOTAL LIABILITIES AND EQUITY	25,087,472	25,087,472

38.4.2 Step-II of Capital Structure Reconciliation

	2015 Balance sheet as in published financial statements Rs. 000	2015 Under regulatory scope of consolidation Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	64,560	64,560	
Balanced with other banks	758,317	758,317	
Lending to financial institutions	180,000	180,000	
Investments	12,702,241	12,702,241	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	
of which: Mutual Funds exceeding regulatory threshold	-	-	
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	
of which: others (mention details)	-	-	
Advances	6,674,955	6,674,955	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	-	-	
Fixed Assets	2,738,965	2,738,965	
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	(a)
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	1,968,434	1,968,434	
of which: Goodwill	-	-	
of which: Intangibles	6,182	6,182	(b)
of which: Defined-benefit pension fund net assets	-	-	
TOTAL ASSETS	25,087,472	25,087,472	
LIABILITIES AND EQUITY			
Bills payable	-	-	
Borrowings	12,010,453	12,010,453	
Deposits and other accounts	7,000	7,000	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	878,195	878,195	
of which: DTLs related to goodwill	-	-	
of which: DTLs related to intangible assets	-	-	(c)
of which: DTLs related to defined pension fund net assets	-	-	
of which: other deferred tax liabilities	-	-	
Other liabilities	449,586	449,586	
TOTAL LIABILITIES	13,345,234	13,345,234	
Share capital	6,600,000	6,600,000	
of which: amount eligible for CET1	6,600,000	6,600,000	(d)
of which: amount eligible for AT1	-	-	
Reserves	1,064,668	1,064,668	
of which: portion eligible for inclusion in CET1(provide breakup)	1,064,668	1,064,668	(e)
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profits	1,715,039	1,715,039	(f)
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	
of which: portion eligible for inclusion in AT1	-	-	
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	2,362,531	2,362,531	
of which: Revaluation reserves on Fixed Assets	1,762,897	1,762,897	(g)
of which: Unrealized Gains/Losses on AFS	599,634	599,634	
In case of Deficit on revaluation (deduction from CET1)	-	-	
TOTAL LIABILITIES AND EQUITY	25,087,472	25,087,472	a

38.4.3 Step-III of Capital Structure Reconciliation

		2015 Component of regulatory capital reported by Company Rs. 000	2015 Source based on reference from step II
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	(d)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	1,064,668	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	1,715,039	(f)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	
8	CET 1 before Regulatory Adjustments	9,379,707	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	(6,182)	(b) - (c)
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	(a)
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	(1,337,659)	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	(1,343,841)	
31	Common Equity Tier 1	8,035,866	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	
34	of which: Classified as liabilities	-	
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
36	of which: instrument issued by subsid**iaries subject to phase out**	**-**	
37	**AT1 before regulatory adjustments**	**-**	

38.4.3 Step- III of Capital Structure Reconciliation (Continued)

		2015 Component of regulatory capital reported by Company Rs. 000	2015 Source based on reference from step II
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	8,035,866	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	1,181,141	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	401,755	
57	Foreign Exchange Translation Reserves	-	
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	1,582,896	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,582,896	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	9,618,762	

38.5 Main features of Regulatory Capital Instrument

S.No	Main Features	Common Shares	Explanation
1	Issuer		
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	b	Saudi Pak Industrial and Agricultural Investment Company Limited
3	Governing law(s) of the instrument	N/A	N/A
	Regulatory treatment	b	Companies Ordinance 1984, Banking Companies Ordinance 1962
4	Transitional Basel III rules		
5	Post-transitional Basel III rules	b	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	b	Common Equity Tier 1
7	Instrument type	b	Group and Solo
8	Amount recognized in regulatory capital (Currency in PKR	b	Ordinary shares
	thousands, as of reporting date)	b	6,600,000
9	Par value of instrument	b	PKR 10
10	Accounting classification	b	Shareholders' equity
11	Original date of issuance	b	1981 to 2015
12	Perpetual or dated	N/A	N/A
13	Original maturity date	N/A	No Maturity
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	N/A	N/A
18	coupon rate and any related index/ benchmark	N/A	N/A
19	Existence of a dividend stopper	N/A	No
20	Fully discretionary, partially discretionary or mandatory	b	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	N/A	Non cumulative
23	Convertible or non-convertible	N/A	Non convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	N/A	N/A
	(specify instrument type immediately senior to instrument	b	No
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features		

38.6 Risk Weighted Assets

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

	2015	2014	2015	2014
	Capital Requirements		Risk Weighted Assets	
CREDIT RISK	Rs. 000	Rs. 000	Rs. 000	Rs. 000
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	**-**	-	**-**	-
Sovereign	**-**	-	**-**	-
Public Sector entities	**-**	-	**-**	-
Banks	**33,833**	44,612	**241,664**	318,657
Corporate	**785,443**	711,014	**5,610,306**	5,078,673
Retail	**739**	2,682	**5,281**	19,156
Residential Mortgages	**1,643**	250	**11,739**	1,784
Past Due loans	**164,195**	48,821	**1,172,825**	348,721
Operating Fixed Assets	**383,216**	315,491	**2,737,259**	2,253,507
Other assets	**1,006,911**	1,035,019	**7,192,221**	7,392,991
	2,375,980	2,157,889	**16,971,295**	15,413,489
Portfolios subject to Internal Rating Based (IRB) Approach	**-**	-	**-**	-
Total- on balance sheet portfolio for credit risk	**2,375,980**	2,157,889	**16,971,295**	15,413,489
Off-Balance sheet				
Non-market related	**57,395**	220,102	**409,967**	1,572,158
Market related	**-**	-	**-**	-
	57,395	220,102	**409,967**	1,572,158
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	**-**	-	**-**	-
Under Internal models approach	**-**	-	**-**	-
Total- off balance sheet portfolio for credit risk	**57,395**	220,102	**409,967**	1,572,158
TOTAL CREDIT RISK	**2,433,375**	2,377,991	**17,381,262**	16,985,647

	2015	2014	2015	2014
	Capital Requirements		Risk Weighted Assets	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	69,425	87,596	495,894	625,685
Equity position risk	368,697	372,325	2,633,552	2,659,463
Foreign Exchange risk	2,678	2,965	19,132	21,175
	440,800	462,886	3,148,578	3,306,322
Capital Requirement for portfolios subject to Internal Models Approach	-	-	-	-
TOTAL MARKET RISK	440,800	462,886	3,148,578	3,306,322
OPERATIONAL RISK				
Capital Requirement for operational risks	258,993	217,791	1,849,949	1,555,649
TOTAL OPERATIONAL RISK	258,993	217,791	1,849,949	1,555,649
TOTAL	3,133,168	3,058,668	22,379,789	21,847,618

	2015		2014	
Capital Adequacy Ratios	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	35.91%	5.50%	34.03%
Tier-1 capital to total RWA	7.50%	35.91%	7.00%	34.03%
Total capital to total RWA	10.00%	42.98%	10.00%	38.65%

39 RISK MANAGEMENT

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

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

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

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

39.1 Credit risk

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

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

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

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

39.1.1 Segmental information

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

39.1.1.1 Segments by class of business

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	603,500	6.88	-	-	-	-
Paper and allied	390,476	4.45	-	-	-	-
Electrical goods	500,000	5.70	-	-	-	-
Dairy and poultry	542,847	6.19	-	-	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	543,114	6.19	-	-	-	-
Chemical and fertilizer	145,331	1.66	-	-	-	-
Energy, oil and gas	1,414,768	16.12	-	-	100,000	18.69
Construction	668,086	7.61	-	-	-	-
Hotels	235,496	2.68	-	-	-	-
Cement	339,606	3.87	-	-	-	-
Textile	1,594,423	18.17	-	-	400,000	74.77
Metal and allied products	640,190	7.30	-	-	-	-
Automobiles and allied	284,421	3.24	-	-	-	-
Transport/services and misc.	12,918	0.15	-	-	-	-
Telecommunication	-	-	-	-	-	-
Others	858,968	9.79	7,000	100.00	34,967	6.54
	8,774,144	100.00	7,000	100.00	534,967	100.00

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

39.1.1.2 Segment by sector

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	8,774,144	100.00	7,000	100.00	534,967	100.00
	8,774,144	100.00	7,000	100.00	534,967	100.00

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

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

	2015		2014	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Financial institutions	**103,500**	**103,500**	103,500	103,500
Paper and allied	**40,476**	**40,476**	40,476	40,476
Electrical goods	**-**	**-**	-	-
Dairy and poultry	**42,847**	**42,847**	42,847	42,847
Banaspati and allied	**-**	**-**	-	-
Sugar and allied products	**243,114**	**43,114**	-	-
Chemical and fertilizer	**28,748**	**14,973**	14,973	14,973
Energy, oil and gas	**165,029**	**165,029**	245,799	245,799
Construction	**664,086**	**161,376**	212,769	154,689
Hotels	**-**	**-**	-	-
Cement	**116,207**	**116,207**	116,207	116,207
Textile	**801,055**	**801,055**	815,259	815,259
Metal and metal products	**172,438**	**172,438**	172,437	172,437
Automobiles and allied	**281,871**	**281,871**	294,371	233,396
Transport/services	**12,918**	**12,918**	13,468	13,468
Miscellaneous	**143,386**	**143,386**	143,386	143,385
	2,815,675	**2,099,190**	2,215,492	2,096,436

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	2,815,675	2,099,190	2,215,492	2,096,436
	2,815,675	2,099,190	2,215,492	2,096,436

39.1.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan	982,619	25,087,472	11,742,238	534,967
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	982,619	25,087,472	11,742,238	534,967

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

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

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

39.2 Market risk

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

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

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

39.2.1 Interest rate risk

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

39.2.2 Foreign exchange risk

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

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan Rupee	25,068,340	13,345,234	534,967	11,188,139
United States Dollar	19,132	-	-	19,132
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	25,087,472	13,345,234	534,967	11,207,271

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

39.2.3 Equity position/price risk

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

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

39.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	64,560,467	-	-	-	-	-	-	-	-	-	64,560,467
Balances with other banks	4.00	758,317,400	751,661,741	-	-	-	-	-	-	-	-	6,655,659
Lending to financial institutions	8.18	180,000,000	180,000,000	-	-	-	-	-	-	-	-	-
Investments	10.82	12,702,241,117	170,812,451	126,889,202	743,239,406	-	373,451,400	813,660,864	6,059,442,878	2,182,937,700	-	2,231,807,216
Advances	9.68	6,674,954,403	207,108,357	5,273,261,047	921,588,193	232,725,749	2,708,039	-	-	37,563,018	-	-
Other assets	-	571,125,734	-	-	-	-	-	-	-	-	-	571,125,734
		20,951,199,121	1,309,582,549	5,400,150,249	1,664,827,599	232,725,749	376,159,439	813,660,864	6,059,442,878	2,220,500,718	-	2,874,149,076
Liabilities												
Borrowings from financial institutions	6.70	12,010,452,912	5,715,000,000	3,300,000,000	2,777,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	-
Deposits and other accounts	6.75	7,000,000	-	-	7,000,000	-	-	-	-	-	-	-
Other liabilities	-	401,371,039	-	-	-	-	-	-	-	-	-	401,371,039
		12,418,823,951	5,715,000,000	3,300,000,000	2,784,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	401,371,039
On-balance sheet gap		8,532,375,170	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,453,205	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,472,778,037
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		8,532,375,170	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,453,205	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,472,778,037
Cumulative yield/interest risk sensitivity gap		-	(4,405,417,451)	(2,305,267,202)	(3,424,712,147)	(3,219,258,942)	(2,897,644,591)	(2,138,528,815)	3,839,096,415	6,059,597,133	6,059,597,133	8,532,375,170

39.2.4 Mismatch of interest rate sensitive assets and liabilities

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

39.3 Liquidity risk

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

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

39.3.1 Maturities of assets and liabilities

		MATURITIES								
	Total 2015 Rupees	Upto 1 month 2015 Rupees	Over 1 - 3 months 2015 Rupees	Over 3 - 6 months 2015 Rupees	Over 6 - 12 months 2015 Rupees	Over 1 - 2 years 2015 Rupees	Over 2 - 3 years 2015 Rupees	Over 3 - 5 years 2015 Rupees	Over 5-10 years 2015 Rupees	Above 10 years 2015 Rupees
Assets										
Cash and balances with treasury banks	64,560,467	64,560,467	-	-	-	-	-	-	-	-
Balances with other banks	758,317,400	758,317,400	-	-	-	-	-	-	-	-
Lending to financial institutions	180,000,000	180,000,000	-	-	-	-	-	-	-	-
Investments	12,702,241,117	81,633,945	78,365,139	465,348,338	1,337,228,770	415,255,888	944,822,879	6,274,517,670	2,602,568,488	502,500,000
Advances	6,674,954,403	207,108,357	221,378,018	291,646,770	1,135,320,876	1,797,191,644	1,357,064,826	963,023,611	702,220,301	-
Operating fixed assets	2,738,964,706	10,326,006	20,652,012	30,978,018	61,956,036	123,912,072	123,912,072	241,822,744	375,525,555	1,749,880,191
Other Assets	1,968,433,829	315,811,498	268,063,061	220,296,131	1,164,263,139	-	-	-	-	-
	25,087,471,922	1,617,757,673	588,458,230	1,008,269,257	3,698,768,821	2,336,359,604	2,425,799,777	7,479,364,025	3,680,314,344	2,252,380,191
Liabilities	-	-	-	-	-	-	-	-	-	-
Borrowings	12,010,452,912	4,715,000,000	3,050,000,000	1,052,272,544	1,627,272,544	754,545,088	629,545,088	181,817,648	-	-
Deposits and other accounts	7,000,000	-	-	7,000,000	-	-	-	-	-	-
Deferred tax liabilities	878,194,901	7,318,292	21,954,876	21,954,876	43,909,751	87,819,502	87,819,502	175,639,004	219,548,755	212,230,343
Other Liabilities	449,586,271	34,194,791	68,389,583	54,433,962	285,884,035	-	-	2,005,170	4,678,730	-
	13,345,234,084	4,756,513,083	3,140,344,459	1,135,661,382	1,957,066,330	842,364,590	717,364,590	359,461,822	224,227,485	212,230,343
Net assets	11,742,237,838	(3,138,755,410)	(2,551,886,229)	(127,392,125)	1,741,702,491	1,493,995,014	1,708,435,187	7,119,902,203	3,456,086,859	2,040,149,848
	-	-	-	-	-	-	-	-	-	-
Share capital	6,600,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,064,667,539	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,715,039,059	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	2,362,531,240	-	-	-	-	-	-	-	-	-
	11,742,237,838	-	-	-	-	-	-	-	-	-

39.3 Liquidity risk (continued)

39.3.1 Maturities of assets and liabilities (continued)

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

39.4 Liquidity Risk

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

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

39.5 Operational Risk

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

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

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

39.5.1 Operational Risk Disclosures- Basel III

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

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

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

40 CREDIT RATING

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

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

41 GENERAL

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

42 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 25 February 2016 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

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

Annexure - 1

SAUDI PAKINDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2015

S.NO	NAME AND ADDRESS	NAME OF INDIVIDUAL/ PARTNERS / DIRECTORS	CNIC No.	FATHERS' / HUSBAND NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				PRINCIPAL WRITTEN OFF	MARK UP WAIVED	OTHER FINANCIAL RELIEF PROVIDED	TOTAL
					PRINCIPAL	MARK UP	OTHERS	TOTAL				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Pak China Fertilizer Limited	Mr. Tahir Hussain	502-87-260452	Syed Athar Hussain	0.000	18.916	0.000	18.916	0.000	14.200	0.000	14.200
		Mr. Nasir Hussain	510-85-306569	Syed Athar Hussain								
		Mr. Amir Hussain	502-63-052847	Syed Athar Hussain								
		Mrs. Anjum Tahir Hussain	502-62-594530	Syed Athar Hussain								
		Mrs. Farah Nasir Hussain	502-62-598700	Mr. Nasir Hussain								
		Mrs. Farnaz Amir Hussain	502-90-752757	Syed Amir Hussain								
2	Quaidabad Woolen Mills Ltd	Mr. Tahir Hussain	502-87-260452	Syed Athar Hussain	5.152	19.368	0.000	24.520	0.000	19.368	0.000	19.368
		Mr. Nasir Hussain	510-85-306569	Syed Athar Hussain								
		Mr. Amir Hussain	502-63-052847	Syed Athar Hussain								
		Mrs. Anjum Tahir Hussain	502-62-594530	Syed Athar Hussain								
		Mrs. Farah Nasir Hussain	502-62-598700	Mr. Nasir Hussain								
		Mrs. Farnaz Amir Hussain	502-90-752757	Syed Amir Hussain								
					5.152	38.284	0.000	43.436	0.000	33.568	0.000	33.568

CONSOLIDATED FINANCIAL STATEMENTS 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Saudi Pak Industrial and Agricultural Investment Company Limited (the Holding Company) and its subsidiary company, Saudi Pak Real Estate Limited as at 31 December 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statemetnt together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary company namely Saudi Pak Real Estate Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary company, Saudi Pak Real Estate Limited as at 31 December 2015 and the results of their operations for the year then ended.

We draw attention to the following matters:

a) Note 13.2.1 to the consolidated financial statements states that the Appellate Tribunal Inland Revenue has not accepted Company's appeals primarily on account of disallowance of provision for non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime and consequently the Company has filed reference in Islamabad High Court which has been admitted for hearing. The Company, based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company and accordingly has not recognized any provision in respect of income tax amounting to Rs.1,270.2 million.

b) Note 13.1.3 to the consolidated financial statements states that SPREL has receivable of Rs.335.328 million from Divine Developers (Private) Limited ('DDPL'). The Company has been pursuing recovery of these trade receivables with DDPL. However, due to non-payment by DDPL, the recovery matter has been taken to court and to expedite the recovery. SPREL also referred the matter to the National Accountability Bureau. During the year, DDPL has offered payment under voluntary return scheme of National Accountability Bureau, subject to certain conditions.

c) Note 5.1 to the consolidated financial statements states that Security and Exchange Commission of Pakistan has granted exemption to the Holding Company from consolidating SPLCL in its consolidated financial statements for the year ended 31 December 2015. Pusuant to the exemption, SPLCL has now been eliminated from the consolidated financial statements for the year ended 31 December 2015 by adjusting the opening reserves, non-controlling interests, assets and liabilities without restating the comparative amounts. Accordingly, comparative amounts of these consolidated financial statements are not comparable.

Our opinion is not qualified in respect of these matters.

29 April 2016
Islamabad

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Cash and balances with treasury banks	6	64,573,297	48,584,577
Balances with other banks	7	761,486,417	702,528,078
Non-current asset classified as held for sale	8	-	67,936,844
Lendings to financial institutions	9	180,000,000	900,000,000
Investments	10	12,202,241,117	10,307,306,443
Advances	11	6,674,995,524	6,588,745,208
Operating fixed assets	12	2,885,892,566	2,432,288,351
Deferred tax assets	17	-	-
Other assets	13	2,302,444,256	2,192,183,694
Development properties	14	192,848,993	174,419,530
		25,264,482,170	23,413,992,725
LIABILITIES			
Bills payable		-	-
Borrowings	15	12,010,452,912	11,224,671,255
Deposits and other accounts	16	7,000,000	577,975,620
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	878,194,901	801,008,091
Other liabilities	18	463,155,590	697,814,291
		13,358,803,403	13,301,469,257
NET ASSETS		11,905,678,767	10,112,523,468
REPRESENTED BY			
Share capital	19	6,600,000,000	6,000,000,000
Reserve fund		706,004,599	739,191,770
General reserve		358,662,940	358,662,940
Unappropriated profit		1,878,479,988	1,636,983,163
		9,543,147,527	8,734,837,873
Non-controlling interest		-	(440,310,197)
Surplus on revaluation of AFS securities - net of tax	20	599,633,914	439,530,172
Surplus on revaluation of operating fixed assets - net of tax	21	1,762,897,326	1,378,465,620
		11,905,678,767	10,112,523,468
CONTINGENCIES AND COMMITMENTS	22		

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

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
Mark-up/Return/Interest Earned	23	1,720,811,064	1,370,132,050
Mark-up/Return/Interest Expensed	24	868,487,575	724,450,042
Net Mark-up/Interest Income		852,323,489	645,682,008
Provisions/ (reversals) against non-performing loans and advances		2,753,941	(85,991,605)
Provision for diminution in the value of investments	25	94,414,929	72,352,259
Bad debts written off directly		-	10,470,884
		97,168,870	(3,168,462)
Net Mark-up/Interest income after provisions		755,154,619	648,850,470
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		9,541,338	16,379,253
Dividend Income		106,547,220	53,641,377
Gain/ (loss) from dealing in foreign currencies		717,935	(1,224,908)
Net gain on dealing in quoted securities		169,413,822	219,733,015
Gain on dealing in government securities		236,629,799	405,424,281
Gain on dealing in mutual funds		2,299,669	7,633,692
Impairment loss reversal on asset classified as held for sale at its fair value		-	1,290,118
Unrealized gain on investments classified as held for trading	10.6	-	5,638,289
Other Income	26	121,220,809	144,524,740
Total non mark-up/interest Income		646,370,592	853,039,857
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	27	341,960,722	351,586,635
Impairment loss on quoted securities		53,473,724	-
Other provisions/ (reversals) and write offs	28	13,512,000	(38,012,563)
Other charges	29	583,000	270,000
Total non-markup/interest expenses		409,529,446	313,844,072
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		991,995,765	1,188,046,255
Taxation – Current		236,922,335	119,940,047
– Super tax		39,563,744	-
– Prior years		(9,681,259)	265,511
– Deferred		(7,076,696)	124,479,360
	30	259,728,124	244,684,918
PROFIT AFTER TAXATION		732,267,641	943,361,337
Attributable to:			
Equity holders of the Company		732,267,641	1,080,603,140
Non-controlling interests		-	(137,241,803)
		732,267,641	943,361,337
Basic and diluted earning per share	31	1.109	1.637

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rupees	2014 Rupees
Profit after taxation	732,267,641	1,080,603,140
Other comprehensive income		
Items that will never be reclassified to consolidated profit and loss account		
Effect of recognition of acturial loss- net	(1,442,244)	(1,885,716)
Consolidated comprehensive income - transferred to consolidated statement of changes in equity	730,825,397	1,078,717,424
Components of consolidated comprehensive income not reflected in consolidated equity		
Surplus on revaluation of available-for-sale securities- net	215,466,993	319,517,075
Related deferred tax	(53,723,413)	(104,904,185)
	161,743,580	214,612,890
Surplus on revaluation of operating fixed assets	578,682,096	-
Related deferred tax	(173,752,153)	-
	404,929,943	-
	566,673,523	214,612,890
Total comprehensive income	1,297,498,920	1,293,330,314

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

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		991,995,765	1,188,046,255
Less: dividend income		(106,547,220)	(53,641,377)
		885,448,545	1,134,404,878
Adjustments:			
Depreciation and amortization		118,953,338	124,504,575
Provisions/ (reversals) against non-performing loans and advances		2,753,941	(85,991,604)
Provision for diminution in the value of investments		94,414,929	72,352,259
Bad debts written off directly		-	10,470,884
Other provisions/ (reversals) and write offs		13,512,000	(38,012,563)
Impairment loss on quoted securities		53,473,724	-
Reversal of impairment on AFS securities		(60,606,965)	(160,098,672)
Loss on disposal of operating fixed assets - property and equipment		9,381,872	667,313
Impairment loss reversal on asset classified as held for sale at its fair value		-	(1,290,118)
Provision for gratuity		5,499,132	9,150,931
Provision for compensated absences		2,155,572	2,158,391
Unrealized gain on investment classified as held for trading		-	(5,638,289)
		239,537,543	(71,726,893)
		1,124,986,088	1,062,677,985
(Increase)/ decrease in operating assets			
Lendings to financial institutions		720,000,000	(490,533,610)
Development properties		(18,429,463)	(174,419,530)
Advances		(989,710,767)	(1,336,969,375)
Other assets		(101,063,919)	(295,500,430)
		(389,204,149)	(2,297,422,945)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		1,379,572,803	6,159,575,485
Deposits		(30,000,000)	(757,035,349)
Other liabilities		(3,554,378)	95,753,959
Deferred liabilities - advance rental income		(14,505,113)	26,967,230
		1,331,513,312	5,525,261,325
		2,067,295,251	4,290,516,365
Gratuity paid		(30,745,482)	(6,122,000)
Compensated absences paid		(2,321,584)	(1,719,183)
Excise duty paid		(14,255,895)	(24,000,000)
Income tax paid		(172,355,201)	(81,801,371)
		(219,678,162)	(113,642,554)
Net cash generated from operating activities		1,847,617,089	4,176,873,811
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities		(2,200,224,245)	(4,255,804,372)
Investment in Held-To-Maturity (HTM) securities		364,206,925	425,952,884
Investment in Held-for-trading (HFT) securities		29,359,676	257,656,640
on-current asset classified as held for sale		-	47,578,657
Dividend received		107,047,220	55,391,377
Investment in operating fixed assets - net		(70,649,940)	(200,623,380)
Sale proceeds on disposal of operating fixed assets - property and equipment		6,380,422	93,110,504
Net cash used in investing activities		(1,763,879,942)	(3,576,737,690)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Increase in cash and cash equivalents		83,737,147	600,136,121
Cash and cash equivalents at beginning of the year		751,112,655	150,976,534
Less: Cash and cash equivalents at beginning of the year- SPLCL	5.1	(8,790,088)	-
Cash and cash equivalents at end of the year	32	826,059,714	751,112,655

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

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated Profit Rupees	Sub - total Rupees	Non-controlling interest Rupees	Total Rupees
Balance as at January 01, 2014	6,000,000,000	530,335,980	358,662,940	694,290,841	7,583,289,761	(305,342,554)	7,277,947,207
Profit for the year	-	-	-	1,080,603,140	1,080,603,140	(137,241,803)	943,361,337
Effect of recognition of acturial loss- net				(1,885,716)	(1,885,716)	1,716,658	(169,058)
Total comprehensive income	-	-	-	1,078,717,424	1,078,717,424	(135,525,145)	943,192,279
Appropriation from reserve fund	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to reserve fund*	-	231,766,492	-	(231,766,492)	-	-	-
Transfer to reserve fund - Saudi Pak Leasing Company Limited	-	(22,910,702)	-	22,910,702	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	72,830,688	72,830,688	557,502	73,388,190
Balance as at December 31, 2014	6,000,000,000	739,191,770	358,662,940	1,636,983,163	8,734,837,873	(440,310,197)	8,294,527,676
Balance as at January 01, 2015	6,000,000,000	739,191,770	358,662,940	1,636,983,163	8,734,837,873	(440,310,197)	8,294,527,676
Elimination of SPLCL (refer note 5.1)	-	(177,928,194)	-	184,111,316	6,183,122	440,310,197	446,493,319
Balance as at January 01, 2015 - adjusted	6,000,000,000	561,263,576	358,662,940	1,821,094,479	8,741,020,995	-	8,741,020,995
Profit for the year	-	-	-	732,267,641	732,267,641	-	732,267,641
Effect of recognition of acturial loss- net	-	-	-	(1,442,244)	(1,442,244)	-	(1,442,244)
Total comprehensive income	-	-	-	730,825,397	730,825,397	-	730,825,397
Bonus shares issued	600,000,000			(600,000,000)			
Appropriation from reserve fund	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to reserve fund*	-	144,741,023	-	(144,741,023)	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net	-	-	-	71,301,135	71,301,135	-	71,301,135
Balance as at December 31, 2015	6,600,000,000	706,004,599	358,662,940	1,878,479,988	9,543,147,527	-	9,543,147,527

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1 LEGAL STATUS AND OPERATIONS

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

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

Set out below is a list of subsidiaries of the Group:

Name	Principal place of Business	Ownership in 2015	Ownership in 2014
Saudi Pak Real Estate Limited (SPREL)	Pakistan	100%	100%
Saudi Pak Leasing Company Limited (SPLCL)	Pakistan	3 5.06%	35.06%

Saudi Pak Real Estate Limited, ("SPREL")

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

Saudi Pak Leasing Company Limited (''SPLCL")

Saudi Pak Leasing Company Limited (''SPLCL") was incorporated in Pakistan on January 08, 1991 and is listed on all the three Stock Exchanges in Pakistan. The registered office of SPLCL is situated at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of SPLCL is the leasing of assets. SPLCL's license to carry out the business of leasing had expired on May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan. The Company holds 35.06% (2014: 35.06%) ordinary shares of SPLCL. However, SPLCL is considered subsidiary company because of the management control of the Company. Refer note 5.1 to the consolidated financial statements.

1.2 Material uncertainty regarding SPLCL as reported in consolidated financial statements for the year 2014

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

– During the year ended 31 December 2014, SPLCL had earned a loss after tax of Rs. 211.336 million. Moreover, as at 31 December 2014, its accumulated losses stood at Rs. 1,625.586 million, whereas the equity stood at negative Rs. 467.779 million , as against the minimum equity requirement of Rs. 700 million. Furthermore, its total liabilities exceeded total assets by Rs. 434.483 million as at 31 December 2014

– As of 31 December 2014 impairment loss of Rs. 984.436 million on lease and loans portfolio had been recognised by SPLCL and was included in the above mentioned accumulated loss figure.

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

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

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

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

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

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

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

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

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

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

- Undertake and negotiate settlement of liabilities of SPLCL with creditors and COI/TFC holders

- To maximize the assets build up through recovery from bad doubtful borrowers of debt

- Post structuring from the settlement of liabilities and recovery of debts

- To seek and identify a strategic buyer/investor for acquisition of SPLCL

1.3 Certain non-compliances of NBFC Regulations 2008 by SPLCL as reported in consolidated financial statements for the year 2014

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

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

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

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

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

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

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

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

1.4 Minimum Capital Requirement of SPLCL as reported in consolidated financial statements for the year 2014

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

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

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

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

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

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

2 BASIS OF PRESENTATION

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

2.1 Functional and presentation currency

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

3 STATEMENT OF COMPLIANCE

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

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

4 BASIS OF MEASUREMENT

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

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

4.2 Use of critical accounting estimates and judgments

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

(a) Provision against non performing loans and advances

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

(b) Classification of investments

– Held-For-Trading (HFT)

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

– Held-To-Maturity (HTM)

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

– Available-For-Sale (AFS)

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

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

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

(d) **Taxation**

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

(e) **Fair value of derivatives**

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

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

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

(g) **Staff retirement benefits**

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

(h) **Impairment of investments in subsidiaries**

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

(i) **Provision against other assets and receivables**

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

(j) **Development properties**

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

(k) Transfer of equitable interest in development properties

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements., except for the following standards, which became effective during the year.

The Group has adopted the following new standards including any consequential amendments to other standards.

a. IFRS 10 Consolidated Financial Statements
b. IFRS 11 Joint Arrangements
c. IFRS 12 Disclosure of Interest in Other Entities
d. IFRS 13 Fair Value Measurement

a. IFRS 10 - 'Consolidated Financial Statements'

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Group reassessed the control conclusion for its investees at 01 January 2015, however, there has been no change in the control conclusion.

SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, provides the requirements of IFRS 10 will not be applicable with respect to investment in mutual funds established under Trust structure.

In light of the above, the application of IFRS 10 did not result in any additional investee being in control of the Group.

b. IFRS 11 "Joint Arrangements"

IFRS 11 'Joint Arrangements' is a replacement of IAS 31 'Interest in Joint Ventures' and modifies the accounting for joint arrangements. Under IFRS 11, the Group classifies its interest in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The Group has no joint arrangement accordingly the IFRS 11 is not relevant to the Group.

c. IFRS 12 "Disclosure of Interest in Other Entities" .

IFRS 12 'Disclosure of Interest in Other Entities' became effective from financial periods beginning on or after 01 January 2015. The application of IFRS 12 does not have any impact on the financial statements of the Group.

d. IFRS 13 - 'Fair Value Measurement'

It consolidates the guidance on how to measure fair value into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the consolidated financial statements of the Group except for certain disclosures as mentioned in note 38.

5.1 Non consolidation of SPLCL

The Security and Exchange Commission of Pakistan (SECP) vide its letter No. CLD/CCD/Co. 237(1)2016/ 7817 dated 22 April 2016 granted exemption to the Company from consolidating SPLCL in its consolidated financial statements for the year ended 31 December 2015. Accordingly, investment in SPLCL as at 31 December 2015 has been carried at cost less impairment loss in these consolidated financial statements.

In prior years, SPLCL had been consolidated by the Company and persuant to the exemption, SPLCL has now been eliminated from the consolidated financial statements for the year ended 31 December 2015 by adjusting the opening reserves, non controlling interest, assets and liabilities without restating the comparative amounts, since, the management believes exemptions is only applicable for the year ended 31 December 2015. Accordingly, comparative amounts of these consolidated financial statements are not comparable.

Further, subsequent to year end, the shareholder agreement, under which the Company had management control over SPLCL, has been amended and the Company has lost management control over SPLCL. Consequently, effective 27 January 2016, SPLCL is not a subsidiary of the Company.

5.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company (SPREL). Persuant to the exemption, SPLCL has not been consolidated for the year ended 31 December 2015. Refer note 5.1 to the consolidated financial statements.

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

- Non Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

- When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

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

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

5.3 Cash and cash equivalents

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

5.4 Non-current assets classified as held for sale

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

5.5 Sale and repurchase agreements

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

5.6 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) Held-To-Maturity (HTM)

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

(c) Available-For-Sale (AFS)

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

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

5.7 Development properties

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

5.8 Advances

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

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

5.9 Net investment in finance lease

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

5.10 Operating fixed assets and depreciation/ amortization

(a) Tangible assets

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

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

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

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

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

(b) Intangibles

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

(c) Capital work in progress

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

(d) Leased assets

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

5.11 Deposits

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

5.12 Taxation

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

(a) Current

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

(b) Deferred

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

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

5.13 Provisions

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

5.14 Staff retirement benefits

(a) Defined benefit plan

The Company operates an approved funded gratuity scheme for its permanent employees. The scheme was approved by the tax authorities in December 2015. Contributions to the fund are made on the basis of actuarial recommendations based on last drawn basic salary by using the projected unit credit method. The last actuarial valuation of the scheme was carried out as at December 31, 2015.

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

(b) Defined contribution plan

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

(c) Compensated absences

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

5.15 Revenue recognition

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

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

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

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

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

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

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

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

(i) Sale of properties

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

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

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

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

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

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

– The Group transfers to the buyer significant risks and reward of ownership of the work in progress.

– the significant risks and rewards of ownership are transferred to the buyer when the buyer is committed and the commitment is evidenced by a signed contract and is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for this reason is remote.

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

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

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

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

(j) Rendering of services

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

(k) Finance leases income

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

(I) Operating lease

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

5.16 Foreign currency transactions

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

5.17 Impairment

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

5.18 Financial assets and financial liabilities

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

5.19 Off-setting of financial instruments

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

5.20 Borrowing costs

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

5.21 Segment Reporting

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

(a) Business Segment

- **Corporate finance**

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

- **Trading and Sales**

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

- **Real Estate Services**

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

(b) Geographical Segment

The Group conducts all its operations in Pakistan.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

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

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group's consolidated financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Group's consolidated financial statements.

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

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

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

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

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

The above amendments are not likely to have an impact on Group's consolidated financial statements.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2015 Rupees	2014 Rupees
In hand :			
– Local currency		**252,683**	225,596
– Foreign currency		**-**	-
		252,683	225,596
With State Bank of Pakistan in :			
– Local currency current accounts	6.1	**64,320,614**	48,358,981
– Foreign currency current account		**-**	-
		64,320,614	48,358,981
With National Bank of Pakistan in :			
– Foreign currency deposit account		**-**	-
		64,573,297	48,584,577

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

7 BALANCES WITH OTHER BANKS

	Note	2015 Rupees	2014 Rupees
In Pakistan			
On current accounts – local currency		**6,658,228**	37,674,003
On deposit accounts:			
– Local currency	7.1	**735,696,411**	643,677,461
– Foreign currency	7.2	**19,131,778**	21,176,614
		761,486,417	702,528,078

7.1 These deposit accounts carry interest rate of 4.00% to 8.40% per annum (2014: 5.00% to 11.50% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2014: 0.25% per annum).

8 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	2015 Rupees	2014 Rupees
Office premises of Saudi Pak Leasing Company Limited (repossessed property)	**-**	67,936,844
	-	67,936,844

8.1 SPLCL has not been consolidated persuant to the exemption as mentioned in note 5.1 of these consolidated financial statements

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2015 Rupees	2014 Rupees
Call money lendings	9.1	**180,000,000**	-
Repurchase agreements lendings (reverse repo)		**-**	900,000,000
		180,000,000	900,000,000

9.1 This includes clean placements and term deposit receipts. These carry markup rate 7.50% per annum.

9.2 Particulars of lendings	**2015 Rupees**	2014 Rupees
In local currency	**180,000,000**	900,000,000
In foreign currencies	**-**	-
	180,000,000	900,000,000

9.3 Securities held as collateral against lendings to financial institutions

	Note	**2015**			2014		
		Held by the Company Rupees	**Further given as collateral Rupees**	**Total Rupees**	Held by the Company Rupees	Further given as collateral Rupees	Total Rupees
Pakistan Investment Bonds / Market Treasury Bills	9.3.1	**-**	**-**	**-**	500,000,000	400,000,000	900,000,000
		-	**-**	**-**	500,000,000	400,000,000	900,000,000

9.3.1 These represent the securities obtained under reverse repo transactions.

10 Investments

10.1 Investment by types:	Note	**2015**			2014		
		Held by Company Rupees	**Given as collateral Rupees**	**Total Rupees**	Held by Company Rupees	Given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		**-**	**-**	**-**	19,721,387	-	19,721,387
Mutual funds		**-**	**-**	**-**	4,000,000	-	4,000,000
Available-For-Sale securities (AFS)							
Quoted shares		**1,289,390,956**	**-**	**1,289,390,956**	1,115,222,488	-	1,115,222,488
Un-quoted shares		**703,833,048**	**-**	**703,833,048**	728,747,986	-	728,747,986
Market Treasury Bills		**523,211,395**	**-**	**523,211,395**	674,052,100	-	674,052,100
Pakistan Investment Bonds (PIBs)		**2,395,818,161**	**6,358,195,317**	**8,754,013,478**	1,737,326,277	4,774,212,673	6,511,538,950
Term Finance Certificates (TFCs)		**137,023,918**	**-**	**137,023,918**	150,797,898	-	150,797,898
Mutual Funds		**-**	**-**	**-**	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)		**2,500,000**	**-**	**2,500,000**	2,500,000	-	2,500,000
Sub-total for AFS securities		**5,051,777,478**	**6,358,195,317**	**11,409,972,795**	4,458,646,749	4,774,212,673	9,232,859,422
Held-To-Maturity securities (HTM)							
Market Treasury Bills		**-**	**-**	**-**	19,267,566	-	19,267,566
Term Finance Certificates (TFCs)		**806,115,122**	**-**	**806,115,122**	1,170,322,047	-	1,170,322,047
Sub-total for HTM securities		**806,115,122**	**-**	**806,115,122**	1,189,589,613	-	1,189,589,613
Subsidiary							
Saudi Pak Leasing Company Limited							
– Investment in shares	10.2	**243,467,574**	**-**	**243,467,574**	-	-	-
– Investment in preference shares	10.3	**333,208,501**	**-**	**333,208,501**	-	-	-
Sub-total for subsidiary		**576,676,075**		**576,676,075**			
Investment at cost		**6,434,568,675**	**6,358,195,317**	**12,792,763,992**	5,671,957,749	4,774,212,673	10,446,170,422
Provision for diminution in value of investments	10.5	**(1,459,557,533)**	**-**	**(1,459,557,533)**	(799,709,770)	-	(799,709,770)
Investments (net of provisions)		**4,975,011,142**	**6,358,195,317**	**11,333,206,459**	4,872,247,979	4,774,212,673	9,646,460,652
Surplus on revaluation of AFS securities	10.4	**869,034,658**	**-**	**869,034,658**	655,207,502	-	655,207,502
Surplus on revaluation of HFT securities	10.6	**-**	**-**	**-**	5,638,289	-	5,638,289
		5,844,045,800	**6,358,195,317**	**12,202,241,117**	5,533,093,770	4,774,212,673	10,307,306,443

10.2 This represents the cost of acquisition of 35.06% (2014: 35.06%) shares in the paid up capital of Saudi Pak Leasing Company Limited. The management considers this investment to be a strategic investment. Market value of shares at the year end amounted to Rs. 27.395 million (2014: Rs. 39.588 million).

10.3 These represent 33.321 million preference shares of Rs. 333.208 million of Saudi Pak Leasing Company Limited.

10.4 Investment by segments

	Note	2015 Rupees	2014 Rupees
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	10.4.5	8,754,013,478	6,511,538,950
– Market Treasury Bills	10.4.5	523,211,395	693,319,666
		9,277,224,873	7,204,858,616
Fully paid up ordinary shares			
– Listed securities	10.4.1	1,532,858,530	1,134,943,875
– Unlisted securities	10.4.2	703,833,048	728,747,986
		2,236,691,578	1,863,691,861
Term Finance Certificates (TFCs)			
– Listed TFCs	10.4.3	488,536,311	833,909,274
– Unlisted TFCs	10.4.4	454,602,729	487,210,671
		943,139,040	1,321,119,945
Other investments			
Mutual Funds	10.4.6	-	54,000,000
Other - ISE Membership		2,500,000	2,500,000
Investment in preference shares	10.3	333,208,501	-
		335,708,501	56,500,000
Total investment at cost		12,792,763,992	10,446,170,422
Less: Provision for diminution in value of investments	10.5	(1,459,557,533)	(799,709,770)
Investments (net of provisions)		11,333,206,459	9,646,460,652
Surplus on revaluation of Available-For-Sale securities (AFS)	20	869,034,658	655,207,502
Surplus on revaluation of Held- For- Trading securities (HFT)	10.6	-	5,638,289
		12,202,241,117	10,307,306,443

10.4.1 Investment in fully paid up ordinary shares – listed

2015 Number of ordinary shares	2014 Number of ordinary shares	Name of investee companies	2015 Rupees	2014 Rupees
4,304,051	4,304,051	Agritech Limited	125,107,957	125,107,483
1,000,000	-	Aisha Steel Limited	8,677,496	-
750,000	504,638	Adamjee Insurance Company Limited	36,145,055	21,495,104
522,500	1,350,000	Askari Bank Limited	10,866,966	25,388,283
-	1,000,000	Bank of Punjab	-	8,324,490
1,000,000	2,500,000	Bank Al-Falah Limited	26,000,630	65,001,585
300,000	250,000	Cherat Cement limited	23,262,898	16,771,720
250,000	-	Crescent Textile	5,440,337	-
-	4,000,000	Dewan Salman Fiber Limited	-	21,661,280
-	300,000	Descom Oxychem Limited	-	1,624,832
-	1,000,000	Engro Polymer & Chemicals Limited	-	13,288,670
500,000	-	Engro Powergen Limited	20,990,557	-
-	560,000	Engro Corporation Limited	-	108,922,340
500,000	750,000	Engro Fertilizer Limited	36,648,146	47,810,785
1,500,000	1,000,000	Fatima Fertilizer Company Limited	45,947,617	24,214,360
1,000,000	1,500,000	Fauji Cement Company Limited	26,176,110	29,705,075
750,000	700,000	Fauji Fertilizer Company Limited	64,570,201	46,719,480
1,000,000	1,000,000	Fauji Fertilizer Bin Qasim Limited	28,753,960	28,753,960
2,500,000	500,000	Golden Arrow Selected Stocks Fund Limited	27,057,661	5,030,155
208,250	110,000	Hascol Petroleum Limited	15,039,774	8,753,690
500,000	100,000	The Hub Power Company Limited	40,211,219	6,344,368
-	50,000	International Steels Limited	-	1,084,838
8,877,963	11,572,199	Japan Power Generation Limited	36,825,790	48,001,481
500,000	250,000	Kohinoor Energy Limited	22,477,248	10,893,162
1,985,500	2,000,000	Kohinoor Spinning Mills Limited	47,297,349	47,642,760
450,000	400,000	Kott Addu Power Company Limited	22,552,458	17,862,680
-	1,500,000	Lafarge Pakistan Cement Limited	-	23,670,687
100,000	495	MCB Bank Limited	21,531,761	85,934
1,545,500	500,000	National Bank of Pakistan Limited	94,521,185	29,006,283
		Sub-Total carried forward	786,102,375	783,165,485

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

2015	2014	Name of investee companies	2015 Rupees	2014 Rupees
Number of ordinary shares				
		Sub-Total brought forward	**786,102,375**	783,165,485
2,000,000	1,000,000	Nishat Chunian Power Limited	**72,559,278**	14,389,050
500,000	250,000	Nishat (Chunian) Limited	**21,927,920**	13,335,812
500,000	400,000	Nishat Power Limited	**11,927,027**	6,418,320
200,000	200,000	Oil & Gas Development Company Limited	**38,773,335**	46,928,240
1,975,000	-	Pakcem Limited	**33,652,316**	-
1,340,000	500,000	Pakistan International Bulk Terminal Limited	**38,743,067**	10,752,500
-	175,000	Pakistan State Oil Company Limited	**-**	51,519,002
1,500,000	-	Pakistan Telecommunication Company Limited	**27,445,905**	-
505,000	600,000	Pakistan Petroleum Limited	**74,131,904**	87,477,864
-	1,000,000	Pace Pakistan Limited	**-**	12,860,840
200,000	-	Pakistan Oil Field	**67,362,097**	-
425,000	500,000	Pakistan Reinsurance Company Limited	**15,897,479**	18,242,528
-	75,000	Pakistan Refinery Limited	**-**	8,445,661
-	500,100	Pak Elektron Limited	**-**	12,959,915
-	75,000	Pakistan National Shipping Corporation Limited	**-**	7,610,044
500,000	-	Saif Power Limited	**19,185,555**	-
15,835,403	-	Saudi Pak Leasing Company Limited	**243,467,573**	-
22,187,000	10,000,000	Silk Bank Limited	**34,613,723**	22,743,900
78,400	71,400	Security Papers Limited	**2,470,442**	1,980,000
1,000,000	1,000,000	Standard Chartered Bank (Pakistan) Limited	**17,879,403**	17,606,955
105,200	125,000	Shell Pakistan Limited	**26,719,131**	18,507,759
			1,532,858,530	1,134,943,875

10.4.2 Investment in fully paid up ordinary shares – unlisted

2015	2014	Name of investee companies	2015 Rupees	2014 Rupees
Number of ordinary shares				
		Sub-Total brought forward	**5,710,000**	5,710,000
571,000	571,000	Ali Paper Board Industries Limited	**10,000,000**	10,000,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited	**6,500,000**	6,500,000
650,000	650,000	Bela Chemical Industries Limited	**4,000,000**	4,000,000
400,000	400,000	Fruit Sap Limited	**-**	6,000,000
-	630,000	Equity International (Pvt) Limited	**11,250,000**	11,250,000
1,125,000	1,125,000	Taurus Securities Limited	**50,000,000**	50,000,000
5,000,000	5,000,000	Pakistan Textile City Limited	**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited	**40,000,000**	40,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**50,000,000**	50,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited	**168,750,000**	173,000,000
16,875,000	17,300,000	Pace Barka Properties Limited	**37,623,048**	37,623,048
3,762,304	3,762,304	Innovative Investment Bank Limited	**20,000,000**	20,000,000
2,000,000	2,000,000	Trust Investment Bank Limited	**250,000,000**	250,000,000
100,000,000	100,000,000	Silk Bank Limited	**-**	14,664,938
-	2,500,000	SPI Insurance Company Limited	**703,833,048**	728,747,986

10.4.3 Investment in Term Finance Certificates – listed

2014	2013	Name of investee companies	Note	2015	2014
Number of ordinary shares				Rupees	Rupees
-	59,839	Allied Bank Limited	**5,000**	**-**	298,446,610
44,149	44,419	Azgard Nine Limited	**5,000**	**136,614,140**	136,614,140
44,780	48,780	Engro Corporation Pakistan Limited	**4,957**	**222,175,000**	222,175,000
32,300	32,300	Maple Leaf Cement (Sukuk) Limited	**5,000**	**52,456,602**	85,765,977
2,000	2,000	Trust Investment Bank Limited	**5,000**	**3,748,500**	3,748,500
10,000	10,000	World Call Telecom Limited	**5,000**	**19,200,843**	21,415,716
15,000	15,000	World Call Telecom Limited	**2,150**	**19,848,180**	22,486,485
250	250	Pakistan Mobile Communications Limited	**100,000**	**5,073,125**	13,823,125
6,000	6,000	Summit Bank Limited	**5,000**	**29,419,921**	29,433,721
				488,536,311	833,909,274

10.4.3.1 These carry rate of return ranging from 7.86% to 8.25% per annum (2014: 10.65% to 13.44% per annum) and having maturity upto 6 years.

10.4.4 Investment in Term Finance Certificates – unlisted

2015	2014	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2015 Rupees	2014 Rupees
Number of certificates						
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**21,875,000**	34,062,500
57,263	57,263	Agritech Limited	Mr. Mohammad Khalid Mir	5,000	**286,283,751**	286,283,751
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**78,943,978**	99,364,420
					454,602,729	487,210,671

10.4.4.1 These carry rate of return ranging from 6.51% to 11% (2014: 9.84% to 13.90%) per annum and having maturity of upto 5 years.

10.4.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	July 2017 to July 2022	On maturity	8.75% to 12.00%	Semi-annually
Market Treasury Bills	March 2016 to May 2016	On maturity	6.89% to 6.95%	On maturity

10.4.6 Investments in mutual funds

Name of investee	2015 Number of units	2014 Number of units	Note	2015 Rupees	2014 Rupees
ABL Cash Fund	-	386,334		-	4,000,000
Pak Oman Advantage Fund	-	5,000,000		-	50,000,000
				-	54,000,000

10.5 Provision for diminution in value of investments

	Note	2015 Rupees	2014 Rupees
Opening balance		**799,709,770**	891,956,183
Charge for the year		**249,475,195**	169,618,608
Reverse for the year		**(105,696,542)**	(101,766,349)
Reversals (related to quoted AFS securities)		**(60,606,965)**	(160,098,672)
Provision of SPLCL - refer note 5.1		**576,676,075**	
Written off		**-**	-
Closing balance	**10.5.1**	**1,459,557,533**	799,709,770

10.5.1 Particulars of provision in respect of type and segments

	Note	2015 Rupees	2014 Rupees
Available-For-Sale (AFS) securities			
Impairment on quoted securities		**163,955,194**	171,088,435
Un-quoted securities		**291,302,066**	251,444,299
Term Finance Certificates (TFCs)		**67,181,343**	48,564,627
Held-To-Maturity (HTM) securities			
Term Finance Certificates (TFCs)		**360,442,855**	328,612,409
Subsidiary			
Saudipak Leasing Company Limited – Listed	**5.1**	**576,676,075**	-
		1,459,557,533	799,709,770

	Note	2015 Rupees	2014 Rupees
10.6 Unrealized gain on investments classified as held for trading	**10.4**	-	5,638,289

10.7 Quality of available for sale securities

(a) Quoted Securities

	2015		2014	
Companies	**Rating**	**Market value Rupees**	Rating	Market value Rupees
Adamjee Insurance Company Limited	**AA**	**56.51**	AA	49.46
Agritech Limited	**unrated**	**9.35**	unrated	7.75
Aisha Steel Mills Limited	**unrated**	**8.71**	-	-
Askari Bank Limited	**AA/A-1+**	**21.74**	AA/A-1+	23.07
Bank Alfalah Limited	**AA/A-1+**	**28.82**	AA/A-1+	34.88
The Bank of Punjab	**AA-/A1+**	**-**	AA-/A-1+	10.95
Cherat Cement Company Limited	**A/A1**	**90.18**	unrated	68.68
The Crescent Textile Mills Limited	**unrated**	**19.03**	-	-
Dewan Salman Fiber Limited	**-**	**-**	unrated	1.91
Descom Oxychem Limited	**-**	**-**	A/A1	6.00
Engro Corporation Limited	**-**	**-**	AA-/A1+	221.51
Engro Fertilizer Limited	**AA-/A1+**	**84.13**	A+/A1	78.10
Engro Polymer & Chemicals Limited	**-**	**-**	A/A1	12.00
Fauji Cement Company Limited	**unrated**	**36.82**	unrated	25.84
Fatima Fertilizer Company Limited	**AA-/A1+**	**44.73**	AA-/A1+	35.77
Fauji Fertilizer Bin Qasim Limited	**unrated**	**52.68**	unrated	45.21
Fauji Fertilizer Company Limited	**unrated**	**117.98**	unrated	117.11
Golden Arrow Selected Stocks Fund Limited	**4 Star/ 4 Star**	**9.60**	5 Star/ 4 Star	11.05
Hascol Petroleum Limited	**A+/A-1**	**144.25**	A+/A1	74.10
Hub Power Company Limited	**AA+/A1+**	**102.60**	AA+/A1+	78.36
International Steels Limited	**unrated**	**25.45**	unrated	25.45
Japan Power Generation Limited	**unrated**	**3.96**	unrated	3.45
Kohinoor Energy Limited	**AA/A1+**	**43.00**	AA/A1+	49.35
Kohinoor Spinning Mills Limited	**unrated**	**16.70**	unrated	24.45
Kot Addu Power Company Limited	**AA+/A1+**	**81.00**	AA+/A1+	78.94
Lafarge Pakistan Cement Limited	**-**	**-**	unrated	17.35
MCB Bank Limited	**AAA/A1+**	**216.85**	AAA/A1+	305.65
National Bank of Pakistan Limited	**AAA/A1+**	**54.04**	AAA/A1+	69.46
Nishat Power Limited	**A+/A1**	**53.68**	A+/A1	45.60
Nishat (Chunian) Limited	**A-/A-2**	**34.00**	A-/A-2	45.42
Nishat Chunian Power Limited	**A+/A-2**	**55.05**	A+/A-2	49.55
Oil and Gas Development Company Limited	**AAA/A1+**	**117.34**	AAA/A1+	205.87
Pakistan International Bulk Terminal Limited	**unrated**	**27.97**	unrated	24.69
Pakistan Telecommunication Company Limited	**unrated**	**16.49**	-	-
Pakistan Oilfields Limited	**unrated**	**268.02**	-	-
Pakistan Petroleum Limited	**unrated**	**121.80**	unrated	176.52
Pakistan State Oil Company Limited	**-**	**-**	AA+/A1+	357.91
Pace Pakistan Limited	**-**	**-**	unrated	3.33
Pakcem Limited	**A-/A2**	**17.03**	-	-
Pakistan Reinsurance Company Limited	**AA**	**33.85**	AA	30.34
Pak Refinery Limited	**-**	**-**	A-/A2	162.75
Pak Elektron limited	**-**	**-**	A-/A2	40.93
Saif Power Limited	**A+/A1**	**32.75**	-	-
Saudi Pak Leasing Company Limited	**unrated**	**1.73**	-	-

		2015		2014	
		Rating	**Market value Rupees**	Rating	Market value Rupees
(a)	**Quoted Securities (continued)**				
	Silk Bank Limited	**A-/A2**	**1.82**	A-/A2	2.22
	Standard Chartered Bank	**AAA/A1+**	**21.90**	AAA/A1+	23.60
	Security Papers Limited	**unrated**	**88.10**	unrated	77.40
	Shell Pakistan Limited	**unrated**	**228.24**	unrated	258.88
(b)	**Mutual Funds**				
	Companies				
	ABL Cash Fund	**-**	**-**	AA(f)	10.46
	Pak Oman Advantage Fund	**-**	**-**	A+(f)	10.96

11 ADVANCES

		Note	2015 Rupees	2014 Rupess
	– In Pakistan		**8,591,554,333**	7,888,097,781
	– Outside Pakistan		**-**	-
			8,591,554,333	7,888,097,781
	Net investment in finance lease			
	– In Pakistan	11.2	**182,631,084**	2,132,637,453
	– Outside Pakistan		**-**	-
			182,631,084	2,132,637,453
	Bills discounted and purchased		**-**	-
	Advances – gross	11.1	**8,774,185,417**	10,020,735,234
	Provision for non-performing advances	11.1.6	**(1,958,541,177)**	(2,087,649,325)
	Provision for non-performing lease finance	11.2.3	**(140,648,716)**	(1,344,340,701)
	Advances – net of provision		**6,674,995,524**	6,588,745,208
11.1	**Particulars of advances - gross**			
11.1.1	– In local currency		**8,736,957,629**	9,983,507,446
	– In foreign currencies		**37,227,788**	37,227,788
			8,774,185,417	10,020,735,234
11.1.2	Long term advances (for over one year)	11.1.3	**7,752,508,697**	8,120,766,567
	Short term advances (for upto one year)	11.1.4	**981,053,877**	1,867,339,749
	Staff advances		**40,622,843**	32,628,918
			8,774,185,417	10,020,735,234

11.1.3 These includes advances which are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 17.88% per annum (2014: 7.00% to 22.66% per annum).

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 7.35% to 9.60% per annum (2014: 10.90% to 25.00% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2,675.026 million (2014: Rs. 2,385.358 million) which have been placed under non-performing status as detailed below:-

Category of classification	2015 Classified advances Rupees	2015 Provision required Rupees	2015 Provision held Rupees
Substandard	**458,333,333**	**-**	**-**
Doubtful	**200,000,000**	**-**	**-**
Loss	**2,016,692,977**	**1,958,541,177**	**1,958,541,177**
	2,675,026,310	**1,958,541,177**	**1,958,541,177**

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

11.1.6 Particulars of provisions against non-performing advances

	Note	2015 Rupees Specific	2014 Rupees Specific
Opening balance		**2,087,649,325**	2,383,465,341
Elimination of SPLCL	**5.1**	**(133,912,089)**	-
Opening balance - adjusted		**1,953,737,236**	2,383,465,341
Charge for the year		**118,758,927**	42,054,605
Amounts written off		**-**	-
Reversals		**(113,954,986)**	(337,870,621)
Closing balance		**1,958,541,177**	2,087,649,325

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

The Company has availed the benefit of forced sale value (FSV) of mortgage properties held as collaterals against non performing advances as allowed under BSD Circular No. 1 of 2011. Had the benefit under the said circular not been taked by the Company, the provision against non performing advances would have been higher by Rs. 272.735 million (2014: Rs. 119.056 million) and consequently consolidated profit after tax would have been lower by Rs. 188.188 million (2014: Rs. 79.767 million). The FSV benefit availed is not available for distribution of cash or stock dividend to share holders.

	Note	2015 Rupees	2014 Rupees
11.1.7 Particulars of write offs:			
Against provisions		-	-
Directly charged to the unconsolidated profit and loss account		-	-
		-	-
11.1.8 Particulars of amounts written off against provisions			
Write offs of Rs. 500,000 and above		-	-
Write offs of below Rs. 500,000		-	-
		-	-

	Note	2015 Rupees	2014 Rupees
11.2 Net investment in finance lease			
Minimum lease payments receivables		**259,383,533**	1,781,891,476
Add: Residual value of leased assets		**-**	437,085,650
		259,383,533	2,218,977,126
Less: Unearned finance income		**(76,752,449)**	(86,339,673)
Present value of minimum lease payments	11.2.1	**182,631,084**	2,132,637,453
Less: Provision for potential lease losses	11.2.2	**(140,648,716)**	(1,344,340,701)
Net investment in lease		**41,982,368**	788,296,752

11.2.1 Present value of minimum lease payments

	2015		
	Less than one year Rupees	**One year to five year Rupees**	**Total Rupees**
Lease rental receivable	**234,124,857**	**25,258,676**	**259,383,533**
Less: Unearned finance income	**(75,229,975)**	**(1,522,474)**	**(76,752,449)**
Present value of minimum lease payments	**158,894,882**	**23,736,202**	**182,631,084**

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

(11.2.2) Investment in lease finance includes Rs. 140.648 million (2014: Rs. 1,654 million) which has been placed under non-performing status as detailed below:-

	2015		
Category of classification	**Classified advance Rupees**	**Specific provision required Rupees**	**Specific provision held Rupees**
Substandard	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**
Loss	**140,648,716**	**140,648,716**	**140,648,716**
	140,648,716	**140,648,716**	**140,648,716**

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

11.2.3 Particulars of provisions against non-performing lease finance

	Note	2015 Rupees Specific	2014 Rupees Specific
Opening balance		**1,344,340,701**	1,154,995,019
Elimination of SPLCL		**(1,201,641,985)**	-
Opening balance - adjusted		**142,698,716**	1,154,995,019
Charge for the year		**-**	240,167,013
Amounts written off		**-**	4,999,078
Reversals		**(2,050,000)**	(55,820,409)
Closing balance		**140,648,716**	1,344,340,701

11.2.4 Particulars of amounts written off against provisions

	2015	2014
Write offs of Rs. 500,000 and above	**-**	4,999,078
Write offs of below Rs. 500,000	**-**	-
	-	4,999,078

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

	2015	2014
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	**40,622,843**	32,628,918
Debts due by companies or firms in which the directors of the Company are interested as directors, partners	**-**	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	**-**	-

12 OPERATING FIXED ASSETS

	Note	2015	2014
Capital work-in-progress	**12.1**	**-**	458,640
Property and equipment	**12.1**	**2,884,186,954**	2,430,256,975
Intangible assets	**12.2**	**1,705,612**	1,572,736
		2,885,892,566	2,432,288,351

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

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

12.1 Property and equipment

	2015													
	COST/REVALUATION								DEPRECIATION					
	Opening balance Rupees	Additions / Transfers Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals / Transfers Rupees	Elimination of SPLCL (note 5.1) Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals / Transfers	" Elimination of SPLCL (note 5.1) Rupees	Closing balance	Net Book value Rupees
Freehold land	8,088,120	-			-	-	8,088,120	-	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	168,577,475	44,571,225	-	-	1,372,500,000	1.19	29,714,150	14,857,075	44,571,225	-	-	-	1,372,500,000
Building - Islamabad	720,117,702	6,018,010	243,706,659	86,091,371	-	-	883,751,000	4	57,202,342	28,889,029	86,091,371	-	-	-	883,751,000
Building	198,533,123	31,415,500	6,861,991	2,396,991	-	(66,246,654)	168,166,969	4	25,732,584	929,950	2,396,991	-	(23,819,092)	446,451	167,720,518
Building - Islamabad- ISE towers	25,500,000	-	9,517,100	872,100	-	-	34,145,000	1.14	581,400	290,700	872,100	-	-	-	34,145,000
Heating and air-conditioning	130,391,240	-	63,026,081	56,487,198	-	(3,582,549)	133,347,574	15	41,165,006	18,857,094	56,487,198	-	(3,281,259)	253,643	133,093,931
Elevators	64,633,035	14,327,786	21,816,795	21,158,170	19,099,387	299,941	60,820,000	15	19,385,564	8,367,290	21,158,170	6,594,678	-	6	60,819,994
Electrical fittings	139,822,325	1,734,710	63,261,744	57,888,778	-	-	146,930,001	15	37,281,373	21,190,155	57,888,778	-	-	582,750	146,347,251
Fire fighting equipment	3,798,595	-	375,674	1,697,082	26,787	-	2,450,400	15	1,139,422	568,706	1,697,082	11,046	-	-	2,450,400
Leasehold improvement	6,302,839	-	-	-	-	-	6,302,839	15	5,026,333	918,347	-	-	-	5,944,680	358,159
Motor vehicles	97,490,394	10,268,512	-	-	12,143,677	(5,850,630)	89,764,599	20	35,758,896	15,254,650	-	9,300,093	(4,286,382)	37,427,071	52,337,528
Furniture, fixture and fittings	22,236,918	300,959	-	-	259,586	(5,983,992)	16,294,299	20	20,101,264	490,564	-	222,913	(5,982,908)	14,386,007	1,908,292
Office equipment	62,815,646	4,936,295	-	-	2,590,898	(22,653,498)	42,507,545		54,916,605	4,108,758	-	2,531,624	(21,708,600)	34,785,139	7,722,406
Telephone installation	2,209,736	-	(280,222)	834,668	-	-	1,094,846	33.33	966,659	264,042	834,668	-	-	396,033	698,813
Electrical appliances	5,470,777	836,925	-	-	4,697	-	6,303,005	15	2,445,457	753,815	-	4,693	-	3,194,579	3,108,426
Loose tools	1,170,325	62,406	-	-	-	-	1,232,731	15	883,810	144,030	-	-	-	1,027,840	204,891
Miscellaneous	804,769	-	-	-	-	-	804,769	15	793,527	4,017	-	-	-	797,544	7,225
Security systems	13,399,065	-	1,818,799	5,778,333	514,531	-	8,925,000	15	4,000,037	1,990,515	5,778,333	212,219	-	-	8,925,000
Leasehold Plant and Machinery	98,489,897	-	-	-	-	(98,489,897)	-	15	82,416,852	-	-	-	(82,416,852)	-	-
	2,849,768,256	69,901,103	578,682,096	277,775,916	34,639,563	(202,507,279)	2,983,428,697		419,511,281	117,878,737	277,775,916	18,877,266	(141,495,093)	99,241,743	2,884,186,954
Capital work in progress	458,640	-	-	-	458,640	-	-		-	-	-	-	-	-	-
	2,850,226,896	69,901,103	578,682,096	277,775,916	35,098,203	(202,507,279)	2,983,428,697		419,511,281	117,878,737	277,775,916	18,877,266	(141,495,093)	99,241,743	2,884,186,954

12.2 Intangible assets

	2014													
	COST/REVALUATION								DEPRECIATION					
	Opening balance Rupees	Additions / Transfers Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals / Transfers Rupees	Elimination of SPLCL (note 5.1) Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals / Transfers	" Elimination of SPLCL (note 5.1) Rupees	Closing balance	Net Book value Rupees
Software and others	14,794,984	1,207,477	-	-	-	(1,655,408)	14,347,053	33.33	13,222,248	1,074,601	-	-	(1,655,408)	12,641,441	1,705,612

12.1 Property and equipment

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

12.2 Intangible assets

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

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Toyota Corolla GLI SW-259	1,521,779	1,141,331	380,448	-	380,448	-	As per policy	Rohail Ajmal (EVP-FD)
Toyota Corolla GLI SW-623	1,524,779	1,143,581	381,198	-	381,198	-	As per policy	M. Nayeem Akhtar (EVP-Law)
Toyota Corolla GLI PA-506	1,450,017	1,450,016	1	-	1,240,000	1,239,999	Auction	Mazhar Javed
Elevators 2.No. LRA	19,099,384	6,594,680	12,504,704	12,504,704	808,000	(11,696,704)	Auction	Creative Electronics
Toyota Corolla GLI SW-482	1,524,779	1,245,233	279,546	-	279,546	-	As per policy	Ms. Parveen A. Malik (EVP-PMD)
Toyota Corolla GLI SX-259	1,524,779	1,270,644	254,135	-	254,135	-	As per policy	Arshed Ahmed Khan (EVP-ROL)
Gestetner Multifuntion Printer Mp-2000	174,968	174,966	2	-	20,000	19,998	Auction	Hascombe Business Solutions
Gestetner Multifuntion Printer Mp-2000	300,142	300,141	1	-	20,000	19,999	Auction	Hascombe Business Solutions
Gestetner Multifuntion Printer Mp-2000	300,866	241,619	59,247	-	20,000	(39,247)	Auction	Hascombe Business Solutions
Toyota Corolla ARX-897 (Pool Car Rok)	1,721,000	1,720,999	1	-	1,062,000	1,061,999	Auction	Muhammad Imran
Honda City A/T 1.3 (Wh-451)	1,807,154	1,114,409	692,745	-	692,745	-	As per policy	Atif Islam (SVP-IA)
Dell Laptop E-6530	153,006	153,005	1	-	7,650	7,649	As per policy	Atif Islam (SVP-IA)
Office Equipment (Misc Items)	1,392,461	1,392,445	16	-	70,000	69,984	Auction	Saman Jan
Office Equipment (Misc Items)	269,455	269,448	7	-	10,200	10,193	Auction	Ghulam Mustafa
Electrical Appliances	4,697	4,693	4	-	1,000	996	Auction	Saman Jan
Furniture Fixture	259,586	222,913	36,673	-	125,000	88,327	Auction	Saman Jan
Fire Extinguisher	26,787	11,046	15,741	15,741	1,500	(14,241)	Auction	Saman Jan
Security System (Misc. Items)	514,531	212,219	302,312	302,312	80,000	(222,312)	Auction	Saman Jan
Suzuki Cultus CZ-858	1,069,390	213,878	855,512	-	927,000	71,488	Auction	Ibrar Hussain
	34,639,560	18,877,266	15,762,294	12,822,757	6,380,422	(9,381,872)		

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

	2015 Rupees	2014 Rupees
Furniture, fixtures and fittings, electrical fittings, office equipment and computer equipments	**63,087,472**	84,215,289
Building improvement	**-**	3,526,371
Vehicles	**8,083,828**	14,929,475
Loose tools	**215,330**	215,330
	71,386,630	102,886,465

12.5 Revaluation of property and equipment

The property and equipment of the Company were last revalued by independent professional valuer as at 31 December 2015. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 578.682 million. The total surplus arising against revaluation of fixed assets as at 31 December 2015 amounts to Rs. 2,519.850 million. Had there been no revaluation, the carrying amount of the consolidated revalued assets as at 31 December 2015 would have been as follows:

	Note	2015 Rupees	2014 Rupees
Land		**1,008,776**	1,021,224
Office premises		**-**	11,311,396
Building and other assets		**146,312,485**	140,706,483
Properties of SPLCL	**5.1**	**-**	2,900,568
		147,321,261	155,939,671

13 OTHER ASSETS

	Note	2015 Rupees	2014 Rupees
Accrued income and receivables	**13.1**	**979,487,488**	916,322,114
Advances, deposits, prepayments and other receivables	**13.2**	**1,322,956,768**	1,275,861,580
		2,302,444,256	2,192,183,694

13.1 Accrued income and receivables

	Note	2015 Rupees	2014 Rupees
Dividend Income		**-**	500,000
Accrued income from advances	**13.1.1**	**114,028,647**	121,636,382
Accrued income from investments	**13.1.2**	**523,058,641**	452,220,277
Accrued income from lendings to financial institutions		**67,096**	3,967,096
Other receivables	**13.1.3**	**342,333,104**	337,998,359
		979,487,488	916,322,114

13.1.1 Accrued income from advances	2015 Rupees	2014 Rupees
Long term advances	**746,527,599**	730,540,702
Short term advances	**127,886,866**	165,599,948
Lease financing	**63,748,478**	143,124,584
Others	**5,035,752**	13,432,817
	943,198,695	1,052,698,051
Less: provision for doubtful accrued income from advances	**(829,170,048)**	(931,061,669)
	114,028,647	121,636,382

13.1.2 Accrued income from investments	2015 Rupees	2014 Rupees
Government Securities	**404,507,066**	354,469,447
Term Finance Certificates (TFCs)	**258,008,820**	236,055,487
Income on equity (preference shares)	**97,424,658**	62,424,658
	759,940,544	652,949,592
Less: provision for doubtful accrued income from investments	**(236,881,903)**	(200,729,315)
	523,058,641	452,220,277

13.1.3 This mainly represents amount receivable by SPREL from Divine Developers (Private) Limited ('DDPL') in respect of sale of 90 houses of Residential - Divine Gardens, which is secured against equitable as well as registered mortgage of immovable properties in favor of the Company amounting to Rs. 1,350 million. The Company took this matter to the Court for recovery of amount receivable from DDPL. The Company also referred the said matter to National Accountability Bureau (NAB) for resolution. During the year, NAB through it letter No. 1(9)/1381/22/FC/W/CO-J/T-35/NAB-L dated 21 October 2015 informed the Company that DDPL has offered payment under voluntary return scheme subject to certain conditions. The Company has communicated the acceptance of the settlement scheme offered by DDPL through NAB through its letter No. CEO/NAB/15/0020 dated 4 November 2015. Accordingly, this amount is now receivable in three installments comprising a down payment of Rs. 114.012 million and two quarterly installments of Rs. 110.658 million provided that the Company will release the mortgage over 24 houses of 5 Marla and 11 houses of 10 Marla after receipt of down payment and release 24 houses of 5 Marla and 11 houses of 10 Marla and release mortgage over collateral land of 17 Kanal and 13 Marla after receipt of first and second quarterly installment respectively. Subsquent to year end, the settlemement terms have also been approved by the Executive Board of NAB.

13.2 Advances, deposits, prepayments and other receivables	Note	2015 Rupees	2014 Rupees
Advances to suppliers		**7,587,090**	14,769,283
Security deposits		**7,398,245**	7,388,245
Prepayments and other receivables		**3,383,544**	6,107,251
Receivable from stock brokers		**27,215,516**	3,332,711
Advance tax - net	**13.2.1**	**984,881,815**	968,047,451
Excise duty		**38,255,895**	24,000,000
Non banking assets acquired in satisfaction of claims	**13.2.2**	**356,494,933**	355,964,909
Advance for purchase of shares		**256,792**	256,792
Others		**15,000,000**	-
		1,440,473,830	1,379,866,642
Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
Less: provision for non banking assets acquired in satisfaction of claims	**13.2.3**	**(113,442,000)**	(99,930,000)
		(117,517,062)	(104,005,062)
		1,322,956,768	1,275,861,580

13.2.1 This includes Rs. 782.6 million paid to tax authorities by the Company or withheld of the Company against assessment in respect of tax years 2004,2005,2006,2008,2009,2010,2012 and 2013. Total exposure in respect of tax years under litigation at various appellate forums including on account of primary issues involving disallowance of provision for non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime amounts to Rs. 1,270.2 million. During the year, Appellate Tribunal Inland Revenue Islamabad (ATIR) has not accepted the Company's grounds of appeal in respect of tax year 2004 to 2006 and 2008 to 2010 on the above mentioned issues and consequently the Company has filed the reference in Islamabad High Court which has been admitted for hearing. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company. For further detail on tax contingencies also refer to note 22.5 to the consolidated financial statements.

13.2.2 These represent the amount of assets acquired by the Company against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited and M/s Amir Evaluators and Consultants. Market value assessed amounts to Rs. 272.288 million (2014: Rs. 285.911) million. Provision has been created against the shortfall.

	Note	2015 Rupees	2014 Rupees
13.2.3 Provision against doubtful receivable balances			
Opening balance		**104,005,062**	149,155,062
Charge for the year		**-**	-
Reversals		**13,512,000**	(45,150,000)
Closing balance		**117,517,062**	104,005,062
14 DEVELOPMENT PROPERTIES			
Balance at beginning of the year		**174,419,530**	-
Development properties purchased during the year	14.1	**-**	174,419,530
Construction cost during the year		**12,270,012**	-
Design, approval and other attributable cost		**1,564,229**	-
		13,834,241	174,419,530
Add: Unadjusted mobilization advance during the year		**4,595,222**	-
Balance at end of the year		**192,848,993**	174,419,530

14.1 This represents cost incurred on housing project consisting of thirty five (35), ten (10) marla houses in Paragon City Lahore.

	Note	2015 Rupees	2014 Rupees
15 BORROWINGS			
In Pakistan		**12,010,452,912**	11,224,671,255
Outside Pakistan		**-**	-
	15.1	**12,010,452,912**	11,224,671,255
15.1 Particulars of borrowings with respect to currencies			
In local currency		**12,010,452,912**	11,224,671,255
In foreign currency		**-**	-
		12,010,452,912	11,224,671,255
Long term borrowings	15.2	**2,695,452,912**	3,405,297,141
Short term borrowings	15.3	**9,315,000,000**	7,819,374,114
		12,010,452,912	11,224,671,255
15.2 Long term borrowings			
Against book debts/receivables	15.2.1	**2,450,000,000**	2,902,555,551
Clean / letter based financing - SPLCL	5.1	**-**	5,703,696
Against SBP refinance schemes - Long term financing facility (LTFF)	15.2.2	**245,452,912**	497,037,894
		2,695,452,912	3,405,297,141

15.2.1 These represent facilities obtained by the Company against charge on book debts/receivables valuing Rs. 5,066.667 million (2014: Rs. 4,000 million). The mark up is charged at varying rates ranging from 7.10% to 7.24% per annum (2014: 10.21% to 10.93% per annum). These facilities will mature during March 2016 to June 2019 (2014: March 2015 to June 2019).

15.2.2 These represent facilities obtained by the Company against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 8.40% per annum (2014: 7.90% to 10.10% per annum). These facilities will mature during June 2016 to June 2020 (2014: January 2015 to June 2020).

		Note	2015 Rupees	2014 Rupees
15.3	**Short term borrowings**			
	Holding company	15.3.1	9,315,000,000	7,215,842,215
	Subsidiary company -SPLCL	15.3.2	-	603,531,899
			9,315,000,000	7,819,374,114
15.3.1	**Particulars of borrowings - holding company**			
	Against book debts/receivables	15.3.1.1	1,000,000,000	1,000,000,000
	Repurchase agreements under PIBs - repo	15.3.1.2	6,215,000,000	5,015,842,215
	Clean/ letter based financing		-	400,000,000
	Morahaba finance	15.3.1.3	2,100,000,000	800,000,000
			9,315,000,000	7,215,842,215

15.3.1.1 These represent facilities obtained against charge on book debts / receivables valuing Rs. 1,333.333 million (2014: 1,333.333 million). The mark-up is charged at the rate of 6.76% (2014 : 10.08%) per annum . These facilities will mature in September 2016 (2014: September 2015).

15.3.1.2 These facilities are secured against Pakistan Investment Bonds. These carry markup rates ranging from 6.40% to 6.50% (2014: 9.75% to 10.30%) per annum and will mature in January 2016 to February 2016 (2014: January 2015).

15.3.1.3 This represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 6.63% to 6.74% (2014: 10.06% to 10.19%) per annum. These will mature in January 2016 to April 2016 (2014: January 2015).

		Note	2015 Rupees	2014 Rupees
15.3.2	**Particulars of borrowings - SPLCL**			
	Clean / letter based financing	5.1	-	177,693,232
	Against book debts/receivables	5.1	-	177,505,951
	Term finance certificates - secured	5.1	-	248,332,716
			-	603,531,899
15.4	**Details of borrowings secured/unsecured**			
	Secured			
	Borrowings from State Bank of Pakistan :			
	– Against SBP refinance schemes		245,452,912	497,037,894
	Repurchase agreement borrowings		6,215,000,000	5,015,842,215
	Against book debts/receivables		3,450,000,000	4,080,061,502
	Term finance certificates		-	248,332,716
	Morahaba finance		2,100,000,000	800,000,000
			12,010,452,912	10,641,274,327
	Unsecured			
	Call borrowings		-	583,396,928
			12,010,452,912	11,224,671,255
16	**DEPOSITS AND OTHER ACCOUNTS**			
	Certificate of Investments (COIs)	16.1	7,000,000	161,744,301
	Security deposits against finance leases	16.2	-	416,231,319
			7,000,000	577,975,620

16.1 These represent certificate of investments issued to various institutions by the Company. The mark up is charged at 6.75% per annum (2014: 9.50% to 10.00% per annum). These are repayable in period May 2016 (2014: February 2015 to November 2015).

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

17	DEFERRED TAX LIABILITIES	Note	2015 Rupees	2014 Rupees
	Deferred tax credits arising due to following taxable temporary differences:			
	Accelerated tax depreciation		**15,850,116**	35,816,439
	Surplus on revaluation of operating fixed assets	21	**756,952,802**	679,481,844
	Investment property		**7,755,137**	2,655,940
	Investments - held for trading		**-**	14,989
	Investments - available for sale		**-**	565,924
	Surplus on revaluation of securities	20	**269,400,744**	215,677,330
			1,049,958,799	934,212,466
	Deferred tax debits arising due to following deductible temporary differences:			
	Provision for investment in TFCs		**(128,287,260)**	(124,468,422)
	Provision for non banking assets acquired in satisfaction of claims		**(34,032,600)**	-
	Acturial loss on gratuity valuation		**(2,094,807)**	330,913
	Net investment in leases		**(645,096)**	64,296,560
	Trade receivable- net of provision for doubtful debts		**(646,351)**	(706,946)
	Accumulated tax losses		**(8,618,319)**	(77,390,639)
			(174,324,433)	(137,938,534)
			875,634,366	796,273,932
	Valuation reserves	17.1	**2,560,535**	4,734,159
			878,194,901	801,008,091

17.1 In view of the uncertainty about timings of taxable profit in the foreseeable future against which the tax losses can be utilized, SPREL has not recognized deferred tax asset and therefore, has created an equivalent amount of valuation reserve amounting to Rs. 2.560 million (2014: Rs. 4.734 million).

18	OTHER LIABILITIES	Note	2015 Rupees	2014 Rupees
	Mark-up/return/interest accrued on borrowings	18.1	**96,300,823**	381,942,798
	Creditors, accrued and other liabilities	18.2	**319,380,140**	226,673,899
	Deferred liabilities	18.3	**47,474,627**	89,197,594
			463,155,590	697,814,291
18.1	**Mark-up/return/interest accrued on borrowings**			
	Long term borrowings		**18,796,037**	103,753,931
	Short term borrowings		**25,890,834**	225,919,556
	Securities purchased under Repurchase agreements - repo		**51,613,952**	52,269,311
			96,300,823	381,942,798
18.2	**Creditors, accrued and other liabilities**			
	Directors' remuneration		**3,250,660**	2,522,554
	Other payables		**47,961,429**	43,781,945
	Payable on employees account		**(512,602)**	(1,376,848)
	Corporate income tax payable - net		**225,223,891**	115,658,490
	Unearned income	18.3.1	**12,025,000**	-
	Accrued liabilities		**31,431,762**	66,087,758
			319,380,140	226,673,899

18.2.1 This represents advance receipt against booking of a house in SPREL's housing project at Paragon City Lahore. The booking is made on installment plan with possession of house to be delivered to the customer on complete payment of sale price.

18.3	Deferred liabilities	Note	2015 Rupees	2014 Rupees
	Provision for staff gratuity	33.1	**2,155,444**	29,207,286
	Provision for compensated absences		**4,593,242**	4,759,254
	Advance rental income	18.3.1	**40,725,941**	55,231,054
			47,474,627	89,197,594

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

19 SHARE CAPITAL

	Note	2015 Rupees	2014 Rupees
Authorized capital:			
1,000,000,000 ordinary shares of Rs. 10 each (2014: 1,000,000,000 ordinary shares of Rs. 10 each)		**10,000,000,000**	10,000,000,000
Issued, subscribed and paid up capital: 400,000,000 ordinary shares of Rs. 10 each issued for cash (2014: 400,000,000 ordinary shares of Rs. 10 each issued for cash)		**4,000,000,000**	4,000,000,000
260,000,000 bonus shares of Rs. 10 each (2014: 200,000,000 bonus shares of Rs. 10 each)		**2,600,000,000**	2,000,000,000
		6,600,000,000	6,000,000,000

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

	Number of shares	
	2015	2014
Opening balance	**600,000,000**	600,000,000
Issued during the year	**60,000,000**	-
Closing balance	**660,000,000**	600,000,000

20 SURPLUS / DEFICIT ON REVALUATION OF AFS SECURITIES - NET OF TAX

	Note	2015	2014
Quoted securities		**191,340,472**	305,591,122
Government securities		**676,367,460**	375,971,103
Term Finance Certificates (TFCs)		**1,326,726**	(3,154,723)
Un-quoted securities- AFS		**-**	(28,000,000)
Mutual fund units		**-**	4,800,000
	10.4	**869,034,658**	655,207,502
Less: related deferred tax liability	17	**(269,400,744)**	(215,677,330)
		599,633,914	439,530,172

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

	Note	2015 Rupees	2014 Rupees
Movement in surplus on revaluation of operating fixed assets:			
Opening balance		**2,057,947,464**	2,149,675,327
Elimination of SPLCL	5.1	**(17,959,060)**	-
Opening balance - adjusted		**2,039,988,404**	2,149,675,327
Surplus on revaluation of fixed assets		**578,682,096**	-
Surplus realized on disposal - transferred to unappropriated profit		**(12,822,757)**	(14,283,628)
Transferred to unappropriated profit in respect of			
– Incremental depreciation charged during the year		**(58,478,378)**	(58,547,060)
– adjustments		**-**	9,952,860
– Deferred tax		**(27,519,237)**	(28,850,035)
		(85,997,615)	(77,444,235)
Surplus on revaluation of operating fixed assets		**2,519,850,128**	2,057,947,464
Related deferred tax liability		**(679,481,844)**	(724,504,811)
Deferred tax recognized on surplus on revaluation of fixed assets		**(173,752,153)**	-
SPLCL deferred tax liability	5.1	**6,285,671**	-
Deferred tax effect of surplus realized on disposal		**4,103,282**	4,856,434
Impact of change in tax rate		**58,373,005**	21,269,358
adjustments		**-**	(9,952,860)
Transferred to consolidated profit and loss account in respect of incremental depreciation		**27,519,237**	28,850,035
	17	**(756,952,802)**	(679,481,844)
Closing balance		**1,762,897,326**	1,378,465,620

22 CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

		2015 Rupees	2014 Rupees
	Letter of comfort / guarantee	**100,000,000**	350,000,000
22.2	Non disbursed commitment for term and working capital finance	**430,000,000**	1,150,000,000
22.3	Claims against the Group not acknowledged as debts	**-**	193,558,675
22.4	Commitments for the acquisition of operating fixed assets (intangibles assets)	**4,966,892**	19,658,034
		534,966,892	1,713,216,709

22.5 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006

Provision for Non-Performing Loans (NPLs) for tax years 2004, 2005 and 2006 were disallowed by the tax authorities and restricted the credit for tax paid/suffered during the relevant tax years. As a consequence of foregoing, cumulative income tax demand of Rs. 63.8 million was raised by the Income Tax Authorities. Although the said demands have been paid, these are being contested by the Company and related appeals are presently pending for adjudication before Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(b) Tax year 2008 and 2009

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs. 231 million and Rs. 612 million for the tax year 2008 and 2009 respectively out of which the Company paid Rs. 425 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are pending for adjudication by the Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(c) Tax year 2010

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs. 147 million out of which the Company paid Rs. 67 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are pending for adjudication before Islamabad High Court. The Company based on opinion of its legal counsel believes that it is expected that matters will be decided in favor of the Company.

(d) Tax year 2012 and 2013

Provision for NPL, realised exchange loss and other expenses for tax years 2012 and 2013 were disallowed by tax authority vide amended assessment orders No. 003/005 and 004/005 both dated 21 May 2014 and demand of Rs. 97.9 million for tax year 2012 and Rs. 118.8 million for tax year 2013 have been raised against the Company. The Company filed appeals before Commissioner Inland Revenue (Appeals), Islamabad. However, actions of the lower authority were upheld by Commissioner Inland Revenue (Appeals) in terms of appellate orders No 799/2015 and No. 800/2015 dated 16 April 2015. Thus the Company filed an appeal before Appellate Tribunal Inland Revenue which is pending for adjudication. It is likely that the appeals will be decided in favor of the Company.

(e) Sales Tax & Federal Excise Duty

The Deputy Commissioner Inland Revenue, Audit - VI, Large Taxpayers Unit, Islamabad (DCIR) through Order in Original 08/52 dated 30 April 2014 imposed federal excise duty amounting to Rs. 71.3 million. An appeal against the aforesaid order dated April 30, 2014 were filed before the Commissioner Inland Revenue - (Appeals) [CIR(Appeals)]. The CIR (Appeals) vide his order ST/FED-530/2014/562 dated 17 June 2014 has upheld the action of DCIR. The Company filed appeal before ATIR which is pending adjudication. Further, the Company has deposited Rs 38.26 million in government treasury in connection with the recovery notice issued by the DCIR. The Company has obtained stay from the High Court against the recovery of outstanding demand.

22.6 Other contingencies of the Company

(a) Eden Developers (Pvt.) Ltd (COS No.18/2015 of Rs. 697.350 million)

Customer is a real estate developer in Lahore who had availed a Term Finance Facility from the Company creating mortgage over few plots in the Eden City Housing Scheme, Lahore, offered as security. On default in repayments, the Company had served a legal notice on 17 February 2014 and then filed a recovery suit (COS. No.66/2014) of Rs. 92.3 million against the customer in the Lahore High Court, Lahore on 20 December 2014 in which the proceedings continue.

Further, to secure the mortgaged properties from alienation/creating third party interest, the Company also published notice in local newspapers for public alert. But, the customer as a counter blast filed the subject frivolous declaratory and damages suit against the Company on 23 October 2014 in the Lahore High Court, Lahore. In its suit, the customer claimed damages on account of alleged overpayments, loss of business, loss of reputation etc. On receipt of court notice, the Company filed its reply (PLA). The customer has not yet filed replication of the Company's Reply/PLA.

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

Macpac Films Limited (MFL) Karachi is a former customer of the Company who had availed a Term Finance Facility of Rs.125.00 million (for 04 years) in the year 2003-04. Customer was irregular in payments. As on 30 September 2011, a sum of Rs. 195.795 million was overdue therefore a legal notice dated 02 November 2011 was served upon the Customer. However, the Customer negotiated a settlement which was approved by the Company vide letter dated 13 May 2011. The settlement involved waiver/write-off of liquidated damages of Rs.43.930 million and 50% frozen Markup of Rs.28.729 million (total Rs.72.659 million) subject to payment of Rs.100.141 million. The Customer accepted it and paid the settlement amount of Rs.100.141 million to the Company (net of liquidated damages and 50% of frozen markup). Thereafter in compliance with the circular/instructions of State Bank of Pakistan (SBP), the data of amount written off/waived off was communicated by the Company to the SBP in ordinary course. Since then, the amount waived was appearing in the SBP's eCIB every month. The Customer requested the Company as well as SBP to stop reporting it on eCIB as it was allegedly reflecting bad on the Customer's business. However owing to the SBP's circulars/instructions, neither the Company nor SBP agreed with the Customer.

Feeling aggrieved, the Customer filed the subject frivolous damages suit on 27 March 2014 against the Company in the Sindh High Court, Karachi. On receipt of Court Notice dated 29 March 2014, the Company filed its reply and prayed to dismiss the frivolous suit. The Customer had also filed a stay application the reply of which was filed by Saudi Pak. The High Court partly heard arguments on the stay application on 17 February 2015 and sought comments of SBP. In compliance with the Court order, SBP filed its comments on 22 April 2015. Thereafter, the High Court framed issues and appointed local Commissioner for recording evidence of parties. The Customer filed affidavit in evidence of one of its employee who was to be cross-examined by the Company lawyer on 23 January 2016 but neither the Customer's witness appeared nor its lawyer and requested for adjournment. Therefore, the Commissioner adjourned the matter for cross examination of the Customer's witness on 18 February 2016. After, close of evidence of the Customer, the Company lawyer will file affidavit in evidence of the Company's witness(es) for cross-examination by the Customer's counsel. Once evidence of parties is completed, the suit will be fixed for final arguments and decision.

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

Through publication in national dailies on 27 April 2014, the Company invited bids for the sale of a Farm House at Gadap Town and three (03) other plots (Plots No.9-C, 17-C, 20-C) at DHA Karachi. Bids of Mr. Sultan Paracha and some other bidders were found lower than the bid of Syed Mudassar Hussain who, after acceptance of his bid, also entered into a Sale Agreement dated 02 June 2014 (through his nominee) in regard to three (03) plots situated at DHA only. Mr. Sultan Paracha offered an aggregate bid of Rs. 93.00 million against all the four (04) properties whereas the successful bidder agreed to pay Rs.134.500 million (enhanced from Rs.127.600 million) against only three plots in DHA Karachi. In this scenario, all lower bids including that of Mr. Zafar Sultan Paracha, were rejected by the Company.The successful bidder also paid to the Company a down payment of Rs.26.900 million as provided in the Sale Agreement. Mr. Sultan Paracha attempted to frustrate the sale and filed the subject suit on 01 July 2014 in the Sindh High Court, Karachi. Mr. Sultan Paracha also obtained an interim stay on 05 July 2014 from the august Court against creation of third party interest in the suit properties. On receipt of Court Notice, the Company filed counter-affidavit/reply of the stay application in the High Court, sought vacation of the interim stay and prayed for dismissal of the frivolous suit. Persuant thereto, the High Court heard arguments of counsels of parties on 20 August 2014 at length and reserved the judgment. The Court has not yet announced judgment.

		Note	2015 Rupees	2014 Rupees
23	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	23.1	585,602,915	609,934,728
	On investments	23.2	1,088,933,510	581,830,357
	On lendings to financial institutions		21,550,162	133,360,141
	On lease financing - net		6,008,072	27,330,746
	On profit and loss saving accounts		18,716,405	17,676,078
			1,720,811,064	1,370,132,050
23.1	**On advances**			
	Long term advances		536,794,810	553,929,001
	Short term advances		47,572,256	54,840,972
	Staff advances		1,235,849	1,164,755
			585,602,915	609,934,728
23.2	**On investments**			
	Term Finance Certificates		67,715,027	141,771,539
	Government securities		986,218,483	405,058,818
	Return on equity (preference shares)		35,000,000	35,000,000
			1,088,933,510	581,830,357
24	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	24.1	862,351,301	710,320,508
	Deposits		-	9,615,262
	PIB's premium amortization		-	730,504
	Brokerage fee		6,136,274	3,783,768
			868,487,575	724,450,042
24.1	**Mark-up/return/interest expensed**			
	Long term borrowings		286,311,529	381,224,569
	Short term borrowings		165,927,236	202,188,993
	Securities purchased under repurchase agreements - repo		410,112,536	126,906,946
			862,351,301	710,320,508
25	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions is as under:			
	Term Finance Certificates (TFCs)		50,447,162	67,874,910
	Un-quoted Investment		43,967,767	4,477,349
			94,414,929	72,352,259
26	**INCOME FROM SALE OF DEVELOPMENT PROPERTIES - NET**			
	Net rental income	26.1	100,946,839	65,372,201
	Net gain on disposal of operating fixed assets - property and equipment		(9,381,872)	(667,313)
	Waiver on settlement of long term finances	26.2	-	69,140,457
	Others		29,655,842	10,679,395
			121,220,809	144,524,740

		Note	2015 Rupees	2014 Rupees
26.1	**Net rental income**			
	Rental income		**250,380,386**	215,066,311
	Less: Operating expenses :			
	Salaries, allowances and employee benefits		**18,976,611**	16,106,808
	Traveling and conveyance		**1,600**	2,300
	Medical		**433,679**	290,690
	Janitorial services		**5,691,979**	5,258,876
	Security services		**13,743,944**	10,601,877
	Insurance		**1,428,356**	1,551,654
	Postage, telegraph, telegram and telephone		**65,148**	68,982
	Printing and stationery		**292,973**	173,934
	Certification services		**-**	49,500
	Utilities		**5,552,954**	13,364,231
	Consultancy and professional charges		**161,000**	-
	Repairs and maintenance		**4,696,952**	3,172,764
	Rent, rates and taxes		**1,427,194**	1,415,600
	Depreciation		**96,508,645**	97,244,382
	Office general expenses		**452,512**	392,512
			149,433,547	149,694,110
			100,946,839	65,372,201

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

27 ADMINISTRATIVE EXPENSES

	Note	2015 Rupees	2014 Rupees
Salaries, allowances and employee benefits	**27.1**	**195,828,597**	195,122,910
Traveling and conveyance	**27.2**	**30,927,687**	26,484,383
Vehicle running expenses		**5,862,928**	7,755,456
Utilities		**16,810,053**	18,407,750
Advertisement and publicity		**2,421,914**	3,176,865
Postage, telegram, telephone and telex		**6,716,759**	6,766,528
Printing, stationery and periodical		**3,988,629**	3,752,436
Legal and professional charges		**8,844,908**	12,421,703
Consultancy, custodial and rating services		**9,461,184**	14,494,456
Auditor's remuneration	**27.3**	**1,660,000**	2,125,850
Repair and maintenance		**7,179,118**	6,620,638
Office and general expenses		**26,868,173**	29,515,670
Bank charges		**411,342**	613,562
Professional training		**2,536,959**	1,812,730
Depreciation		**22,442,471**	22,015,698
Donations		**-**	500,000
		341,960,722	351,586,635

27.1 This includes the followings staff benefits for the Group:

27.1.1 Rs. 5.198 million (2014: Rs. 4.365 million) on account of employee provident fund expense;
27.1.2 Rs. 5.499 million (2014: Rs. 4.768 million) on account of gratuity expense (also refer note 33.5); and
27.1.3 Rs. 2.156 million (2014: Rs. 2.158 million) on account of compensated absences expense.

27.2 This includes payments made to Directors of the Company for attending Board / Board's committee meetings amounting to Rs. 19.511 million (2014: Rs. 14.416 million).

		2015 Rupees	2014 Rupees
27.3	**Auditors' remuneration**		
	Audit fee - Parent	**857,000**	770,000
	- Subsidiaries	**500,000**	825,000
	Half yearly review	**110,000**	200,000
	Code of Corporate Governance review	**33,000**	30,000
	Fee for regulatory return / certifications	**-**	50,000
	Out of pocket expenses	**160,000**	250,850
		1,660,000	2,125,850
28	**OTHER PROVISIONS/(REVERSALS)/WRITE OFFS**		
	Provisions against non banking assets acquired in satisfaction of claims - net	**13,512,000**	(38,012,563)
		13,512,000	(38,012,563)
29	**OTHER CHARGES**		
	Penalties imposed by the State Bank of Pakistan	**583,000**	270,000
30	**TAXATION**		
	– Current year	**236,922,335**	119,940,047
	– Super tax	**39,563,744**	-
	– Prior years	**(9,681,259)**	265,511
	– Deferred	**(7,076,696)**	124,479,360
		259,728,124	244,684,918
30.1	**Relationship between tax expense and accounting Loss**		
	Accounting profit for the year	**991,995,765**	1,188,046,255
	Tax rate	**32%**	33%
	Tax on accounting profit	**317,438,645**	392,055,264
	Tax effect on income subject to lower rate of taxation	**(96,173,493)**	(108,605,826)
	Tax effect of prior years	**(9,708,696)**	-
	Impact of super tax	**39,563,744**	-
	Impact of change in tax rate	**(65,542,641)**	-
	Others	**74,150,565**	(38,764,520)
		259,728,124	244,684,918

30.2 Tax status

Through Finance Act, 2015, a new section 4B has been introduced in the Income Tax Ordinance, 2001, according to which a one time super tax has been imposed for tax year 2015 on the income of individuals, association of persons and companies which are earning income of Rs. 500 million or above in the tax year 2015. Super tax has been charged at the rate of 3% for persons other that banking companies.

	Note	2015 Rupees	2014 Rupees
31 BASIC AND DILUTED EARNING PER SHARE			
Profit for the year attributable equity holders of the company - Rupees		**732,267,641**	1,080,603,140
Weighted average number of ordinary shares - Number		**660,000,000**	660,000,000
Basic and diluted earning per share - Rupees		**1.109**	1.637
32 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	**6**	**64,573,297**	48,584,577
Balance with other banks	**7**	**761,486,417**	702,528,078
		826,059,714	751,112,655
33 EMPLOYEE BENEFITS – Staff gratuity			
33.1 The amounts recognized in the statements of consolidated statement of financial position are determined as follows:			
Present value of defined benefit obligation	**33.3**	**28,824,202**	22,315,360
Fair value of plan assets	**33.4**	**(26,668,758)**	6,891,926
	18.3	**2,155,444**	29,207,286
33.2 Movement in the net defined benefit obligation in the consolidated statement of financial position are determined as follows:			
Opening balance		**29,207,286**	26,695,960
Impact of disposal of associate	**5.1**	**(3,944,771)**	-
Service cost		**25,262,515**	26,695,960
Interest cost			
Actuarial loss / (gain)		**5,499,132**	4,768,278
Contributions		**(5,108,500)**	(6,122,000)
Benefits payable to outgoing members		**(25,636,982)**	(470,183)
Benefits paid		**2,139,279**	4,335,231
Closing balance		**2,155,444**	29,207,286

		Note	2015 Rupees	2014 Rupees
34.3	**The amounts recognized in the consolidated profit and loss account are as follows:**			
	Opening balance		22,315,360	14,851,131
	Elimination of SPLCL	5.1	3,858,403	-
	Opening balance - adjusted		26,173,763	14,851,131
	Service cost		3,132,555	1,701,912
	Interest cost		2,486,512	2,167,961
	Actuarial loss		2,177,297	4,758,471
	Benefits payable to outgoing members		(5,108,500)	(6,122,000)
	Experience adjustment		(37,425)	15,174
	Benefits paid		-	4,942,711
	Closing balance		28,824,202	22,315,360
33.4	**Movements in the fair value of plan assets**			
	Fair value of plan assets at the beginning of the year		(6,891,926)	(11,844,829)
	Elimination of SPLCL	5.1	7,802,874	-
	Fair value of plan assets at the beginning of the year - adjusted		910,948	(11,844,829)
	Interest income on plan assets		119,935	(459,372)
	Actual contribution by employer		462,585	470,183
	Actual benefits paid from the fund during the year		25,174,397	4,942,711
	Experience adjustments		893	(619)
	Fair value of plan assets at end of the year		26,668,758	(6,891,926)
33.5	**The amounts recognized in the consolidated profit and loss account are as follows:**			
	Service cost		3,132,555	1,701,912
	Interest cost		2,486,512	2,167,961
	Interest income on plan asset		(119,935)	77,164
	Expected return on plan assets		-	821,241
		27.1.2	5,499,132	4,768,278

		2015	2014
33.6	**The principal actuarial assumptions used are as follows:**		
	Discount rate	9% - 10.5%	10.5% - 12.5%
	Expected rate of increase in salary	7% - 8%	8.5% - 9.5%
	Expected interest on plan assets	-	-
	Mortality rate	SLIC (2001-05)-1	SLIC (2001-2005)-1

34 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2015	2014	**2015**	2014	**2015**	2014
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Fees	**-**	-	**4,090,660**	3,367,554	**-**	-
Managerial remuneration	**13,737,097**	12,571,427	**-**	-	**28,310,290**	27,626,362
Post employment benefits	**1,198,710**	720,000	**-**	-	**2,749,277**	2,387,057
Utilities, rent and house maintenance	**7,527,818**	6,178,096	**-**	-	**16,383,579**	14,795,427
Medical	**407,973**	144,677	**-**	-	**3,899,390**	3,359,242
Bonus and others	**9,952,844**	5,819,984	**-**	-	**25,939,374**	18,295,767
	32,824,442	25,434,184	**4,090,660**	3,367,554	**77,281,910**	66,463,855
Number of persons	**2**	3	**12**	18	**34**	35

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

35 DERIVATINE INSTRUMENTS

The Group does not deal in derivative instruments.

36 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance 2015 Rs. in mn	**Trading and sales 2015 Rs. in mn**	**Real Estate services 2015 Rs. in mn**	**Total 2015 Rs. in mn**
Total income	**652.02**	**1,584.56**	**280.92**	**2,517.50**
Total expenses	**399.71**	**953.05**	**172.75**	**1,525.50**
Net income	**252.31**	**631.51**	**108.17**	**991.99**
Segment assets	**10,982.81**	**14,969.73**	**3,104.26**	**29,056.80**
Segment non performing loans	**4,419.45**	**112.06**	**-**	**4,531.51**
Segment provision required	**3,607.32**	**102.14**	**-**	**3,709.46**
Segment liabilities	**5,093.47**	**7,423.92**	**841.41**	**13,358.80**
Segment Return On net Assets (ROA) (%)	**2.30**	**4.22**	**3.48**	**3.41**
Segment cost of funds (%)	**3.64**	**6.37**	**5.56**	**5.25**

	Corporate Finance 2014 Rs. in mn	Trading and sales 2014 Rs. in mn	Real Estate services 2014 Rs. in mn	Total 2014 Rs. in mn
Total income	825.37	1,304.26	243.24	2,372.86
Total expenses	401.24	612.59	170.99	1,184.82
Net income	424.13	691.67	72.25	1,188.04
Segment assets	12,913.00	12,778.51	2,799.19	28,490.69
Segment non performing loans	3,959.62	79.74	-	4,039.36
Segment provision required	3,383.43	48.57	-	3,431.99
Segment liabilities	6,161.03	6,363.59	776.85	13,301.47
Segment Return On net Assets (ROA) (%)	3.28	5.41	2.58	4.17
Segment cost of funds (%)	3.11	4.79	6.11	4.16

Assumptions used:

– Administrative expenses have been allocated to segments based on respective segment income.

– Unallocatable assets representing 6.19 % (2014: 6.76 %) of the total assets have been allocated to segments based on their respective incomes.

– Unallocatable liabilities representing 3.28 % (2014: 5.09 %) of the total liabilities have been allocated to segments based on their respective assets.

37 RELATED PARTY TRANSACTIONS

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

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

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

37.2 Following are the transactions and balances with related parties

	2015 Rupees	2014 Rupees
Nature of balances / transactions		
Outstanding balances at year end with subsidiary company/ associated undertakings		
Saudi Pak Leasing Company Limited (subsidiary company)		
– Investments – cost	**243,467,574**	-
– Investment in preference shares - cost	**333,208,501**	-
– Rent receivable	**46,585**	-
– Rent payable for generator	**30,000**	-
Key management personnel		
– Advances to executives	**19,854,500**	8,164,200
Employee funds		
– Deposits against COIs- employee funds	**7,000,000**	7,000,000
– Interest payable- employee funds	**50,486**	72,877
– Contribution payable- staff gratuity fund	**2,090,658**	-
Transactions during the year with subsidiary company/ associated undertakings		
Saudi Pak Leasing Company Limited (subsidiary company)		
– Borrowing availed	**32,000,000**	-
– Maturity of borrowing	**50,000,000**	-
– Interest expensed	**2,548,143**	-
– Rent received	**512,435**	-
– Rent paid for generator	**130,630**	-

	2015 Rupees	2014 Rupees
Key Management Personnel		
– Advances to executives	**19,854,500**	8,164,200
– Repayment of advances	**12,457,487**	9,884,733
Employee funds		
– Maturity of deposits against COIs	**-**	3,000,000
– Contribution to the employees provident fund/ gratuity fund	**5,659,164**	5,200,481
– Interest expense	**675,691**	809,761
– Contribution to the staff gratuity fund	**25,174,397**	-

On April 28, 2015 the Company allotted 60 million bonus shares of Rs. 10 each to Government of Pakistan and Government of Kingdom of Saudi Arabia in proportion to their respective shareholdings. For further details please refer to note 19 of the consolidated financial statements.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity as carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient relaibility due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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 these are either short term in nature or, in the case of deposits, are frequently pre-priced.

38.1 On balance sheet financial instruments

	Note	BOOK VALUE							FAIR VALUE				
		Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
		2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
Financial assets measured at fair value													
- Investments													
Government Securities (T bills and PIBs)		9,277,224,873	-	-	-	-	-	9,277,224,873	-	9,953,592,333	-	-	9,953,592,333
Ordinary shares of listed companies		1,127,935,762	-	-	-	-	-	1,127,935,762	1,319,276,234	-	-	-	1,319,276,234
Debt securities (Listed TFCs)		69,842,575	445,672,267	-	-	-	-	515,514,842	516,841,568	-	-	-	516,841,568
Investment in mutual fund		-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value													
- Cash and bank balances with treasury banks	38.2	-	-	-	-	64,573,297	-	64,573,297	-	-	-	64,573,297	64,573,297
- Balances with other banks	38.2	-	-	-	-	761,486,417	-	761,486,417	-	-	-	761,486,417	761,486,417
- Lending to financial institutions	38.2	-	-	-	180,000,000	-	-	180,000,000	-	-	-	180,000,000	180,000,000
- Advances	38.2	-	-	-	6,674,995,524	-	-	6,674,995,524	-	-	-	6,674,995,524	6,674,995,524
- Other assets	38.2	-	-	-	-	571,125,734	-	571,125,734	-	-	-	571,125,734	571,125,734
- Equity security securities unlisted		412,530,982	-	-	-	-	-	412,530,982	-	-	-	412,530,982	412,530,982
- Subsidiaries													
Unlisted shares		-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value													
- Deposits	38.3	-	-	-	-	-	7,000,000	7,000,000	-	-	-	7,000,000	7,000,000
- Borrowings	38.3	-	-	-	-	-	12,010,452,912	12,010,452,912	-	-	-	12,010,452,912	12,010,452,912
- Other Liabilities	38.3	-	-	-	-	-	463,155,590	463,155,590	-	-	-	463,155,590	463,155,590

	BOOK VALUE							FAIR VALUE				
	Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
Financial assets measured at fair value												
- Investments												
Government Securities (T bills and PIBs)	7,185,591,050	19,267,566	-	-	-	-	7,204,858,616	-	7,230,390,208	-	19,267,566	7,249,657,774
Ordinary shares of listed companies	946,634,053	-	19,721,387	-	-	-	966,355,440	1,272,032,496	-	-	-	1,272,032,496
Debt securities (Listed TFCs)	102,233,271	841,709,638	-	-	-	-	943,942,909	940,788,186	-	-	-	940,788,186
Investment in mutual fund	50,000,000	-	4,000,000	-	-	-	54,000,000	62,842,827	-	-	-	62,842,827
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	-	48,584,577	-	48,584,577	-	-	-	48,584,577	48,584,577
- Balances with other banks	-	-	-	-	702,528,078	-	702,528,078	-	-	-	702,528,078	702,528,078
- Lending to financial institutions	-	-	-	-	900,000,000	-	900,000,000	-	-	-	900,000,000	900,000,000
- Advances	-	-	-	6,588,745,208	-	-	6,588,745,208	-	-	-	6,588,745,208	6,588,745,208
- Other assets	-	-	-	-	815,906,555	-	815,906,555	-	-	-	815,906,555	815,906,555
- Equity security securities unlisted	477,303,687	-	-	-	-	-	477,303,687	-	-	-	477,303,687	477,303,687
- Subsidiaries												
Unlisted shares	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value												
- Deposits	-	-	-	-	-	577,975,620	577,975,620	-	-	-	577,975,620	577,975,620
- Borrowings	-	-	-	-	-	11,224,671,255	11,224,671,255	-	-	-	11,224,671,255	11,224,671,255
- Other Liabilities	-	-	-	-	-	697,814,291	697,814,291	-	-	-	697,814,291	697,814,291

On Balance sheet financial instruments

The bank measures fair values using the following fair values heirarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Fair value measurement using quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

38.2 The Company has not disclosed the fair value for these financial assets and liabilities, as these are for short term and or re-priced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

38.3 The Company's policy is to recognise transfer into and out of the different fair value heirarchy levels at the date, the event or change in circumstances, that caused the transfer occurred. There were no transfers between level 1 and level 2 during the year.

38.4 Currently no financial instruments are classified in level 3.

39 CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

39.1 Capital Adequacy

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

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

The overall focus of risk and capital management throughout 2015 was on maintaining Saudi Pak's risk profile in line with the Company's risk strategy, increasing its capital base and supporting its strategic management initiatives with a focus on balance sheet optimization.

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

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

The leverage ratio of the Company is 31.84% (2014: 30.41%), The total tier 1 capital is Rs. 8,175.164 million (2014: Rs. 7,593.068 million) and the total exposure is Rs. 25,622.439 million (2014: Rs. 24,971.089 million).

39.2 Scope Of Application

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

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

Persuant to exemption by Security and Exchange Commission of Pakistan (refer note 5.1) and confirmed by the State Bank of Pakistan (SBP), SPLCL has not consolidated for BASEL III reporting and disclosure requirements for the year ended December 31, 2015.

39.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31

S.No	Common Equity Tier 1 capital (CET1): Instruments and reserves	2015 Rs. 000	2014 Rs. 000
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,000,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	1,064,668	919,927
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,715,039	1,666,254
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	195,000
9	CET 1 before Regulatory Adjustments	9,379,707	8,781,181
10	Total regulatory adjustments applied to CET1 (Note 39.3.1.1)	(1,343,841)	(1,188,113)
11	Common Equity Tier 1	8,035,866	7,593,068
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 39.3.1.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	8,035,866	7,593,068
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	1,181,141	765,404
29	of which: Unrealized gains/losses on AFS	401,755	245,219
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before regulatory adjustments	1,582,896	1,010,623
33	Total regulatory adjustment applied to T2 capital (Note 39.3.1.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	1,582,896	1,010,623
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	9,618,762	8,603,691
39	Total Risk Weighted Assets (RWA) (Note 39.6)	22,379,789	23,042,513
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	35.91%	32.95%
41	Tier-1 capital to total RWA	35.91%	32.95%
42	Total capital to total RWA	42.98%	37.34%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	5.50%
49	Tier 1 minimum ratio	7.50%	7.00%
50	Total capital minimum ratio	10.00%	10.00%

39.3.1 Regulatory Adjustments and Additional Information

39.3.1.1 Common Equity Tier 1 capital: Regulatory adjustments

	2015 Rs. 000	2015 Amounts subject to Pre-Basel III treatment Rs. 000	2014 Rs. 000
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	(6,182)	-	(6,047)
3 Shortfall in provisions against classified assets	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	(14,287)
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	(1,337,659)	-	(1,167,779)
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(1,343,841)	-	(1,188,113)

39.3.1.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

	2015 Rs. 000	2015 Amounts subject to Pre-Basel III treatment Rs. 000	2014 Rs. 000
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-

39.3.1.3 Tier 2 Capital: regulatory adjustments

	2015 Rs. 000	2015 Amounts subject to Pre-Basel III treatment Rs. 000	2014 Rs. 000
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-	-

		2015 Rs. 000	2014 Rs. 000
39.3.1.4	**Additional Information**		
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.4 Capital Structure Reconciliation

39.4.1 Step-I of Capital Structure Reconciliation

	2015	
	Balance sheet as in published financial statements Rs. 000	Under regulatory scope of consolidation Rs. 000
ASSETS		
Cash and balances with treasury banks	64,573	64,560
Balances with other banks	761,486	758,317
Lendings to financial institutions	180,000	180,000
Investments	12,202,241	12,702,241
Advances	6,674,996	6,674,954
Operating fixed assets	2,885,893	2,738,965
Deferred tax assets	-	-
Other assets	2,302,444	1,968,434
Development properties	192,849	-
TOTAL ASSETS	25,264,482	25,087,472
LIABILITIES AND EQUITY		
Bills payable	-	-
Borrowings	12,010,453	12,010,453
Deposits and other accounts	7,000	7,000
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	878,195	878,195
Other liabilities	463,156	449,586
TOTAL LIABILITIES	13,358,803	13,345,234
Share capital	6,600,000	6,600,000
Reserves	1,064,668	1,064,668
Unappropriated/ Unremitted profit	1,878,480	1,715,039
Minority Interest	-	-
Surplus on revaluation of assets	2,362,531	2,362,531
TOTAL EQUITY	11,905,679	11,742,238
TOTAL LIABILITIES AND EQUITY	25,264,482	25,087,472

39.4.2 Step-II of Capital Structure Reconciliation

	2015 Balance sheet as in published financial statements Rs. 000	2015 Under regulatory scope of consolidation Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	64,573	64,560	
Balanced with other banks	761,486	758,317	
Lending to financial institutions	180,000	180,000	
Investments	12,202,241	12,702,241	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	
of which: Mutual Funds exceeding regulatory threshold	-	-	
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	
of which: others (mention details)	-	-	
Advances	6,674,996	6,674,954	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	-	-	
Fixed Assets	2,885,893	2,738,965	
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	(a)
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	2,302,444	1,968,434	
of which: Goodwill	-	-	
of which: Intangibles	6,182	6,182	(b)
of which: Defined-benefit pension fund net assets	-	-	
Development properties	192,849	-	
TOTAL ASSETS	25,264,482	25,087,472	
LIABILITIES AND EQUITY			
Bills payable	-	-	
Borrowings	12,010,453	12,010,453	
Deposits and other accounts	7,000	7,000	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	878,195	878,195	
of which: DTLs related to goodwill	-	-	
of which: DTLs related to intangible assets	-	-	(c)
of which: DTLs related to defined pension fund net assets	-	-	
of which: other deferred tax liabilities	-	-	
Other liabilities	463,156	449,586	
TOTAL LIABILITIES	13,358,803	13,345,234	
Share capital	6,600,000	6,600,000	
of which: amount eligible for CET1	6,600,000	6,600,000	(d)
of which: amount eligible for AT1	-	-	
Reserves	1,064,668	1,064,668	
of which: portion eligible for inclusion in CET1(provide breakup)	1,064,668	1,064,668	(e)
of which: portion eligible for inclusion in Tier 2	-	-	
Unappropriated profits	1,878,480	1,715,039	(f)
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	
of which: portion eligible for inclusion in AT1	-	-	
of which: portion eligible for inclusion in Tier 2	-	-	
Surplus on revaluation of assets	2,362,531	2,362,531	
of which: Revaluation reserves on Fixed Assets	1,762,897	1,762,897	(g)
of which: Unrealized Gains/Losses on AFS	599,634	599,634	
In case of Deficit on revaluation (deduction from CET1)	-	-	
TOTAL LIABILITIES AND EQUITY	25,264,482	25,087,472	

39.4.3 Step- III of Capital Structure Reconciliation

		2015 Component of regulatory capital reported by Company Rs. 000	2015 Source based on reference from step II
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	(d)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	1,064,668	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	1,715,039	(f)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	
8	**CET 1 before Regulatory Adjustments**	9,379,707	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	(6,182)	(b) - (c)
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	(a)
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	(1,337,659)	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	(1,343,841)	
31	**Common Equity Tier 1**	8,035,866	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	
34	of which: Classified as liabilities	-	
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	-	

39.4.3 Step- III of Capital Structure Reconciliation (Continued)

		2015	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	8,035,866	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	1,181,141	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	401,755	
57	Foreign Exchange Translation Reserves	-	
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	1,582,896	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,582,896	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	9,618,762	

39.5 Main features of Regulatory Capital Instrument

S.No	Main Features	Common Shares	Explanation
1	Issuer		Saudi Pak Industrial and Agricultural Investment Company Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	b	N/A
3	Governing law(s) of the instrument	N/A	Companies Ordinance 1984, Banking Companies Ordinance 1962
	Regulatory treatment	b	
4	Transitional Basel III rules		
5	Post-transitional Basel III rules	b	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	b	Common Equity Tier 1
7	Instrument type	b	Group and Solo
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	b	Ordinary shares
9	Par value of instrument	b	6,600,000
10	Accounting classification	b	PKR 10
11	Original date of issuance	b	Shareholders' equity
12	Perpetual or dated	b	1981 to 2015
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	No Maturity
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends	N/A	N/A
17	Fixed or floating dividend/ coupon		
18	coupon rate and any related index/ benchmark	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A	No
21	Existence of step up or other incentive to redeem	b	Fully discretionary
22	Noncumulative or cumulative	N/A	No
23	Convertible or non-convertible	N/A	Non cumulative
24	If convertible, conversion trigger (s)	N/A	Non convertible
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	No
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	b	No
		N/A	N/A

39.6 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
CREDIT RISK	**2015** Rs. 000	2014 Rs. 000	**2015** Rs. 000	2014 Rs. 000
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	**-**	-	**-**	-
Sovereign	**-**	-	**-**	-
Public Sector entities	**-**	-	**-**	-
Banks	**33,833**	44,855	**241,663**	320,392
Corporate	**785,443**	777,089	**5,610,306**	5,550,638
Retail	**739**	2,891	**5,281**	20,648
Residential Mortgages	**1,643**	250	**11,739**	1,784
Past Due loans	**164,195**	92,139	**1,172,825**	658,137
Operating Fixed Assets	**383,216**	324,033	**2,737,259**	2,314,519
Other assets	**1,006,911**	1,049,644	**7,192,221**	7,497,455
	2,375,980	2,290,901	**16,971,295**	16,363,573
Portfolios subject to Internal Rating Based (IRB) Approach	**-**	-	**-**	-
Total- on balance sheet portfolio for credit risk	**2,375,980**	2,290,901	**16,971,295**	16,363,573
Off-Balance sheet				
Non-market related	**57,395**	251,265	**409,967**	1,794,751
Market related	**-**	-	**-**	-
	57,395	251,265	**409,967**	1,794,751
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	**-**	-	**-**	-
Under Internal models approach	**-**	-	**-**	-
Total- off balance sheet portfolio for credit risk	**57,395**	251,265	**409,967**	1,794,751
TOTAL CREDIT RISK	**2,433,375**	2,542,166	**17,381,262**	18,158,324

	Capital Requirements		Risk Weighted Assets	
	2015	2014	**2015**	2014
	Rs. 000	Rs. 000	**Rs. 000**	Rs. 000
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**69,425**	87,831	**495,894**	627,364
Equity position risk	**368,697**	372,356	**2,633,552**	2,659,688
Foreign Exchange risk	**2,678**	2,965	**19,132**	21,175
	440,800	463,152	**3,148,578**	3,308,226
Capital Requirement for portfolios subject to Internal Models Approach	**-**	-	**-**	-
TOTAL MARKET RISK	**440,800**	463,152	**3,148,578**	3,308,226
OPERATIONAL RISK				
Capital Requirement for operational risks	**258,993**	220,635	**1,849,949**	1,575,963
TOTAL OPERATIONAL RISK	**258,993**	220,635	**1,849,949**	1,575,963
TOTAL	**3,133,168**	3,225,953	**22,379,789**	23,042,513

	2015		2014	
Capital Adequacy Ratios	**Required**	**Actual**	Required	**Actual**
CET1 to total RWA	**6.00%**	35.91%	5.50%	32.95%
Tier-1 capital to total RWA	**7.50%**	35.91%	7.00%	32.95%
Total capital to total RWA	**10.00%**	42.98%	10.00%	37.34%

40 RISK MANAGEMENT

The Group realizes the importance of risk management. We, as a Group, have independent and dedicated risk management functions. A comprehensive risk management framework has been adopted. It is based on three lines of defense strategy to cater micro, macro and strategic level risk management. Risk Management Division has been set up primarily to carry out independent review functions in terms of credit risk, market risk, operational risk and liquidity risk. Stress testing is regularly conducted on the lines advised by the State Bank of Pakistan. Risk Management Committee of the Board has also been constituted and a structured Risk Reporting Framework is being developed and implemented as a part of monitoring and oversight function of the Board. Capital adequacy level is regularly assessed and reviewed with approved bench mark of 20 percent as against regulatory requirement of 14 percent.

The higher level of bench marking is aimed at strengthening capital base of the Group, besides providing an impeccable buffer/ cushion to absorb and withstand against unexpected macro economic shocks and unexpected losses. It is also used to asses overall risk appetite of the Group that in turn will be used to asses credit, market and operational risk appetite.

40.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation. The Group controls its credit risk by the following methods:

- Monitoring credit exposures;
- Evaluating transactions with specific counterparts; and
- Assessing credit worthiness of counterparts.

Two sets of guidelines are followed by the management for managing credit risk. Operating policy approved by the Board of Directors and Prudential Regulations issued by State Bank of Pakistan.

The operating policy defines the extent of exposure with reference to a particular sector or group. The management also classified a particular financing on the basis of SBP guidelines.

40.1.1 Segmental information

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

40.1.1.1 Segments by class of business:

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	603,500	6.88	-	-	-	-
Paper and allied	390,476	4.45	-	-	-	-
Electrical goods	500,000	5.70	-	-	-	-
Dairy and poultry	542,847	6.19	-	-	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	543,114	6.19	-	-	-	-
Chemical and fertilizer	145,331	1.66	-	-	-	-
Energy, oil and gas	1,414,768	16.12	-	-	100,000	18.69
Construction	668,086	7.61	-	-	-	-
Hotels	235,496	2.68	-	-	-	-
Cement	339,606	3.87	-	-	-	-
Textile	1,594,423	18.17	-	-	400,000	74.77
Metal and allied products	640,190	7.30	-	-	-	-
Automobiles and allied	284,421	3.24	-	-	-	-
Transport/services and misc.	12,918	0.15	-	-	-	-
Telecommunication	-	-	-	-	-	-
Others	859,009	9.79	7,000	100.00	34,967	6.54
	8,774,185	100.00	7,000	100.00	534,967	100.00

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	303,500	3.03	-	-	300,000	17.51
Paper and allied	143,194	1.43	31,235	5.40	350,000	20.43
Electrical goods	12,227	0.12	4,734	0.82	-	-
Dairy and poultry	86,204	0.86	5,649	0.98	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	855,850	8.54	659	0.11	-	-
Chemical and fertilizer	315,370	3.15	10,639	1.84	-	-
Energy, oil and gas	1,281,618	12.79	14,131	2.44	-	-
Construction	939,541	9.38	60,368	10.44	-	-
Hotels	255,542	2.55	4,897	0.85	-	-
Cement	521,164	5.20	23,200	4.01	-	-
Textile	2,349,568	23.45	86,357	14.94	350,000	20.43
Metal and allied products	567,004	5.66	42,023	7.27	500,000	29.18
Automobiles and allied	294,371	2.94	-	-	-	-
Transport/services and misc.	663,249	6.62	61,694	10.67	-	-
Telecommunication	260,284	2.60	49,916	8.64	-	-
Others	1,172,049	11.70	182,474	31.57	213,217	12.45
	10,020,735	100.00	577,976	100.00	1,713,217	100.00

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

	2015		2014	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Financial institutions	**103,500**	**103,500**	103,500	103,500
Paper and allied	**40,476**	**40,476**	111,959	105,128
Electrical goods	**-**	**-**	7,493	7,493
Dairy and poultry	**42,847**	**42,847**	80,554	56,740
Banaspati and allied	**-**	**-**	-	-
Sugar and allied products	**243,114**	**43,114**	-	-
Chemical and fertilizer	**28,748**	**14,973**	35,468	27,466
Energy, oil and gas	**165,029**	**165,029**	338,713	280,746
Construction	**664,086**	**161,376**	355,424	245,603
Hotels	**-**	**-**	12,505	7,085
Cement	**116,207**	**116,207**	142,588	142,588
Textile	**801,055**	**801,055**	1,193,758	1,103,570
Metal and metal products	**172,438**	**172,438**	289,546	279,881
Automobiles and allied	**281,871**	**281,871**	294,371	233,396
Transport/services	**12,918**	**12,918**	589,712	431,696
Telecommunication	**-**	**-**	209,173	200,466
Others	**143,386**	**143,386**	274,594	206,632
	2,815,675	**2,099,190**	4,039,358	3,431,990

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

	2015		2014	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Public/Government sector	**-**	**-**	-	-
Private sector	**2,815,675**	**2,099,190**	4,039,358	3,431,990
	2,815,675	**2,099,190**	4,039,358	3,431,990

40.1.1.5 Geographical segment analysis

	2015			
	Profit before taxation Rs. 000	**Total assets employed Rs. 000**	**Net assets employed Rs. 000**	**Contingencies and commitments Rs. 000**
Pakistan	**991,996**	**25,264,482**	**11,905,679**	**534,967**
Asia Pacific (including South Asia)	**-**	**-**	**-**	**-**
Europe	**-**	**-**	**-**	**-**
United States of America and Canada	**-**	**-**	**-**	**-**
Middle East	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**
	991,996	**25,264,482**	**11,905,679**	**534,967**

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan	1,188,046	23,413,993	10,112,523	1,713,217
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	1,188,046	23,413,993	10,112,523	1,713,217

40.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus, the market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

40.2.1 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group has formulated and developed interest rate risk policies, processes and procedural guidelines, proposing interest rate limits, credit spreads, gaps and duration limits between interest sensitive assets and interest sensitive liabilities, conducting gap analysis, determining the effects of mismatching positions across the range of maturities as well as identifying and maintaining the record of the transactions that would be treated as regarding trade book portfolio for the purpose of assigning market risk capital charge. Besides, the need and requirement of setting up an independent middle office is also being evaluated.

Risk management division is responsible for conducting independent review of interest rate sensitive assets, and liabilities, monitoring of interest rate and gap limits, reporting breaches and conducting stress testing on the lines advised by SBP.

40.2.2 Foreign exchange risk

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

The risk is very nominal because of the nature of the existing operations of the Group and is primarily attributable to the foreign currency assets, held in the form of foreign currency deposits with other banks. The Group manages its foreign exchange risk by keeping the data on foreign currency assets and liabilities, proposing limits, planning and determining yield as well as hedging the risk in the case of adverse movement in currency exchange rates and identifies the transactions which will be subject to market risk capital charge.

40.2.2 Foreign Exchange risk (continued)

	Assets 2015 Rs. 000	**Liabilities 2015 Rs. 000**	**Off-balance sheet items 2015 Rs. 000**	**Net currency exposure 2015 Rs. 000**
Pakistan Rupee	**25,245,350**	**13,358,803**	**534,967**	**11,351,580**
United States Dollar	**19,132**	**-**	**-**	**19,132**
Great Britain Pound	**-**	**-**	**-**	**-**
Deutsche Mark	**-**	**-**	**-**	**-**
Japanese Yen	**-**	**-**	**-**	**-**
Euro	**-**	**-**	**-**	**-**
Other currencies	**-**	**-**	**-**	**-**
	25,264,482	**13,358,803**	**534,967**	**11,370,712**

	Assets 2014 Rs. 000	Liabilities 2014 Rs. 000	Off-balance sheet items 2014 Rs. 000	Net currency exposure 2014 Rs. 000
Pakistan Rupee	23,392,816	13,301,469	1,713,217	8,378,130
United States Dollar	21,177	-	-	21,177
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	23,413,993	13,301,469	1,713,217	8,399,307

40.2.3 Equity position Risk

The Group has established a Portfolio Management Division which is responsible for origination, conducting , appraisal of equity investment proposals, proposing business appetite and tolerance levels, getting approval of various limits, determining target market and products, updating approval process within and beyond approved limits, proposing and implementing emergency measures dealing with market fluctuations, handling day to day matters of the equity portfolio and maintaining relevant record and information as well as handling day to day matters with brokers, clients and scrips.

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	64,573,297	-	-	-	-	-	-	-	-	-	64,573,297
Balances with other banks	4.00	761,486,417	751,661,741	-	-	-	-	-	-	-	-	9,824,676
Lending to financial institutions	8.18	180,000,000	180,000,000	-	-	-	-	-	-	-	-	-
Investments	10.82	12,202,241,117	170,812,451	126,889,202	743,239,406	-	373,451,400	813,660,864	6,059,442,878	2,182,937,700	-	1,731,807,216
Advances	9.68	6,674,995,524	207,108,357	5,273,261,047	921,588,193	232,766,870	2,708,039	-	-	37,563,018	-	-
Other assets	-	1,017,884,734	-	-	-	-	-	-	-	-	-	1,017,884,734
		20,901,181,089	1,309,582,549	5,400,150,249	1,664,827,599	232,766,870	376,159,439	813,660,864	6,059,442,878	2,220,500,718	-	2,824,089,923
Liabilities												
Borrowings from financial institutions	6.70	12,010,452,912	5,715,000,000	3,300,000,000	2,777,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	-
Deposits and other accounts	6.75	7,000,000	-	-	7,000,000	-	-	-	-	-	-	-
Other liabilities	-	190,457,072	-	-	-	-	-	-	-	-	-	190,457,072
		12,207,909,984	5,715,000,000	3,300,000,000	2,784,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	190,457,072
On-balance sheet gap		8,693,271,105	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,494,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,633,632,851
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
							-					
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		8,693,271,105	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,494,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,633,632,851
Cumulative yield/interest risk sensitivity gap		-	(4,405,417,451)	(2,305,267,202)	(3,424,712,147)	(3,219,217,821)	(2,897,603,470)	(2,138,487,694)	3,839,137,536	6,059,638,254	6,059,638,254	8,693,271,105

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	64,573,297	-	-	-	-	-	-	-	-	-	64,573,297
Balances with other banks	4.00	761,486,417	751,661,741	-	-	-	-	-	-	-	-	9,824,676
Lending to financial institutions	8.18	180,000,000	180,000,000	-	-	-	-	-	-	-	-	-
Investments	10.82	12,202,241,117	170,812,451	126,889,202	743,239,406	-	373,451,400	813,660,864	6,059,442,878	2,182,937,700	-	1,731,807,216
Advances	9.68	6,674,995,524	207,108,357	5,273,261,047	921,588,193	232,766,870	2,708,039	-	-	37,563,018	-	-
Other assets	-	1,017,884,734	-	-	-	-	-	-	-	-	-	1,017,884,734
		20,901,181,089	1,309,582,549	5,400,150,249	1,664,827,599	232,766,870	376,159,439	813,660,864	6,059,442,878	2,220,500,718	-	2,824,089,923
Liabilities												
Borrowings from financial institutions	6.70	12,010,452,912	5,715,000,000	3,300,000,000	2,777,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	-
Deposits and other accounts	6.75	7,000,000	-	-	7,000,000	-	-	-	-	-	-	-
Other liabilities	-	190,457,072	-	-	-	-	-	-	-	-	-	190,457,072
		12,207,909,984	5,715,000,000	3,300,000,000	2,784,272,544	27,272,544	54,545,088	54,545,088	81,817,648	-	-	190,457,072
On-balance sheet gap		8,693,271,105	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,494,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,633,632,851
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
							-					
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		8,693,271,105	(4,405,417,451)	2,100,150,249	(1,119,444,945)	205,494,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	-	2,633,632,851
Cumulative yield/interest risk sensitivity gap		-	(4,405,417,451)	(2,305,267,202)	(3,424,712,147)	(3,219,217,821)	(2,897,603,470)	(2,138,487,694)	3,839,137,536	6,059,638,254	6,059,638,254	8,693,271,105

40.3 Liquidity risk

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

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

40.3.1 Maturities of assets and liabilities

		MATURITIES								
	Total 2015 Rupees	Upto 1 month 2015 Rupees	Over 1 - 3 months 2015 Rupees	Over 3 - 6 months 2015 Rupees	Over 6 - 12 months 2015 Rupees	Over 1 - 2 years 2015 Rupees	Over 2 - 3 years 2015 Rupees	Over 3-5 years 2015 Rupees	Over 5-10 years 2015 Rupees	Above 10 years 2015 Rupees
Assets										
Cash and balances with treasury banks	64,573,297	64,573,297	-	-	-	-	-	-	-	-
Balances with other banks	761,486,417	761,486,417	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	180,000,000	180,000,000	-	-	-	-	-	-	-	-
Investments	12,202,241,117	81,633,945	78,365,139	465,348,338	1,337,228,770	415,255,888	944,822,879	6,274,517,670	2,602,568,488	2,500,000
Advances	6,674,995,524	207,108,357	221,378,018	291,646,770	1,135,361,997	1,797,191,644	1,357,064,826	963,023,611	702,220,301	-
Operating fixed assets	2,885,892,566	10,484,590	20,969,180	31,449,994	62,794,157	125,211,666	124,282,333	242,497,326	376,509,845	1,891,693,475
Development properties	192,848,993	16,070,749	32,141,499	48,212,248	96,424,497	-	-	-	-	-
Other Assets	2,302,444,256	315,811,498	268,063,061	220,296,131	1,498,273,566	-	-	-	-	-
	25,264,482,170	1,637,168,853	620,916,897	1,056,953,481	4,130,082,987	2,337,659,198	2,426,170,038	7,480,038,607	3,681,298,634	1,894,193,475
Liabilities										
Borrowings	12,010,452,912	4,715,000,000	3,050,000,000	1,052,272,544	1,627,272,544	754,545,088	629,545,088	181,817,648	-	-
Deposits and other accounts	7,000,000	-	-	7,000,000	-	-	-	-	-	-
Deferred tax liabilities	878,194,901	7,318,292	21,954,876	21,954,876	43,909,751	87,819,502	87,819,502	175,639,004	219,548,755	212,230,343
Other Liabilities	463,155,590	34,194,791	68,389,583	54,433,962	299,453,354	-	-	2,005,170	4,678,730	-
	13,358,803,403	4,756,513,083	3,140,344,459	1,135,661,382	1,970,635,649	842,364,590	717,364,590	359,461,822	224,227,485	212,230,343
Net assets	11,905,678,767	(3,119,344,230)	(2,519,427,562)	(78,707,901)	2,159,447,338	1,495,294,608	1,708,805,448	7,120,576,785	3,457,071,149	1,681,963,132
Share capital	6,600,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,064,667,539	-	-	-	-	-	-	-	-	-
Unappropriated profitp	1,878,479,988	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	2,362,531,240	-	-	-	-	-	-	-	-	-
	11,905,678,767	-	-	-	-	-	-	-	-	-

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

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	%	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	48,584,577	-	-	-	-	-	-	-	-	-	48,584,577
Balances with other banks	7.00	702,528,078	664,409,300	-	-	535,986	-	-	-	-	-	37,582,792
Lending to financial institutions	10.86	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-	-
Investments	11.49	10,307,306,443	69,253,397	318,799,754	415,024,669	47,738,630	640,680,091	481,503,283	4,810,385,087	1,742,807,499	-	1,781,114,033
Advances	11.37	6,588,745,208	279,146,466	3,177,324,403	2,381,424,072	712,896,957	9,573,445	-	-	28,379,865	-	-
Other assets	-	915,836,555	-	-	-	-	-	-	-	-	-	915,836,555
		19,463,000,861	1,512,809,163	3,896,124,157	2,796,448,741	761,171,573	650,253,536	481,503,283	4,810,385,087	1,771,187,364	-	2,783,117,957
Liabilities												
Borrowings from financial institutions	10.10	11,224,671,255	5,446,186,465	2,055,275,722	2,694,975,932	506,434,571	281,180,069	79,400,420	133,945,516	27,272,560	-	-
Deposits and other accounts	9.59	577,975,620	-	30,000,000	-	541,919,294	6,056,326	-	-	-	-	-
Other liabilities	-	492,958,207	-	-	-	-	-	-	-	-	-	492,958,207
		12,295,605,082	5,446,186,465	2,085,275,722	2,694,975,932	1,048,353,865	287,236,395	79,400,420	133,945,516	27,272,560	-	492,958,207
On-balance sheet gap		7,167,395,779	(3,933,377,302)	1,810,848,435	101,472,809	(287,182,292)	363,017,141	402,102,863	4,676,439,571	1,743,914,804	-	2,290,159,750
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		7,167,395,779	(3,933,377,302)	1,810,848,435	101,472,809	(287,182,292)	363,017,141	402,102,863	4,676,439,571	1,743,914,804	-	2,290,159,750
Cumulative yield/interest risk sensitivity gap		-	(3,933,377,302)	(2,122,528,867)	(2,021,056,058)	(2,308,238,350)	(1,945,221,209)	(1,543,118,346)	3,133,321,225	4,877,236,029	4,877,236,029	7,167,395,779

40.3 Liquidity risk (continued)

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

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

40.3.1 Maturities of assets and liabilities

	Total 2014 Rupees	MATURITIES Upto 1 month 2014 Rupees	Over 1 - 3 months 2014 Rupees	Over 3 - 6 months 2014 Rupees	Over 6 - 12 months 2014 Rupees	Over 1 - 2 years 2014 Rupees	Over 2 - 3 years 2014 Rupees	Over 3-5 years 2014 Rupees	Over 5-10 years 2014 Rupees	Above 10 years 2014 Rupees
Assets										
Cash and balances with treasury banks	48,584,577	48,584,577	-	-	-	-	-	-	-	-
Balances with other banks	702,528,078	702,528,078	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	67,936,844	2,830,702	5,661,404	8,492,106	16,984,211	33,968,422	-	-	-	-
Lending to financial institutions	900,000,000	500,000,000	400,000,000	-	-	-	-	-	-	-
Investments	10,307,306,443	69,253,397	344,116,603	415,024,669	1,370,647,065	640,680,091	481,503,283	4,810,385,087	2,173,196,248	2,500,000
Advances	6,588,745,208	279,146,466	322,091,378	407,525,475	1,555,148,209	1,451,864,255	1,021,446,243	1,154,251,694	397,271,488	-
Operating fixed assets	2,432,288,351	10,844,680	21,689,361	32,992,681	65,068,082	130,136,164	130,136,321	254,810,052	273,924,763	1,512,686,247
Development properties	174,419,530	14,534,961	29,069,922	43,604,883	87,209,765	-	-	-	-	-
Other Assets	2,192,183,694	306,466,554	295,931,897	285,397,240	1,304,388,003	-	-	-	-	-
	23,413,992,725	1,934,189,415	1,418,560,565	1,193,037,054	4,399,445,335	2,256,648,932	1,633,085,847	6,219,446,833	2,844,392,499	1,515,186,247
Liabilities										
Borrowings	11,224,671,255	5,446,186,465	2,055,275,722	2,694,975,932	506,434,571	281,180,069	79,400,420	133,945,516	27,272,560	-
Deposits and other accounts	577,975,620	-	30,000,000	-	541,919,294	6,056,326	-	-	-	-
Deferred tax liabilities	801,008,091	6,675,068	20,025,205	20,025,205	40,050,411	80,100,821	80,100,821	160,201,642	200,252,053	193,576,864
Other Liabilities	697,814,291	65,275,781	130,551,562	138,485,259	333,568,338	-	-	8,979,795	20,953,556	-
	13,301,469,257	5,518,137,314	2,235,852,489	2,853,486,396	1,421,972,615	367,337,216	159,501,241	303,126,953	248,478,169	193,576,864
Net assets	10,112,523,468	(3,583,947,899)	(817,291,925)	(1,660,449,342)	2,977,472,720	1,889,311,716	1,473,584,606	5,916,319,880	2,595,914,330	1,321,609,383
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,097,854,710	-	-	-	-	-	-	-	-	-
Unappropriated loss	1,636,983,163	-	-	-	-	-	-	-	-	-
Non-controlling interest	(440,310,197)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,817,995,792	-	-	-	-	-	-	-	-	-
	10,112,523,468	-	-	-	-	-	-	-	-	-

40.4 OPERATIONAL RISK

Operational Risk is the risk of losses due to failure of internal control process, disasters and infrastructure failure, known errors, fraud, in adequate documentation, technology etc. The Group controls its operational risk by the following techniques:

- by using adequate internal control system;
- by ensuring adherence to prudential regulations, and own operating policies approved by the Board of Directors; and
- by putting in place business continuity plan and disaster recovery program.

Operational Risk Disclosures- Basel III

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

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

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

41 EMPLOYEES PROVIDENT FUND

	Note	2015 Rupees	2014 Rupees
Size of the fund	**41.2**	62,549,294	62,506,766
Investments made		59,364,313	57,415,583
Percentage of investments made		94.91%	91.85%

Breakup of investments is as follows:

	2015		2014	
	Rupees	(%)	Rupees	(%)
Certificates of investments- COIs	23,500,000	39.59%	23,500,000	40.93%
Term deposit receipts- TDRs	34,000,000	57.27%	29,500,000	51.38%
Mutual fund	1,564,890	2.64%	684,234	1.19%
Bank deposits	299,423	0.50%	231,349	0.40%
Certificate of deposits	-	0.00%	3,500,000	6.10%
	59,364,313	100%	57,415,583	100%

41.1 All the investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

41.2 This includes size of the fund of the Company, SPREL and SPLCL amounting to Rs. 60.685 million (2014: 56.363 million), Rs. 1.864 million (2014: Rs. .915 million) and Rs. Nil (2014: Rs. 5.228 million) respectively.

42 CREDIT RATING

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

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

43 GENERAL

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

44 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 29 April 2016 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

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

Saudi Pak Industrial and Agricultural
Investment Company Limited

Saudi Pak Tower, 61-A, Jinnah Avenue, Islamabad
www.saudipak.com | E-mail: saudipak@saudipak.com
Phone: UAN 111 222 003 | Fax: UAN 111 222 004

TOPNOTCH Communications (Pvt.) Ltd.
topnotchpakistan.com