
SAUDI PAK
Annual Report 2016
commitment
to excellence
Annual Report of SAUDI PAK for the year ended December 31, 2016

Fuelled by the spirit of brotherhood between the people of Saudi Arabia and Pakistan, Saudi Pak charts a course towards excellence to deliver the best value to it's stakeholders. This year's cover highlights the grand journey we have embarked on in our quest to achieve a new benchmark for success and accomplishment through unmatched professionalism and enthusiasm.

KEY FINANCIAL INDICATORS

Profit before Tax
165.29%

2016
963
2011-2015
Average
363

Profit after Tax
52.56%

2016
476
2011-2015
Average
312

Net Interest Margin
46.57%

2016
834
2011-2015
Average
569

Return on Average Equity
36.11%

2016
4.9
2011-2015
Average
3.6

Total Assets
32.11%

2016
24,332
2011-2015
Average
18,418

Shareholders' Equity
30.68%

2016
9,921
2011-2015
Average
7,592

Return on Average Assets
18.75%

2016
1.9
2011-2015
Average
1.6

PERFORMANCE ENERGIZED

2016
78 Percent
Increase in Sanctions

2015
1 Billion in
pre tax Profit

2014
Reaping
Benefits

2013
Converting Challenges
into Opportunities

2012
Setting
Direction

2011
Facing Daunting
Challenges

CONTENTS

CORPORATE INFORMATION

Board of Directors

Mr. Mohammed W. Al-Harby
Chairman

Mr. Khizar Hayat Gondal
Deputy Chairman

Mr. Musaad A. Al-Fakhri
Director

Dr. Shujat Ali
Director

Mr. Mohammed A. Al-Jarbou
Director

Mr. Qumar Sarwar Abbasi
Director

Risk Management Committee

Mr. Khizar Hayat Gondal
Chairman

Mr. Mohammed A. Al-Jarbou
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Mohammad Nayeem Akhtar
Secretary

Audit Committee

Mr. Mohammed A. Al-Jarbou
Chairman

Dr. Shujat Ali
Member

Mr. Musaad A. Al-Fakhri
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Safdar Abbas Zaidi
Secretary

GM/Chief Executive

Mr. Kamal Uddin Khan

Company Secretary

Mr. Mohammad Nayeem Akhtar

Human Resource and Remuneration Committee

Mr. Mohammed W. Al-Harby
Chairman

Mr. Khizar Hayat Gondal
Member

Mr. Musaad A. Al-Fakhri
Member

Dr. Shujat Ali
Member

Mr. Mohammad Nayeem Akhtar
Secretary

Chief Financial Officer

Mr. Rohail Ajmal

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors

Hassan Kaunain Nafees

VISION, MISSION CORE VALUES, CORPORATE OBJECTIVES

Corporate Vision

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

Mission Statement

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

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 Pro-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.

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, 2016 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 offers 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

BOARD OF DIRECTORS

Mr. Mohammed W. Al-Harby
Chairman

General Manager (Rtd)
Real Estate Development Fund

Kingdom of Saudi Arabia

Mr. Khizar Hayat Gondal
Deputy Chairman

Secretary
Ministry of Industries and Production

Government of Pakistan

Mr. Musaad A. Al-Fakhri
Director

Former Chief, Infrastructure Sector Budget
Organization Affairs, Ministry of Finance

Kingdom of Saudi Arabia

Mr. Shujat Ali
Director

Secretary
Statistics Division

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

MANAGEMENT

Kamal Uddin Khan
Chief Executive

Rohail Ajmal
Executive Vice President

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 Fakhar
Senior Vice President

Ali Imran
Senior Vice President

Muhammad Tanweer
Senior Vice President

Zafar Iqbal
Senior Vice President

Syed Safdar Abbas Zaidi
Senior Vice President

Hina Khalid
Senior Vice President

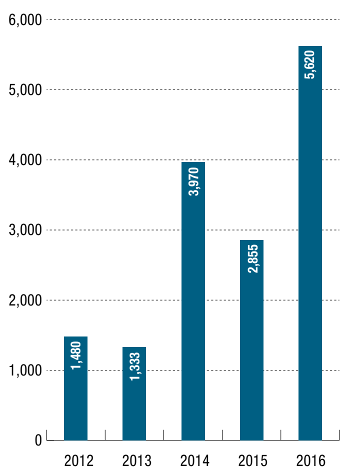
Irfan Karim
Vice President/Head

OPERATIONAL HIGHLIGHTS

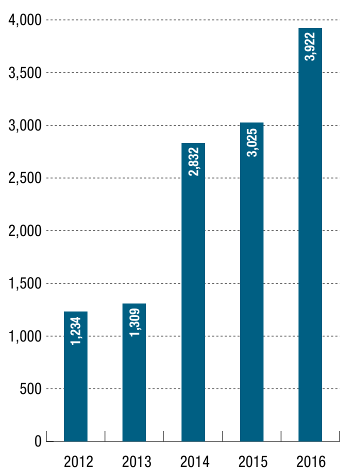
(Rs. in million)

	2012	2013	2014	2015	**2016**
Approval of Financing and Investment					
Long Term Finance/TFCs	980.0	1,200.0	3,150.0	2,705.0	3,950.0
Lease Finance	–	–	70.0	–	20.0
Equity Investment	–	250.0	–	–	330.0
Short Term Finance	979.8	382.7	550.4	450.0	970.0
Guarantees and Underwriting	200.0	–	1,150.0	–	350.0
Gross Approvals	**2,159.8**	**1,832.7**	**4,920.4**	**3,155.0**	**5,620.0**
Withdrawals	680.0	500.0	950.0	300.0	–
Net Approvals	**1,479.8**	**1,332.7**	**3,970.4**	**2,855.0**	**5,620.0**
Gross Cumulative Approvals	55,167.2	56,999.9	61,920.3	65,075.3	70,695.3
Cumulative Withdrawals	1,793.4	2,293.4	3,243.4	3,543.4	3,543.4
Net Cumulative Approvals	53,373.8	54,706.5	58,676.9	61,531.9	67,151.9
Disbursement of Funds					
Long Term Finance/TFCs	609.0	791.0	2,309.0	2,275.0	3,177.2
Lease Finance	–	–	70.0	–	–
Short Term Finance	624.9	267.6	452.5	750.0	744.5
Direct Equity & Underwriting Take-ups	–	250.0	–	–	–
Total Disbursements	**1,233.9**	**1,308.6**	**2,831.5**	**3,025.0**	**3,921.7**
Cumulative Disbursements	48,119.5	49,428.1	52,259.6	55,284.6	59,206.3
Recoveries					
Total Amount	2,432.4	2,902.4	2,316.6	3,079.0	3,115.9
Current Dues Collection Ratio (%)	81.40	92.40	90.83	88.02	90.70

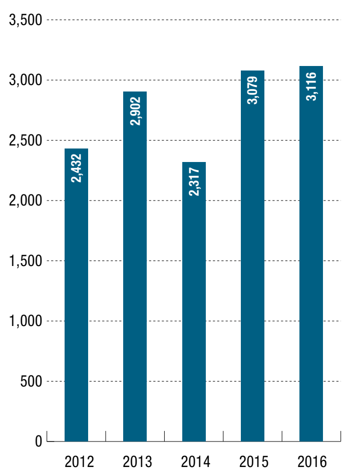
Approval of Financing & Investment (Net)



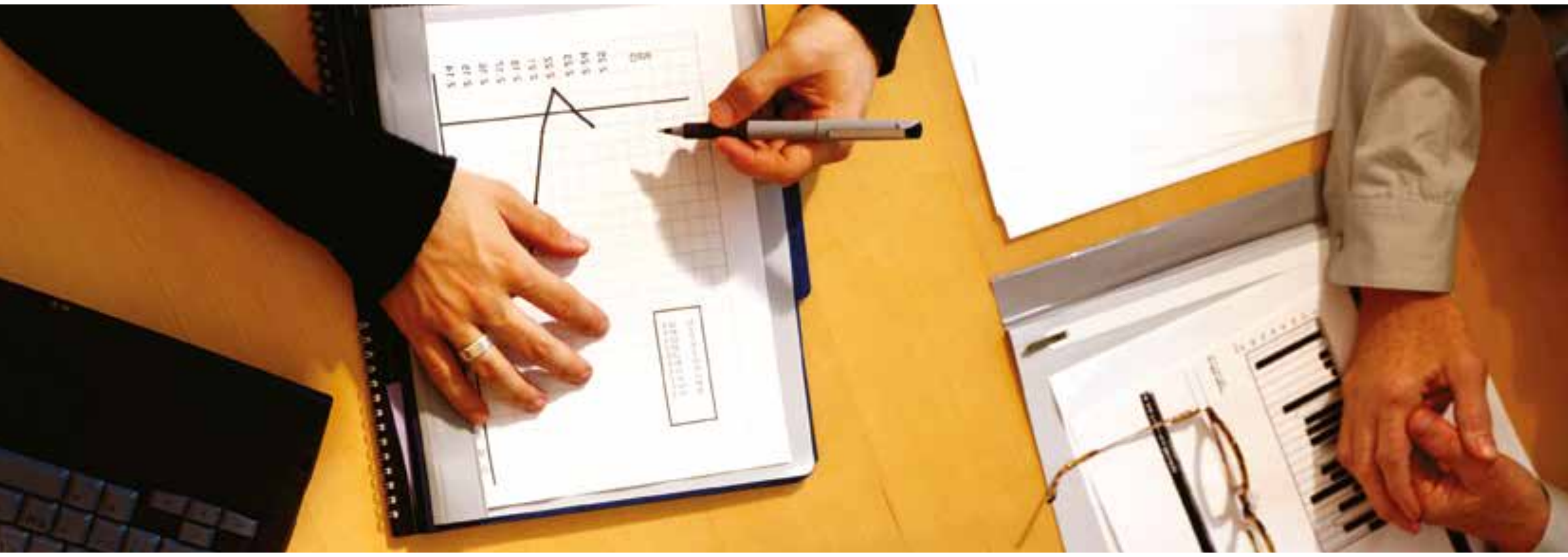
Disbursement of Funds



Recoveries

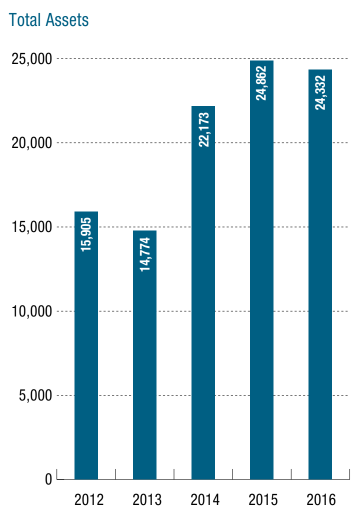


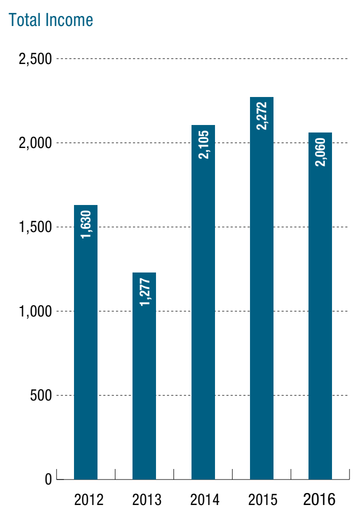
FINANCIAL HIGHLIGHTS



(Rs. in million)

	2012	2013	2014	2015	2016
Income Statement					
Total Income	1,629.7	1,277.1	2,105.2	2,272.4	2,059.8
Net Income	961.1	838.2	1,438.3	1,405.1	1,559.0
Profit/(loss) before Tax	405.5	434.7	1,402.4	982.6	962.8
Profit/(loss) after Tax	380.6	764.6	1,158.8	723.7	476.1
Balance Sheet at year end					
Total Shareholders' Equity	6,535.2	7,357.6	8,586.2	9,379.7	9,920.6
Total Assets	15,904.5	14,774.3	22,172.9	24,862.3	24,331.7
Selected Ratios					
Return on Average Equity(%)	6.0	11.0	14.5	8.1	4.9
Return on Average Assets(%)	2.5	5.0	6.3	3.1	1.9
Assets/Equity(times)	2.4	2.0	2.6	2.7	2.5

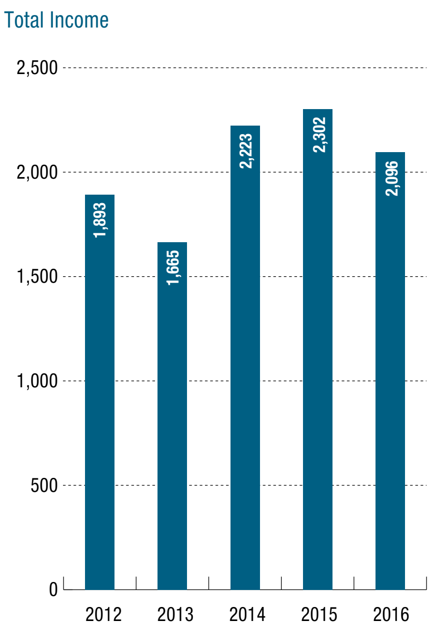


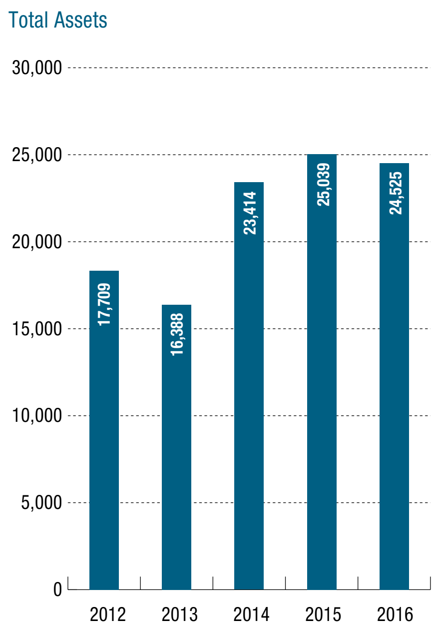


SUMMARY OF CONSOLIDATED ACCOUNTS

(Rs. in million)

	2012	2013	2014	2015	2016
Income Statement					
Total Income	1,892.7	1,665.4	2,223.2	2,302.4	2,096.3
Interest/Mark-up Income	1,246.9	1,007.7	1,370.1	1,720.8	1,337.1
Profit/(Loss) before Tax	268.6	726.6	1,188.0	992.0	975.5
Profit/(Loss) after Tax	247.0	1,051.8	943.4	732.3	486.6
Balance Sheet at year end					
Total Shareholders' Equity	7,660.4	8,924.7	10,112.5	11,905.7	12,559.7
Total Assets	17,708.6	16,387.9	23,414.0	25,039.3	24,524.9





CHAIRMAN'S MESSAGE

Mohammed W. Al-Harby

On behalf of the Board of Directors, I would like to present the 35th 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, 2016. The assets and liabilities of Saudi Pak Leasing Company Ltd (SPLC) were not consolidated as a subsidiary till January 26, 2016 and share of profit of SPLC as an associated company, for the period January 27, 2016 to December 31, 2016 was also not accounted for in the Holding Company's consolidated financial statements for the year ended December 31, 2016 for which specific exemption has been obtained from the Securities & Exchange Commission of Pakistan (SECP).

During the period under review, Pakistan's economy continued to maintain its growth momentum for the 3rd year in a row with GDP growing at 4.71 percent in FY2016 which is the highest in eight years. Despite global economic slowdown economic growth in Pakistan accelerated on the cumulative impact of the government's macroeconomic and structural reform program, sharply lower oil prices, improved security and planned infrastructure investment tied to China Pakistan Economic Corridor (CPEC). Further stable PKR parity also helped in keeping the CPI inflation under control. The average CPI inflation fell from 8.62 percent in FY 2014 to 4.53 percent in FY 2015 and further declined to 2.9 percent during FY 2016. SBP decreased the policy rate to a historically low level of 5.75 percent which is the lowest rate in last 44 years reflecting significantly improved macroeconomic conditions towards the end of FY 2016.

The improved economic growth prospects have led rating agencies to improve their outlook for Pakistan. Standard & Poor's upgraded the Country's credit rating from 'B-' negative to 'B' with stable outlook. Similarly Moody's upgraded the rating from Caa2 to B3 with stable outlook.

KSE-100 crossed a record high of 47,807 points. Demand for credit is gradually strengthening at the back of low interest rate environment. However, business environment remains competitive with pressure on loan pricing and margins as large commercial banks divert their resources towards project finance business given substantially reduced returns on Govt. Treasury Bills.

Company maintained its strategy as per the approved business plan. Focus remained on core project finance business which witnessed an impressive growth of 23.7% despite increased competition from commercial banks. Capital Market positions were reconfigured with high dividend yielding equities in view of low interest rate environment. Given higher inflation expectations going forward and no further reduction in discount rate expected, Company offloaded a substantial portion of its investments in Govt. Securities and capitalized on trading opportunities in Capital markets to book handsome capital gains. Overall this strategy proved to be very successful enabling the company to far exceed its budgeted profit targets.

Despite a massive 425 bps reduction in discount rate Net Interest Margin nominally reduced by 2%. The drop in Gross Revenue was largely cushioned by efficient management of resources and 23.7% increase in project finance business. Income from capital market operations was recorded at Rs. 243.89 million (Capital Gain: Rs. 119.26 million; Dividend Income: Rs. 124.63 million) as compared to Rs. 213.19 million booked last year. Similarly Company booked capital gains of Rs. 317.14 million from available gains in Govt. securities as against Rs. 234.35 million booked last year.

Overall as a result of above the company posted a pre-tax profit of Rs. 962.85 million as all business segments out performed. This result was achieved despite prudent fresh new provisioning of Rs. 430.75 million made against NPLs and unquoted stocks brought forward from the past which is an extremely commendable achievement.

The shareholder's equity increased by 5.8% to Rs. 9,920.58 million as at December 31, 2016.

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.

Future prospects for Pakistan's economy remain bright. Renowned international rating agency Fitch expects growth to strengthen to 5.3% in FY 17, lifted by a recovery in agricultural output following poor weather conditions in the previous season and an influx of investment linked to the China –Pakistan Economic Corridor (CPEC).

Pakistan has important strategic endowments and development potential. The country is located at the crossroads of South Asia, Central Asia, China and the Middle East and is thus at the fulcrum of a regional market with a vast population, large and diverse resources, and untapped potential for trade. Asian Development Bank is of the view that a major impetus to growth in the FY 2017 and beyond will be the implementation of $ 46 billion program of infrastructure spending on roads, railways, pipelines, and electric power in the economic corridor project linking Pakistan with the People's Republic of China.

Company plans to remain focused on the core business activities and capitalize on available business opportunities 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 its strategic investments 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

چیرمین کا پیغام

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2016 کو اختتام پذیر سال پر سعودی پاک انڈسٹریل اینڈ ایگری کلچرل انویسٹمنٹ کمپنی لمیٹڈ کے 35 ویں پڑتال شدہ (audited) مالیاتی گوشوار یکے ساتھ ساتھ انضمام شدہ (consolidated) کھاتے بمع محاسب کی (auditor's) رپورٹ برائے ارکان اور ڈائریکٹرکی رپورٹ پیش کرنا چاہتا ہوں۔ 26 جنوری 2016 تک سعودی پاک لیزنگ کمپنی لمیٹڈ (SPLC) کے بطور ایک ذیلی کمپنی کے اثاثہ جات اور مالیاتی ذمہ داریاں کا انضمام نہیں کیا گیا اور SPLC کا، بطور ایک ساتھی کمپنی کے، 27 جنوری 2016 سے 31 دسمبر 2016 کی مدت کے منافع میں حصہ، اس کی مالک کمپنی کے 31 دسمبر 2016 کو ختم ہونے والے سال کے مالیاتی گوشواروں میں شامل نہیں کیا گیا جس کے لیے سیکیورٹیز ایکسچینج کمیشن آف پاکستان (SECP) سے خصوصی استثنیٰ حاصل کیا جا چکا ہے۔

زیرغور مدت کے دوران، پاکستان کی معیشت نے اپنی رفتار (momentum) میں اضافہ تیسرے سال بھی جاری رکھا اور سال 2016 میں مجموعی قومی پیداوار (GDP) کی شرح نمو 4.71 فیصد رہی جو آٹھ سالوں میں بلندترین ہے۔ عالمی اقتصادی نمو میں گراوٹ کے باوجود حکومت کی میکرواکنامک اور ڈھانچاتی اصلاحات کے پروگرام، تیل کی تیزی سے کم ہوتی ہوئی قیمتیں، امن وامان کی بہتر صورتحال اور چین پاکستان اقتصادی راہداری میں منصوبہ بندی کے ساتھ سرمایہ کاری کے مجموعی اثرات کی وجہ سے پاکستان میں معاشی ترقی کی رفتار میں اضافہ ہوا۔ مزید یہ کہ کرنسی کی مستحکم مساواتِ مبادلہ نے بھی صارف کی قیمتوں کے انڈیکس (CPI) افراطِ زر کو قابو میں رکھنے میں مدد کی۔ سال 2014 کی 8.62 فیصد اوسط CPI افراطِ زر گر کر سال 2015 میں 4.53 فیصد ہوگئی جو سال 2016 میں مزید کم ہوکر 2.9 فیصد ہوگئی۔ SBP نے پالیسی ریٹ کم کرکے 5.75 فیصد کردیئے جو گذشتہ 44 سالوں کی تاریخ کی کم ترین سطح ہے جس کے اثرات سال 2016 کے اختتام کے قریب معاشی صورتحال میں نمایاں بہتری نظر آئی۔

بہتر معاشی ترقی کے امکانات نے بھی درجہ بندی کرنے والی ایجنسیوں کو بھی پاکستان کے بارے میں اپنی رائے بدلنے پر مجبور کیا۔ اسٹنڈرڈ اینڈ پوورز نے ملک کی درجہ بندی، مستحکم منظرنامہ کیساتھ، ''-B'' سے ''B'' کردی۔ اسی طرح سے موڈی نے ملکی درجہ بندی، مستحکم منظرنامہ کیساتھ، Caa2 سے بڑھا کر B3 کردی ہے۔

KSE-100 انڈیکس نے 47,807 پوائنٹس کی ریکارڈ سطح کو عبور کیا۔ کم سودی شرح کے ماحول میں قرضہ جات کی طلب بتدریج مستحکم ہورہی ہے۔ تاہم، قرضوں کی قیمتوں اور منافعوں پر دباؤ کی وجہ سے کاروباری ماحول مسابقتی رہا کیونکہ بڑے تجارتی بینکوں نے گورنمنٹ کے خزانہ (treasury) بلز کے منافع میں نمایاں کمی کی وجہ سے اپنے وسائل کا رخ کاروباری منصوبوں کی سرمایہ کاری کی جانب موڑ دیا ہے۔

کمپنی نے اپنی حکمتِ عملی اپنے منظورشدہ کاروباری منصوبہ کے مطابق برقرار رکھی ہے۔ تجارتی بینکوں کی جانب سے مسابقت میں اضافہ کے باوجود تمام تر توجہ بنیادی کاروباری منصوبوں کی سرمایہ کاری پر رہی جس کا نتیجہ 23.7 فیصد متاثر کن اضافے کی صورت میں نظر آیا۔ کم سودی شرح کے ماحول میں زیادہ منقسمہ منافع (dividend) دینے والی ایکوٹیز میں سرمایہ کاری کی۔ افراطِ زر کی بلندتر توقعات اور ڈسکاؤنٹ نرخ میں مزید کمی نہ ہونے کے توقع کے سبب کمپنی نے اپنی گورنمنٹ کے تمسکات میں سرمایہ کاری کم کردی ہیں۔ سرمایہ کی منڈی میں تجارتی مواقعوں سے فائدہ اٹھانے کی حکمت عملی بہت کامیاب ثابت ہوئی اور کمپنی کے لیے یہ ممکن ہوا کہ وہ اپنے طے شدہ منافع کے اہداف سے زیادہ حاصل کرسکے۔

ڈسکاؤنٹ نرخ میں 425bps کی بہت زیادہ کمی کے باوجود خالص سودی منافع میں معمولی 2 فیصد کی کمی ہوئی۔ مجموعی مالگذاری (revenue) میں کمی کے اثرات کا وسائل کے بہتر انتظام اور منصوبوں کی سرمایہ کاری میں 23.7 فیصد اضافے سے تدارک کیا گیا۔ سرمایہ کار مارکیٹ کے کاروبار سے موصول شدہ آمدنی گزشتہ سال کی درج شدہ آمدنی 213.19 ملین روپے کے مقابلے میں 243.89 ملین روپے رہی (سرمایہ کاری کا نفع 119.26 ملین روپے؛ حصص کی آمدنی 124.63 ملین روپے)۔ اسی طرح کمپنی نے حکومتی تمسکات سے گزشتہ سال درج شدہ 234.35 ملین روپے کے مقابلے میں اس سال 317.14 ملین روپے درج کئے۔

مجموعی طور پر مندرجہ بالا عوامل کی بدولت کمپنی نے 962.85 ملین روپے کا قبل از انکم ٹیکس منافع ریکارڈ کیا جسکی وجہ کاروبار کے تمام حصوں کی قابل قدر کارکردگی ہے۔ غیر فعال قرضہ جات (NPLs) اور unlisted equity کیلئے 430.75 ملین روپے کی محتاط فراہمی کے باوجود یہ نتائج حاصل کیے گئے جو انتہائی قابل تعریف قدم ہے۔

حصص یافتگان کے مالکانہ حقوق equity میں 5.8% کا اضافہ ہوا جو کہ 31 دسمبر 2016ء کو 9,920.58 ملین روپے بنتا ہے۔

کمپنی کے جملہ Risk Profile میں بہتری جس میں کارکردگی کے نتائج اور مالیاتی لچک شامل ہیں جسکی کریڈٹ ریٹنگ ایجنسی JCR-VIS نے بھی توثیق کی جس نے کمپنی کی طویل المدتی CREDIT RATING کو +AA اور قلیل المدتی کو +A1 مستحکم اندازے کیساتھ قائم رکھا۔

پاکستانی معیشت کے مستقبل کے اندازے روشن ہیں۔ Fitch (جو ایک معروف بین الاقوامی درجہ بندی کی ایجنسی ہے) کے مطابق نمو کی شرح میں 2017ء کے دوران مزید بہتری کی توقع ہے جو 5.3% تک ہوسکتی ہے۔ جسکی وجوہات میں پچھلے موسم کے خراب موسمی حالات کے مقابلے میں اس سال بہتر زرعی پیداوار اور CPEC سے متعلق سرمایہ کاری کی آمد ہے۔

پاکستان میں اہم فطری صلاحیتیں اور نمو کے امکانات موجود ہیں۔ یہ ملک جنوبی ایشیا، وسطی ایشیا، چین اور مشرق وسطیٰ کے سنگم پر واقع ہے اور اسطرح ایک وسیع آبادی والے علاقے کی منڈی، وسیع اور متنوع وسائل اور تجارت کے غیر مستعمل امکانات سے استفادہ کرنے میں مرکزی حیثیت کا حامل ہے۔ ایشیائی ترقیاتی بینک کے مطابق مالی سال 2017ء اور اسکے بعد ترقی کا ایک اہم محرک 46 ارب ڈالر کا پروگرام جس میں سڑکوں، ریلوے، پائپ لائنیں اور بجلی کی پیداوار میں بنیادی ڈھانچے کے اخراجات شامل ہے جو پاکستان کو عوامی جمہوریہ چین سے ملانے والے اقتصادی راہداری کے منصوبے کا حصہ ہیں۔

کمپنی بنیادی کاروباری سرگرمیوں پر توجہ مرکوز رکھنے، کاروبار کے موجود مواقع سے فائدہ اٹھانے اور ساتھ ہی آمدنی کے نئے ذرائع پیدا کرنے بشمول نجی ایکوٹی اور فیس کی آمدن کو بڑھانے کا ارادہ رکھتی ہے۔ وصولی، مالی خطرات سے نپٹنے کا انتظامی ڈھانچے (Risk ManagementFramework) کی مضبوطی، کارکردگی میں بہتری، سٹریٹجک سرمایہ کاری سے متعلق مسائل کے حل کی مربوط کوششیں جاری رہیں گی۔ بورڈ مضبوطی سے اپنے تمام منصوبوں پر عمل کیلئے انتظامیہ کی حمایت جاری رکھے گا۔

آخر میں میں اپنی اور بورڈ کی جانب سے جائنٹ وینچر کے حصہ داروں، سعودی عرب کی شاہی حکومت اور پاکستانی حکومت کی قوی حمایت پر مخلصانہ شکرگزاری کا اظہار کرتا ہوں اور بینک دولت پاکستان اور ساتھ ہی ساتھ سیکیورٹی ایکسچینج کمیشن آف پاکستان (SECP) کی پیشہ ورانہ راہ نمائی کیلئے ان کا شکرگزار ہوں۔ میں بورڈ ممبران کا ان کی قیمتی شراکت کیلئے مشکور ہوں۔ مزید برآں، میں اس شاندار کارکردگی کیلئے سعودی پاک ٹیم کو مبارکباد دیتے ہوئے فخر محسوس کرتا ہوں۔

محمد ڈبلیو۔ الحربی
چیئرمین

DIRECTORS' REPORT

Economic Overview

Pakistan's economy continues to maintain its growth momentum for the 3rd year in a row with the GDP growing at 4.71 percent in FY 2016 which is the highest in eight years. GDP posted a reasonable growth over last year despite a major setback in agriculture growth. The economy could not achieve the targeted growth rate of 5.5 percent due to lower growth of agriculture sector (-0.19) percent mainly owing to significant decline in production of cotton, rice and maize. However, Industrial sector recorded the growth of 6.80 percent and Services sector accelerated at the rate of 5.71 percent.

Economic growth was supported by buoyant construction activity and healthy expansion of the service sector. Strengthening domestic demand is also indicated by rising domestic machinery imports. Pakistan has been benefiting from lagged effects of the pronounced fall in oil prices and a marked reduction in domestic interest rates, which has been accompanied by strengthened private sector credit growth. Economic activities were also supported by an investment upturn related to the China Pakistan Economic Corridor (CPEC).

The government has been able to gain on economic fundamentals due to a focused approach towards resolving structural issues such as energy and gas shortages which were hampering the economic activities which had eaten away 2-3 percent of the growth; particularly the industrial sector was badly hit. The per capita income in dollar terms has increased from US$ 1,516.8 in FY 2015 to US$ 1,560.7 in FY 2016. The contributing factors for the increase in per capita income include acceleration in real GDP growth, lower growth in population and stability of Pak Rupee.

The improved economic growth prospects have led rating agencies to improve their outlook for Pakistan. Standard & Poor's credit rating for Pakistan was upgraded to 'B' with stable outlook. Similarly Moody's upgraded the rating from Caa2 to B3 with stable outlook. Consequently, Pakistan demonstrated improved market access in October 2016 by issuing a USD1bn SUKUK at an historically low yield of 5.5%.

The stable PKR parity also helped in keeping the CPI inflation under control, and in lowering inflation expectations in the country. The average CPI inflation fell from 8.62 percent in FY 2014 to 4.53 percent in FY 2015 and further declined to 2.9 percent during FY 2016.

During fiscal year 2016, SBP decreased the policy rate to a historically low level of 5.75 percent during May, 2016 which is the lowest rate in last 44 years reflecting significantly improved macroeconomic conditions towards the end of FY2016.

The fiscal sector of the economy has witnessed a notable improvement on account of contained expenditures and increased revenues. The budget deficit has witnessed a substantial decline from 8.2 percent of GDP in FY2013 to 5.3 percent in FY2015 as a result of steps taken by the government to reduce power subsidies together with raising tax revenues. The fiscal deficit has been contained at 3.4 percent of GDP during July-March, FY2016 against 3.8 percent of GDP in the same period of last year. Government of Pakistan expects that the fiscal deficit will be further brought down to 3.5 percent of GDP by FY2018.

The country's total foreign exchange reserves reached the highest level of US$ 21.4 billion during May, 2016, compared to US$ 18.6 billion in end June 2015. Exchange rate remained at Rs.104.75 per US$ in May FY2016, compared to Rs. 101.78 per US$ at end June 2015. The Pak Rupee's deprecation was around 2.9 percent during July-May FY2016.

Renowned international rating agency Fitch expects growth to strengthen to 5.3 percent in FY17, lifted by a recovery in agricultural output following poor weather conditions in the previous season and an influx of investment linked to the China-Pakistan Economic Corridor (CPEC). They forecast continued strong domestic demand, with private consumption aided by faster credit growth. Remittances have moderated, as over half come from Gulf economies that are adjusting to lower energy prices. A sharp slowdown in remittances is a downside risk.

Pakistan has important strategic endowments and development potential. The country is located at the crossroads of South Asia, Central Asia, China and the Middle East and is thus at the fulcrum of a regional market with a vast population, large and diverse resources, and untapped potential for trade. Asian Development Bank is of the view that a major impetus to growth in the FY2017 and beyond will be the implementation of $46 billion program of infrastructure spending on roads, railways, pipelines, and electric power in the economic corridor project linking Pakistan with the People's Republic of China. The planned reduction in the FY2017 budget deficit will further enhance funding for private sector credit and better enable it to meet rising domestic demand.

Operational Review

Corporate Finance

During the year 2015-16, Pakistan achieved higher GDP growth rate of 4.7% mainly owing to government's prudent macroeconomic and structural reform program, decline in oil prices and lower inflation rate. Moreover, SBP initiated monetary easing by continuously reducing its policy rate to a historic low of 5.75% as of May 2016 with a view to supporting economic activities in the country in the backdrop of business activities related to growing investment in China Pakistan Economic Corridor (CPEC) related projects.

In view of congenial economic environment, Saudi Pak was able to solicit quality business in line with the company's risk and reward standards despite competitive pricing pressure from local commercial banks. Corporate Finance Division maintained focus on the company's core business of project financing and extended credit primarily in oil & gas, dairy & poultry, rubber & tyres, sugar, electronics, hospitality and transportation sectors. Total approvals for the period under review (2016) amounted to Rs. 5,045 million whereas total disbursements amounted to Rs. 3,922 million registering increase of 60% and 30% respectively over the previous year.

In 2017, Saudi Pak intends to further pursue commercially viable business transactions and maintain a good quality advances portfolio of high-yielding short and long term loans. Accordingly, Corporate Finance Division aspires to continue providing financial assistance to corporate and mid-sized businesses for Greenfield projects, BMR & Expansion and working capital.

Credit Administration

The Credit Administration Division including its Offices at Karachi and Lahore has been entrusted with credit disbursements and monitoring till the maturity for all types of financing facilities extended by Saudi Pak. Major focus of Credit Administration Division in addition to other monitoring functions is to ensure timely re-payment of credit facilities. During 2016, concerted efforts were made to achieve assigned recovery targets which produced excellent results. Against recovery budget of Rs. 2,262 million, an amount of Rs. 3,040 million was recovered from accounts parked at Credit Administration Division surpassing the budgetary target by 34 percent. Overall recovery ratio of CAD portfolio against amount due during the year stood at 93.73 percent at year close 2016.

Credit Administration Division has geared itself for further improvement during 2017 in its monitoring functions through capacity building of its staff, process improvements and upgraded MIS.

Special Asset Management

Special Asset Management Division has been newly constituted for curtailment of Non Performing Loans through sustained and focused efforts. Case wise workable strategy is developed for early resolution of stuck up loans. Cases categorized under "Loss" but not under litigation are pursued for regularization through analysing the underlying problems and offering restructuring and rescheduling packages to recover the stuck up loans.

Special Asset Management Division made significant contribution to Saudi Pak's profit by way of settling the cases through rescheduling/restructuring and out of court settlements. Through its concerted efforts, many

securities against Non Performing Loans were put to auction and hopefully during 2017 there will be adequate recovery and write back in Saudi Pak's books.

Capital Market Operations

2016 proved to be one of the most volatile periods for Pakistan Stock Exchange. The KSE-100 Index began the year on a bearish note mainly due to foreign selling and declining oil prices. The stock market subsequently stabilized on the back of several positive factors including rise in oil prices; expected up-gradation of Pakistan stocks to MSCI Emerging Market Index from Frontier Market Index and enhanced economic activities linked with China Pakistan Economic Corridor CPEC. KSE-100 index reached the level of 47,807 points posting increase of 45.68 percent.

Saudi Pak's strategy during the year was to further rationalize its portfolio in line with the strategy to maintain quality low cost dividend yielding stocks. Capital gains were realized in a timely manner to appropriately adjust to the low interest rate environment.

Capital Market Operations contributed realized income of Rs. 293.64 million (against budgeted amount of Rs. 156 million) yielding a return of 21.47%. In addition, unrealized gain as at year-end amounted to Rs. 311.70 million, reflecting a total return of 44.28%.

Treasury Operations

During 2016, Treasury Division initially maintained a relatively robust PIB book, and then later, as signs of inflation abatement diminished, reduced both the quantum and duration of the portfolio. Treasury division's performance including comparative profitability for the last 2 years is highlighted below:

Rs. in million

Three year comparison	2014	2015	2016
Realized capital gains	405	234	317
Spread income	35	247	251
Total	**440**	**481**	**568**

On the funding side, long term borrowing limit from banks was enhanced from Rs.6, 600 million to Rs.7, 600 million. Treasury Division also managed to substantially reduce average cost of funds whereas the average lending rate remained relatively stable at around 10.34 percent in 2016, resulting in a wider average spread for Saudi Pak.

Risk Management Framework

Saudi Pak recognizes that risk management is essential for maintaining financial viability and achieving objectives. The Company has therefore instituted a strong framework for effective risk governance. As a first line of defence, risks are identified, accepted, and mitigated by concerned staff in line with established policies, procedures, roles and responsibilities. Specialized cross-functional committees have been set up to supervise specific areas such as credit, investments, and Information Technology. A dedicated Risk Management Committee also exists at the Board-level to provide enhanced risk oversight.

In order to remain prepared for unforeseen eventualities, a Business Continuity Plan has been developed and periodic BCP testing is carried out. In addition, limits for various risk types have been approved by the Board of Directors, and are in place to control risk within acceptable levels, well within the limits prescribed by the regulatory authority. The Capital Adequacy Ratio (CAR) of the Company remained well above both the internal as well as the regulatory requirements throughout the year, providing ample cushion to cover any unexpected events.

DIRECTORS' REPORT (cont'd.)

The Risk Management Division monitors Company-wide risk levels against established policies and limits, and independently provides its risk opinion in the form of analysis & reporting to management, as well as the Risk Management Committee of the Board. It carries out stress testing, exposing the Company to extreme hypothetical shocks in line with regulatory guidelines, latest results of which revealed that the Company had a solid and resilient capital and liquidity position.

During the 2016, the RMD further strengthened its middle office capabilities through implementation of a semi-automated process that, using independently sourced market data, enabled daily risk-related monitoring and tracking of the Company's liquidity levels, and the Treasury and Portfolio Management Division's activities, for timely remedial measures, if required.

Human Resource Development

Saudi Pak considers its human capital as a valuable asset for the Company, playing a vital role in steering the organization towards success. The Company consistently invests in strengthening its talent base by inducting, developing and retaining high performers with exceptional potential through introduction of advanced HR practices and policies.

With the objective of enabling and supporting the business to achieve excellence in the key areas, during the year 2016 HR focused on organization's structural alignment with business requirements; deployment of talent development initiatives and reinforcement of performance-based culture. Training opportunities in line with the business and individual development requirements were identified and offered to employees at every level of management to further enhance the competence levels within the Company. Attractive performance-based rewards were offered to employees for recognizing high performance and motivating the key talent.

Emphasis was also placed on creating an environment that fosters respect and embeds gender equality. Employee engagement activities including vibrant Eid celebrations, get together and company sponsored Hajj for employees also contributed towards enhancing employee motivation.

In line with its commitment to Corporate Social Responsibilities, Saudi Pak provided internships to several students of prestigious educational institutions. Through the implementation of a business-driven HR strategy, the HR department is consistently moving ahead towards its aim of becoming a true strategic partner to the business.

Information Technology

Information Technology plays a vital role towards business growth of the company by managing its Infrastructure and facilitating strategic initiatives. Saudi Pak's IT Strategy is to provide momentum and direction to strengthen the Company's decision support systems, re-engineering of the legacy systems using latest technology, database upgrades, server and storage consolidation.

During 2016, IT Infrastructure was further upgraded using latest technology providing secured environment with respect to Software Systems, Online data Synchronization and BCP/Disaster Recovery etc. Data Centre of Saudi Pak is equipped with latest Servers, Storage Devices and CISCO tools for communication. Security tools have also been deployed with improved and effective controls for enhancing the security to protect against the Cyber Attacks. All Saudi Pak Offices are connected to Saudi Pak's Data Centre through efficient links with redundancy to increase reliability and to maintain maximum uptime.

IT Division is also effectively managing its Disaster Recovery Site to continue the critical business operations. It can cope with the localized or global disasters. Business Continuity / Disaster Recovery Site has been set up with complete IT infrastructure and critical systems for the continuation of business operations during the disaster.

Internal Audit

During 2016, the Internal Audit Division went through major restructuring. A new team of energetic professionals was hired ensuring a functional approach in its execution, catering the overall objectives of Saudi Pak.

The Internal Audit Division managed to complete all allocated activities as per approved Audit Plan for the year. The Internal Audit Division continuously evaluates the Internal Controls, Risk Management & Governance functions.

The goal of the Internal Audit Division is to shift the scope from quantity to quality and focus on implementing Risk Based Audit methodology while ensuring continuous capacity building and professional development of the audit staff.

Settlement

Settlement Division was assigned segregated roles for enhancing operational efficiency of Treasury and other Money Market transactions. The Division achieved improvement in operational turn-around time within refined control standards. Settlement Division also made significant contribution in re-furbishing liquidity profile of the company by engaging creditor banks for re-pricing of existing bank lines and fresh mobilization of new lines at competitive rates.

In order to benefit from stable interest rate outlook, Company's strategy of mobilizing fresh credit of longer tenure was implemented by Settlement Division to optimize funding gaps. With the objective of bringing down cost of borrowings, Settlement Division negotiated finance facilities aggregating to Rs. 4,100 million at highly competitive spreads. During 2016 focused efforts by Settlement Division led to reduction of 182 bps i.e. over 28 percent in average cost of bank lines availed by Saudi Pak. Fresh long term lines at competitive rates augmented Company's capacity to further enhance its business.

Future Outlook

Having achieved a turnaround in its operations Saudi Pak now intends to play a more vibrant role towards availing emerging economic opportunities in the country. In addition to the core business of project financing, viable investment proposals having acceptable risk reward relationship shall also be considered.

Substantial investment shall be made towards improvement in existing HR and recruitment of competent professionals having requisite HR skills. Risk Management Framework and MIS shall also be further strengthened.

Corporate Social Responsibility

With a view to fulfilling its corporate social responsibilities, Saudi Pak has adopted "Corporate Voluntary Guidelines 2013" issued by the Securities and Exchange Commission of Pakistan. In this regard sizeable donation was made to a volunteer run non-profit NGO managing socio-economic and development programs to help alleviate poverty in marginalized communities of Pakistan.

Auditors

The Auditors, M/s A. F. Ferguson & Company, Chartered Accountants, have completed their assignment for the year ended December 31, 2016 and also indicated their willingness to continue in office as Auditors. The Board, on the proposal of the Audit Committee, recommends the appointment of M/s A.F. Ferguson and Company, Chartered Accountant as Auditors for the year 2017.

Corporate and Financial Reporting Framework

The Directors are pleased to state 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 four 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) Key operating and financial data for the last five years, in summarized form, is included in this annual report.

i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2016, except as disclosed in the financial statements.

j) The value of investment of Provident Fund as at December 31, 2016 according to their audited financial statement is approximately Rs.62.00 million (2015: Rs.57.50 million).

ENTITY RATING

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

Board of Directors Meetings

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

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Mohammed W. Al-Harby	05	05
Mr. Khizar Hayat Gondal	02	02
Mr. Musaad A. Al-Fakhri	05	05
Dr. Shujat Ali	05	05
Mr. Mohammed A. Al-Jarbou	05	05
Mr. Qumar Sarwar Abbasi	05	05
Mr. Manzoor Ali Khan	03	03

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 during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Mohammed W. Al-Harby	01	01
Mr. Khizar Hayat Gondal	01	01
Mr. Musaad A. Al-Fakhri	01	01
Mr. Mohammed A. Al-Jarbou	01	01
Mr. Qumar Sarwar Abbasi	02	02

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

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Mohammed A. Al-Jarbou	05	05
Dr. Shujat Ali	05	05
Mr. Musaad A. Al-Fakhri	02	02
Mr. Qumar Sarwar Abbasi	02	02
Mr. Manzoor Ali Khan	02	02

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 during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Mohammed W. Al-Harby	02	02
Mr. Khizar Hayat Gondal	01	01
Mr. Musaad A. Al-Fakhri	01	01
Dr. Shujat Ali	02	02
Mr. Manzoor Ali Khan	01	01

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.

Strategic Investments

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

I. Saudi Pak Real Estate Limited

Saudi Pak Real Estate Limited, a wholly owned subsidiary of Saudi Pak Industrial and Agricultural Investment Company Limited is established with prime objective of real estate development. Its activities involve development of residential projects as well as investment in commercial projects. In FY2016, the Company's main focus remained towards its housing project under the brand name of Saudi Pak Houses. During 2016 SPR managed to sell some houses as well as plots. Strategy towards project was re-aligned as per market conditions. As sale of plots was yielding much higher return as compared to houses as such preference was towards selling of plots. Current return on selling of plots is more than sixty percent.

Efforts for recovery of stuck up investment in housing project of Divine Gardens also proved successful. The Company recovered Rs. 173.558 million under the VR scheme against its application to National Accountability Bureau (NAB). The remaining amount of Rs.161.7 million is expected to be received during first quarter of 2017.
As per Annual Accounts of December 31, 2016, the Company has posted revenue of Rs. 116.80 million and net profit of Rs.10.51 million. The net equity stood at Rs. 673.76 million with breakup value of Rs. 13.48 per share.

II. 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 till January 27, 2016. Following termination of Shareholders' Agreement, Saudi Pak Leasing Company Limited is no longer a subsidiary of Saudi Pak.

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 main business of the Company is leasing of assets and the Company is listed on Pakistan Stock Exchange. The Company's license to carry out the business of leasing expired on May 18, 2010 and renewal is pending with Securities and Exchange Commission of Pakistan (SECP).

Saudi Pak Leasing Company Limited., like most of other leasing companies in Pakistan suffered losses in the financial meltdown of 2008. Efforts for its revival/disposal are continuing. Full provision has been made in Saudi Pak books against its investment in Saudi Pak Leasing Company Limited.

Saudi Pak Tower

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

The tower is fully occupied with tenants including several national and multinational companies, financial institutions, telecommunication companies, hospital service oriented concerns etc. Building achieved 100 percent occupancy level in 2016 translating into revenue of Rs. 290.359 million as compared to Rs. 254.253 million 2015 i.e. an increase of 14.20 percent.

Building Management is consistently striving to bring further improvements in overall services for comfortable and safe working environment. Additionally, different building services/ areas were further evaluated by the following reputed consultant firms/ experts:

i. Detailed evaluation of building structural stability from NESPAK for assuring safe occupancy.

ii. Detailed audit and inspection of Elevators from SGS Pakistan Pvt. Ltd.

iii. Survey for Security Threat and Risk Assessment within and around the perimeters of Saudi Pak Tower.

iv. Emergency evacuation drill, survey of fire fighting equipments conducted with CDA relevant teams.

Financial Results 2016

Company maintained its strategy as per the approved business plan. Focus remained on core project finance business which witnessed an impressive growth of 23.7% despite increased competition from commercial banks. Capital Market positions were reconfigured with high dividend yielding equities in view of low interest rate environment. Given higher inflation expectations going forward and no further reduction in discount rate expected, Company offloaded a substantial portion of its investments in Govt. Securities and capitalized on trading opportunities in Capital markets to book handsome capital gains. Overall this strategy proved to be very successful enabling the company to far exceed its budgeted profit targets.

Despite a massive 425 bps reduction in discount rate Net Interest Margin only decreased by 2.0% to Rs. 834.02 million due to efficient management of resources.

Optimal trading strategy for Capital Markets allowed the company to book income of Rs. 243.89 million (Capital Gain: Rs. 119.26 million; Dividend Income: Rs. 124.63 million) for December 31, 2016, as compared to Rs. 213.19 million booked last year, with annualized return of 44.3%. Company booked capital gains of Rs. 317.14 million from available gains in Govt. securities as against Rs. 234.35 million booked last year.

For the period ending December 31, 2016, the company posted a pre-tax profit of Rs. 962.85 million as all business segments out performed. This result was achieved despite prudent fresh new provisioning of Rs. 430.75 million made against NPLs and unquoted stocks brought forward from the past.

The shareholders equity increased by 5.8% to Rs 9,920.58 million as at December 31, 2016.

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

	2016 Rupees	2015 Rupees
Un-appropriated profit brought forward	1,715,039,059	1,666,254,393
Profit after tax for the year	476,112,627	723,705,116
Surplus on revaluation of fixed assets	69,469,190	71,301,135
Recognition of actuarial (loss)	(4,712,479)	(1,480,562)
Profit available for appropriations	2,255,908,397	2,459,780,082
Appropriations:		
Bonus share issued	–	600,000,000
Transfer to reserve funds	95,222,525	144,741,023
Transfer to general reserve	–	–
Total appropriations	95,222,525	744,741,023
Un-appropriated profit	2,160,685,872	1,715,039,059

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**

Jeddah
March 02, 2017

Chairman

غیرفعال قرضہ جات (NPLs) کیلئے 430.75 ملین روپے کی محتاط فراہمی کے باوجود یہ نتائج حاصل کیے گئے حصص یافتگان کے مالکانہ حقوق equity میں 5.8 فیصد کا اضافہ جو کہ 31 دسمبر 2016ء کو 9,920.58 ملین روپے بنتا ہے۔

مالیاتی نتائج کا خلاصہ اور مختصات کے لئے تجاویز درج ذیل ہیں؛

	2016	2015
	مالیت روپے میں	
غیر مختص شدہ منافع آگے بڑھایا گیا	1,715,039,059	1,666,254,393
سال کا بعد از انکم ٹیکس منافع	476,112,627	723,705,116
غیر منقولہ اثاثہ جات کی دوبارہ قدر پیمائی (revaluation) کے بعد زائد از قدر (surplus)	69,469,190	71,301,135
حساب کتاب سے متعلق قدر شناسی (نقصان) Recognition of actuails (loss)	(4,712,479)	(1,480,562)
مختصات (appropriations) کے لیے دستیاب منافع	2,255,908,397	2,459,780,082

مختصات (appropriations)

بونس حصص کا اجرا	-	600,000,000
محفوظ ذخائر میں منتقلی	95,222,525	144,741,023
عام ذخائر میں منتقلی	-	-
کل مختصات (appropriations)	95,222,525	744,741,023
غیر مختص شدہ منافع	2,160,685,872	1,715,039,059

بورڈ کی خواہش ہے کہ وہ کمپنی کی انتظامیہ، افسران اور عملے کی سخت محنت اور لگن کو ریکارڈ پر لائے۔

بورڈ کی جانب سے، بورڈ آف ڈائریکٹرز

چیئرمین

ڈائریکٹرز رپورٹ

معاشی جائزہ

زیرغور مدت کے دوران، پاکستان کی معیشت نے اپنی رفتار (momentum) میں اضافہ تیسرے سال بھی جاری رکھا اور سال 2016 میں مجموعی قومی پیداوار (GDP) کی شرح نمو 4.71 فیصد رہی جو آٹھ سالوں میں بلند ترین ہے۔ گذشتہ سال زرعی شعبے کی ترقی کو پہنچنے والے دھچکے کے باوجود مجموعی قومی پیداوار (GDP) نے مناسب نمو دکھائی۔ معیشت 5.5 فیصد کی شرح ترقی کا ہدف حاصل نہ کر سکی جس کی وجہ کپاس، چاول اور مکئی کی پیداوار میں خاصی کمی کے نتیجے میں زرعی شعبے کی کم تر نمو (0.19-) تھی۔ تاہم صنعتی شعبے نے 6.80 فیصد کی ترقی دکھائی اور خدمات کے شعبے کی اضافے کی شرح رفتار 5.71 فیصد رہی۔

معاشی ترقی کی اعانت سے ابھرتی ہوئی تعمیراتی سرگرمیوں اور خدمات کے شعبے کا صحت مندانہ پھیلاؤ نے کی۔ ملکی مشینوں کی بڑھتی ہوئی درآمدت سے ملکی طلب کے استحکام کی نشاندہی ہوتی ہے۔ پاکستان تیل کی قیمتوں میں نمایاں گراوٹ کے سست رفتار اثرات اور ملکی سودی نرخ میں نمایاں کمی سے فائدہ اٹھا تا رہا ہے، جس کے ساتھ نجی شعبے کے قرضہ جات میں مستحکم ترقی ہوئی۔ معاشی سرگرمیوں میں چین پاکستان راہداری (CPEC) سے متعلق منصوبوں میں سرمایہ کاری میں اضافے نے بھی مدد کی۔

گورنمنٹ نے، معاشی سرگرمیوں میں رکاوٹ ڈالنے والے ڈھانچاتی معاملات مثلاً توانائی اور گیس کی قلت، جو ترقی کا 3.2 فیصد کھا چکی ہیں، جس سے خاص طور پر صنعتی شعبہ بری طرح متاثر ہوا تھا، کے حل پر خاص توجہ دی۔ ڈالر میں فی کس آمدنی سال 2015 کی 1,516.8 امریکی ڈالر سے بڑھ کر سال 2016 میں 1,560.7 امریکی ڈالر ہوگئی۔ فی کس آمدنی میں اضافے کے عوامل میں مجموعی قومی پیداوار کی ترقی کی رفتار میں اضافہ، آبادی میں کم اضافہ اور پاکستانی روپے میں استحکام شامل ہیں۔

بہتر معاشی ترقی کے امکانات نے درجہ بندی کرنے والی ایجنسیوں کو بھی پاکستان کے بارے میں اپنی رائے بدلنے پر مجبور کیا۔ اسٹنڈرڈ اینڈ پوورز نے ملک کی درجہ بندی، مستحکم منظرنامہ کیساتھ "B" کردی۔ اسی طرح سے موڈی نے ملکی درجہ بندی، مستحکم منظرنامہ کیساتھ، Caa2 سے بڑھا کر B3 کردی ہے۔ اس کے نتیجے میں پاکستان نے اکتوبر 2016 میں ایک بلین امریکی ڈالر کے تاریخی طور پر کم منافع (5.5 فیصد) پر سکوک بانڈ کا اجراء کر کے منڈی تک رسائی کو بہتر کیا۔

کرنسی کی مستحکم مساواتِ مبادلہ نے بھی صارف کی قیمتوں کے انڈیکس (CPI) افراطِ زر کو قابو میں رکھنے میں اور ملک میں افراطِ زر کی توقعات کم رکھنے میں مدد کی۔ سال 2014 کی 8.62 فیصد اوسط CPI افراطِ زر گر کر سال 2015 میں 4.53 فیصد ہوگئی جو سال 2016 میں مزید کم ہو کر 2.9 فیصد ہوگئی۔

SBP نے پالیسی ریٹ کم کر کے 5.75 فیصد کر دیا جو گذشتہ 44 سالوں کی تاریخ کی کم ترین سطح ہے جس کے اثرات سال 2016 کے اختتام کے قریب معاشی صورتحال میں نمایاں بہتری کی صورت میں نظر آئے۔

معیشت کے اقتصادی شعبے نے قابو شدہ اخراجات (contained expenditures) اور بڑھی ہوئی مالگذاری کی مد میں غیر معمولی بہتری دکھائی۔ حکومت کے توانائی میں دی جانے والی رعائت میں کمی محصول کی آمدنی میں اضافہ کرنے جیسے اقدامات کی وجہ سے بجٹ کا خسارہ سال 2013 کی مجموعی قومی پیداوار کا 8.2 فیصد سے نمایاں کمی کے ساتھ سال 2015 میں 5.3 فیصد ہوگیا۔ سال 2016 کی جولائی تا مارچ کی مدت کے دوران مالیاتی خسارہ مجموعی پیداوار کا 3.4 فیصد رہا اس کے مقابلے میں گذشتہ سال اسی مدت میں یہ 3.8 فیصد تھا۔ حکومتِ پاکستان سال 2018 تک مالیاتی خسارہ مزید کم کر کے مجموعی پیداوار کا 3.5 فیصد تک لانا چاہتی ہے۔

جون 2015 کی اختتام پر ملک کے کل غیر ملکی زر مبادلہ کے ذخائر 18.6 بلین امریکی ڈالر کے مقابلے میں ان کی مالیت مئی 2016 تک 21.4 بلین امریکی ڈالر کی بلند ترین سطح تک پہنچ گئی۔ مبادلہ کا نرخ جون 2015 کے اختتام پر 101.78 روپے فی امریکی ڈالر کے مقابلے میں مئی 2016 میں 104.75 روپے فی امریکی ڈالر کی سطح پر برقرار رہی۔ جولائی 2015 – مئی 2016 کے دوران پاکستانی روپے کی قدر میں کمی 2.9 فیصد رہی۔

معروف بین الاقوامی درجہ بندی کی ایجنسی Fitch کے مطابق سال 2017 میں نمو کی شرح 5.3 فیصد تک ہو سکتی ہے جس میں اضافہ کی وجوہات میں پچھلے موسم کے خراب موسمی حالات کے مقابلے میں اس سال بہتر زرعی پیداوار اور CPEC سے متعلق سرمایہ کاری کی آمد ہے۔ ان کی پیشن گوئی ہے کہ مستحکم ملکی طلب جاری رہنے کے ساتھ نجی استعمال، تیز تر قرضہ جات کے اجراء کی مدد سے ترقی کریں گے۔ ترسیلِ زر معتدل رہیں کیونکہ ان کا نصف خلیج کی معیشتوں سے آتا ہے جو توانائی کی کم ہوتی ہوئی قیمتوں کے اثرات سے نپٹ رہی ہیں۔ ترسیلِ زر میں تیزی سے کمی کا خطرہ ہے۔

پاکستان کے پاس قدرتی صلاحیت (endowment) اور ارتقاء (development) کے مستحکم امکانات ہیں۔ ملک جنوبی ایشیاء، وسطی ایشیا، چین اور مشرق وسطیٰ کے سنگم پر واقع ہے پس وہ علاقائی منڈی کا نصاب (fulcrum) ہونے کے ساتھ بڑی آبادی، بڑی اور متنوع وسائل اور غیر استعمال شدہ منافع بخش تجارت کے امکانات کا حامل ہے۔ ایشین ڈیولپمنٹ بینک کا خیال ہے کہ سال 2017 میں اور اس کے بعد کی ترقی کی اصل طاقت CPEC، جو پاکستان کو چین سے ملا ئیجانے والے منصوبے سے متعلق 46 بلین امریکی ڈالر پروگرام کے نفاذ سے بنیادی ڈھانچے کے سلسلے میں سڑکیں، ریلوے، پائپ لائن اور بجلی کے تعمیراتی منصوبوں پر اخراجات ہیں۔ سال 2017 میں منصوبہ بندی کے تحت بجٹ کے خسارے میں کمی نجی شعبے کو قرضوں کے اجراء کو مزید بڑھائے گی تا کہ ملکی بڑھتی ہوئی طلب کو پورا کیا جا سکے۔

مالیاتی نتائج–2016

کمپنی نے منظور شدہ کاروباری منصوبہ بندی کے مطابق اپنی حکمت عملی کو جاری رکھا۔ منصوبوں کی سرمایہ کاری کے بنیادی کاوبار پر اپنی تمام تر توجہ مرکوز رکھی جس نے کمرشل بینکوں سے بڑھتی ہوئی مسابقت کے باوجود 23.7 فیصد کی متاثر کن شرح سے ترقی کی۔ کم سودی شرح کے ماحول میں زیادہ منقسمہ منافع (dividend) دینے والی ایکوٹیز میں سرمایہ کاری کی۔ افراطِ زر کی بلند تر توقعات اور ڈسکاؤنٹ نرخ میں مزید کمی نہ ہونے کے توقع کے سبب کمپنی نے اپنی گورنمنٹ کے تمسکات میں سرمایہ کاری کم کردی اور سرمایہ کی منڈی میں تجارتی مواقعوں سے فائدہ اٹھا کر مناسب فائدہ اٹھایا ہے۔ مجموعی طور پر یہ حکمت عملی بہت کامیاب ثابت ہوئی اور کمپنی کے لیے یہ ممکن ہوا کہ وہ اپنے طے شدہ منافع کے اہداف سے زیادہ حاصل کر سکے۔

ڈسکاؤنٹ نرخ میں 425bps کی نمایاں کمی کے باوجود خالص سودی منافع میں 2 فیصد کی معمولی کمی کے ساتھ وسائل کے بہتر انتظام کی وجہ سے اس کی مالیت 834.02 ملین روپے رہی۔ سرمایہ کار منڈی کے لیے موزوں تجارتی حکمتِ عملی سے کمپنی کے لیے یہ ممکن ہوا کہ وہ 31 دسمبر 2016 کو 243.89 ملین روپے کی آمدنی دکھا سکے (سرمایہ میں اضافہ 119.26 ملین روپے اور منقسمہ آمدنی 124.63 ملین روپے) جو کہ گذشتہ سال 213.19 ملین روپے تھا جبکہ annualized آمدنی 44.3 فیصد تھی۔ کمپنی نے گورنمنٹ کے دستیاب تمسکات سے گذشتہ سال کے 234.35 ملین روپے کے مقابلے میں اس سال 317.14 ملین روپے کا سرمایہ کا اضافہ حاصل کیا۔ 31 دسمبر 2016 کو ختم ہونے والی مدت میں کمپنی نے 962.85 ملین روپے کا قبل از انکم ٹیکس منافع ریکارڈ کیا جسکی وجہ کاروبار کے تمام حصوں کی قابل قدر کارکردگی ہے۔

STATISTICAL INFORMATION

(Rs. in million)

	2012	2013	2014	2015	2016
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	980.0	1,200.0	3,150.0	2,705.0	3,950.0
Lease Finance	–	–	70.0	–	20.0
Short Term Finance	979.8	382.7	550.4	450.0	970.0
Direct Equity/Investment/Placement	-	250.0	–	–	330.0
Gross Funded (a)	1,959.8	1,832.7	3,770.4	3,155.0	5,270.0
Withdrawals (b)	480.0	500.0	450.0	300.0	-
Net Funded (c)	1,479.8	1,332.7	3,320.4	2,855.0	5,270.0
Non-Funded:					
Underwriting of Shares	–	–	300.0	–	–
Guarantees	200.0	–	850.0	–	350.0
Gross Non-Funded (d)	200.0	–	1,150.0	–	350.0
Withdrawals (e)	200.0	–	500.0	–	–
Net Non-Funded (f)	–	–	650.0	–	350.0
Gross (Funded & Non-Funded) (a+d)	2,159.8	1,832.7	4,920.4	3,155.0	5,620.0
Withdrawals (b+e)	680.0	500.0	950.0	300.0	–
Net (Funded & Non-Funded) (c+f)	1,479.8	1,332.7	3,970.4	2,855.0	5,620.0

Net-Financing and Investment Approved: Cumulative as on December 31, 2016

	(Rs. in million)	As % Age of Funded	As % Age of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	38,155.2	59.29	53.97
Lease Finance	1,945.8	3.02	2.75
Short Term Finance	17,819.7	27.69	25.21
Direct Equity/Investment/Placement	6,434.2	10.00	9.10
Gross Funded (a)	64,354.9	100.00	91.03
Withdrawals (b)	2,532.7		
Net Funded (c)	61,822.2		
Non-Funded:		As % Age of Non Funded	
Underwriting of Shares	3,116.0	49.15	4.41
Guarantees	3,224.4	50.85	4.56
Gross Non-Funded (d)	6,340.4	100.00	8.97
Withdraws (e)	710.7		
Net Non-Funded (f)	5,629.7		
Gross Cumulative (Funded & Non-Funded) (a+d)	70,695.3		100.00
Cumulative Withdrawals (b+e)	3,543.4		
Net Cumulative (Funded & Non-Funded) (c+f)	67,151.9		

(Rs. in million)

	2012	2013	2014	2015	2016	Since Inception to December 31, 2016
Disbursement: By type of assistance						
Long Term Finance/TFCs	609.0	791.0	2,309.0	2,275.0	3,177.2	34,627.3
Lease Finance	–	–	70.0	–	–	1,813.3
Short Term Finance	624.9	267.6	452.5	750.0	744.5	16,294.3
Direct Equity/Investment/Placement	–	250.0	–	–	–	2,077.4
Investment in Associated Company	–	–	–	–	–	4,030.6
Share taken up against underwriting	–	–	–	–	–	363.4
Total	1,233.9	1,308.6	2,831.5	3,025.0	3,921.7	59,206.3

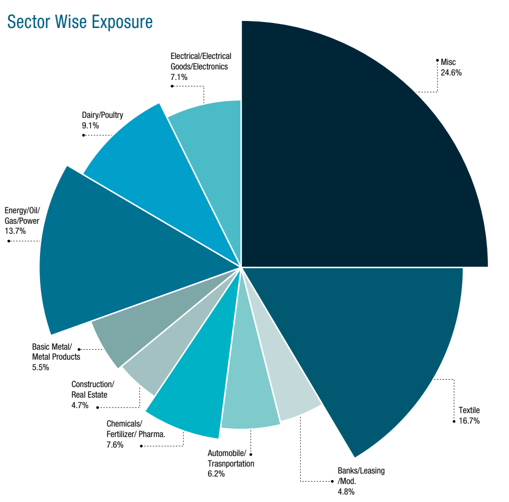
Net Financing and Investment Approved*: Sector Exposure

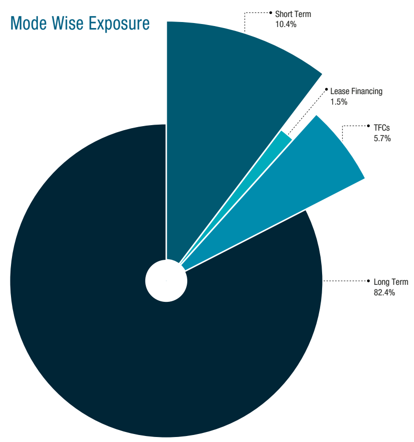
(Rs. in million)

	2016			Since inception to December 31, 2016		
	No	Amount	%	No	Amount	%
Sector						
Financial Services	4	725.0	13.76	169	10,546.5	17.14
Power/Oil & Gas	3	1,000.0	18.98	72	7,433.3	12.08
Manufacturing	11	2,500.0	47.44	577	36,083.3	58.66
Services	3	1,045.0	19.83	67	7,459.1	12.12
Total	21	5,270.0	100.00	885	61,522.2	100.00

*Excluding underwriting and guarantees

POSITION AS ON DECEMBER 31, 2016





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, which have been voluntarily adopted by the Company.

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, 2016 the Board has Six non-executive directors. Exemption regarding appointment of Independent director has been obtained from State Bank of Pakistan.

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, 2016. The Government of Pakistan nominated one director namely Mr. Khizar Hayat Gondal on July 28, 2016 replacing Mr. Manzoor Ali Khan on the same day, 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. Four directors have obtained relevant training while two will obtain training in 2017.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. 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.

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

13. 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.

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

15. The Board has formed an Audit Committee. It comprises four (04) Members, of whom all are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and shared with the committee members for compliance.

17. The Board has formed Human Resource and Remuneration Committee comprising of four non executive directors including the Chairman.

18. The Board has set-up an effective internal audit function who are considered suitably qualifies and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

Jeddah
March 02, 2017

Chairman

STATEMENT ON INTERNAL CONTROLS

The guidelines on Internal Controls issued by State Bank of Pakistan vide their BSD Circular No. 7 of May 27, 2004 requires 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 & 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 2016 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 internationally 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, 2015 duly approved by the Audit Committee of the Board on March 15, 2016.

Annual Assessment Report on ICFR for the year ended December 31, 2016 is to be submitted to SBP latest by March 31, 2017 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**

Jeddah
March 02, 2017

Chairman

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) 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) for the year ended December 31, 2016 to comply with the requirements of 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 (the Board) of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not and 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board 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 alternative 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 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 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 December 31, 2016.

Chartered Accountants
Islamabad: March 2, 2017
Engagement partner: S. Haider Abbas

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
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SAUDI PAK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

STANDALONE

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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, 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion;

- (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 6.1 with which we concur;
- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Emphasis of Matter

We draw attention to note 20.5(i) to the unconsolidated financial statements, which describes the uncertainty related to the outcome of the tax reference filed by the Company before the Islamabad High Court which is pending adjudication. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2015 were audited by KPMG Taseer Hadi & Co., Chartered Accountants who had expressed an unqualified opinion thereon dated February 25, 2016.

Chartered Accountants
Islamabad: March 2, 2017
Engagement partner: S. Haider Abbas

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Cash and balances with treasury banks	7	34,289,134	64,560,467
Balances with other banks	8	116,131,516	758,317,400
Lendings to financial institutions	9	340,000,000	180,000,000
Investments	10	11,349,103,494	12,702,241,117
Advances	11	8,256,263,088	6,674,954,403
Operating fixed assets	12	2,625,410,263	2,738,964,706
Other assets	13	1,610,549,972	1,743,267,307
		24,331,747,467	24,862,305,400
LIABILITIES			
Bills payable		–	–
Borrowings	14	10,717,907,824	12,010,452,912
Deposits and other accounts	15	131,399,425	7,000,000
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	16	857,778,189	878,194,901
Other liabilities	17	238,722,007	224,419,749
		11,945,807,445	13,120,067,562
NET ASSETS		12,385,940,022	11,742,237,838
REPRESENTED BY			
Share capital	18	6,600,000,000	6,600,000,000
Reserve fund		801,227,124	706,004,599
General reserve		358,662,940	358,662,940
Unappropriated profit		2,160,685,872	1,715,039,059
		9,920,575,936	9,379,706,598
Surplus on revaluation of assets - net of tax	19	2,465,364,086	2,362,531,240
		12,385,940,022	11,742,237,838
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 45 and Annexure I 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, 2016

	Note	2016 Rupees	2015 Rupees
Mark-up / return / interest earned	21	1,334,803,137	1,717,979,783
Mark-up / return / interest expensed	22	500,787,199	867,266,996
Net mark-up / interest income		834,015,938	850,712,787
Provision against non-performing loans and advances - net		112,632,951	2,753,941
Provision for diminution in the value of investments - net	23	154,449,144	83,171,688
Bad debts written off directly		–	–
		267,082,095	85,925,629
Net mark-up / interest income after provisions		566,933,843	764,787,158
Non mark-up / interest income			
Fee, commission and brokerage income		13,998,496	9,541,338
Dividend income		124,633,826	106,547,220
(Loss) / gain from dealing in foreign currencies		(4,210)	717,935
Gain on sale of securities - net	24	436,402,149	340,998,278
Unrealized gain on revaluation of investments classified as held for trading		3,608,666	–
Other income	25	146,392,289	96,551,699
Total non mark-up / interest income		725,031,216	554,356,470
Non mark-up / interest expenses			
Administrative expenses	26	344,482,391	322,429,208
Other (reversals) / provisions	27	(15,368,898)	13,512,000
Other charges	28	–	583,000
Total non-markup / interest expenses		329,113,493	336,524,208
Extraordinary / unusual items		–	–
Profit before taxation		962,851,566	982,619,420
Taxation - current		251,860,519	236,135,952
- prior years'		69,763,310	29,855,048
- deferred		165,115,110	(7,076,696)
	29	486,738,939	258,914,304
Profit after taxation		476,112,627	723,705,116
Basic earning per share	30	0.721	1.097

The annexed notes 1 to 45 and Annexure I 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, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	476,112,627	723,705,116
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement loss of defined benefit plan	(3,769,149)	(2,177,297)
Related deferred tax impact on remeasurement loss	1,130,745	696,735
Remeasurement loss of defined benefit plan - net of tax	(2,638,404)	(1,480,562)
Reversal of prior year excess deferred tax	(2,074,075)	–
	(4,712,479)	(1,480,562)
Comprehensive income - transferred to statement of changes in equity	471,400,148	722,224,554
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale securities	(14,173,116)	215,466,993
Related deferred tax impact	4,251,935	(53,723,413)
	(9,921,181)	161,743,580
Reversal of deferred tax liability - prior year	182,019,682	–
	172,098,501	161,743,580
Surplus on revaluation of operating fixed assets	–	578,682,096
Related deferred tax	–	(173,752,153)
	–	404,929,943
	172,098,501	566,673,523
Total comprehensive income for the year	643,498,649	1,288,898,077

The annexed notes 1 to 45 and Annexure I form an integral part of these unconsolidated financial statements.

Chief Executive Director Director Chairman

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		962,851,566	982,619,420
Less: dividend income		(124,633,826)	(106,547,220)
		838,217,740	876,072,200
Adjustments:			
Depreciation / amortization		136,440,286	118,066,173
Provision against non-performing advances		112,632,951	2,753,941
Provision for diminution in the value of investments		154,449,144	83,171,688
Other (reversals) / provisions		(15,368,898)	13,512,000
Loss on disposal of property and equipment		407,754	9,381,872
Gain on disposal of non banking assets		(29,234,973)	–
Provision for gratuity		4,006,460	5,021,860
Provision for compensated absences		3,018,458	2,155,572
Unrealized gain on revaluation investments classified as held for trading		(3,608,666)	–
		362,742,516	234,063,106
		1,200,960,256	1,110,135,306
(Increase) / decrease in operating assets			
Lendings to financial institutions		(160,000,000)	720,000,000
Advances		(1,693,941,636)	(989,669,646)
Other assets		198,886,547	(101,894,053)
		(1,655,055,089)	(371,563,699)
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(1,292,545,088)	1,379,572,803
Deposits		124,399,425	(30,000,000)
Other liabilities		7,468,815	(31,617,717)
		(1,160,676,848)	1,317,955,086
Net cash flow from operating activities		(1,614,771,681)	2,056,526,693
Payment to defined benefit plan		(3,960,625)	(32,604,481)
Income tax paid		(432,656,262)	(171,999,857)
Excise duty paid		(40,562,000)	(14,255,895)
		(477,178,887)	(218,860,233)
Net cash from operating activities		(2,091,950,568)	1,837,666,460
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in available-for-sale securities - net		977,239,167	(2,220,466,745)
Investment in held-for-trading securities		(63,640,333)	25,316,849
Investment in held-to-maturity securities		274,525,196	364,206,925
Dividend received		117,383,826	107,047,220
Investment in operating fixed assets		(23,446,092)	(39,031,050)
Sale proceeds from disposal of property and equipment		2,931,587	6,380,425
Sale proceeds from disposal of non banking assets		134,500,000	–
Net cash generated from/ (used in) investing activities		1,419,493,351	(1,756,546,376)
CASH FLOW FROM FINANCING ACTIVITIES		–	–
(Decrease) / increase in cash and cash equivalents		(672,457,217)	81,120,084
Cash and cash equivalents at beginning of the year		822,877,867	741,757,783
Cash and cash equivalents at end of the year	31	150,420,650	822,877,867

The annexed notes 1 to 45 and Annexure I 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, 2016

	Share capital	Reserve fund*	General reserve	Unappropriated profit	Total
			Rupees		
Balance as at January 1, 2015	6,000,000,000	561,263,576	358,662,940	1,666,254,393	8,586,180,909
Total comprehensive income for the year ended December 31, 2015					
Net profit for the year ended December 31, 2015	–	–	–	723,705,116	723,705,116
Other comprehensive income related to equity	–	–	–	(1,480,562)	(1,480,562)
Bonus shares issued	600,000,000	–	–	(600,000,000)	–
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
Balance as at January 1, 2016	6,600,000,000	706,004,599	358,662,940	1,715,039,059	9,379,706,598
Total comprehensive income for the year ended December 31, 2016					
Net profit for the year ended December 31, 2016	–	–	–	476,112,627	476,112,627
Other comprehensive income related to equity	–	–	–	(4,712,479)	(4,712,479)
Transfer to reserve fund *	–	95,222,525	–	(95,222,525)	–
Transferred from surplus on revaluation of operating fixed assets - net	–	–	–	69,469,190	69,469,190
Balance as at December 31, 2016	6,600,000,000	801,227,124	358,662,940	2,160,685,872	9,920,575,936

* 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 45 and Annexure I 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, 2016

1. LEGAL STATUS AND OPERATIONS

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

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

2. BASIS OF PRESENTATION

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

These unconsolidated financial statements are separate financial statements of the Company in which the investment in subsidiary and associate is stated at cost and have not been accounted for on the basis of reported results and net assets of the investee which is done in consolidated financial statements.

2.1 Functional and presentation currency

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

3. STATEMENT OF COMPLIANCE

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

3.2 International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosures" are not applicable to Banking Companies in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

4. STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

a) The following amendments to published accounting standards were effective during the year and have been adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 11	Joint Arrangements (Amendments)	January 1, 2016
IAS 1	Presentation of financial statements (Amendments)	January 1, 2016
IAS 16	Property, plan and equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate financial statements (Amendments)	January 1, 2016
IAS 38	Intangible assets (Amendments)	January 1, 2016

b) Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

c) Following standards and amendments to published accounting standards will be effective in future periods and have not been earlier adopted by the Company.

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRS 7	Financial Instruments (Amendments)	January 1, 2018
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2018
IAS 40	Investment property (Amendments)	July 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Company's financial statements other than in presentation/disclosure.

5. BASIS OF MEASUREMENT

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

– certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;

– certain investments which are carried at fair value in accordance with directives of the SBP; and

– staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.

Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan 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:

i) Classification of investments (note 6.4)
ii) Provision against investments (note 6.4), advances (note 6.5) and other assets
iii) Valuation and impairment of available for sale securities - note 6.4(b)
iv) Valuation and useful life of operating fixed assets - note 6.7
v) Taxation - note 6.9
vi) Present value of staff retirement benefits - note 6.10

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Non banking assets acquired in satisfaction of claims

To comply with the requirements of the 'Regulations for Debt Property Swap' (the Regulations) issued by SBP vide BPRD Circular No. 1 of 2016 dated January 1, 2016, the Company has changed its accounting policy effective January 1, 2016 for recording of non-banking assets acquired in satisfaction of claims. In accordance with the Regulations, the non-banking assets acquired in satisfaction of claims are now being carried at revalued amounts. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost including attached costs less impairment, if any.

Had the accounting policy not been changed, the non banking assets acquired in satisfaction of claims (included in other assets in the statement of financial position) would have been lower by Rs 12,589,806, consequently related reversal of provision and depreciation charge as appearing in unconsolidated profit and loss account would have been lower by Rs 15,368,898 and Rs 2,779,092, profit before and after tax would have been lowered by Rs 12,589,806 and Rs 11,782,287 respectively.

6.2 Cash and cash equivalents

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

6.3 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.

6.4 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) 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 SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, 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 taken through "Statement of Comprehensive Income" 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. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

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.

(c) 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.

(d) Investments in associate / subsidiary

Investment in subsidiary and associate is 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.

6.5 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 SBP 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.

6.6 Net investment in finance lease

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

6.7 Operating fixed assets and depreciation/ amortization

(a) Tangibles assets

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 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.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Company. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

Depreciation is provided on straight line method at rates specified in note 12.1 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when 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 and impairment losses, if any. Amortization is charged to unconsolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 12.2 to these unconsolidated financial statements to write off cost of the assets over their estimated useful life.

(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.

6.8 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 unconsolidated profit and loss account on a time proportion basis.

6.9 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 other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.

(a) Current

Provision for current tax 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, and 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 as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

6.10 Staff retirement benefits

(a) Defined benefit plan

The Company operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using "projected unit credit method".

(b) Defined contribution plan

The Company also operates a recognized provident fund 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.

6.11 Revenue recognition

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

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

– Unrealized lease income on classified lease 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 taken to the unconsolidated profit and loss account.

– Rental income is recognized on accrual basis.

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

6.12 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 of the Company.

6.13 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.

6.14 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.

6.15 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.16 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.

6.17 Segment Reporting

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

– **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.

	Note	2016 Rupees	2015 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		238,060	239,853
With State Bank of Pakistan in			
Local currency current accounts	7.1	34,051,074	64,320,614
		34,289,134	64,560,467

7.1 These represent current accounts maintained with the State Bank of Pakistan to comply with the statutory cash reserve requirements.

	Note	2016 Rupees	2015 Rupees
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		16,184,836	6,655,659
On deposit accounts			
– local currency (profit and loss savings account)	8.1	82,763,844	732,529,963
– foreign currency	8.2	17,182,836	19,131,778
		116,131,516	758,317,400

8.1 These deposit accounts carry markup at the rate ranging from 3.75% to 4.00% per annum (2015: 4.00% to 8.40% per annum).

8.2 These deposit accounts carry interest at the rate of 0.25% per annum (2015: 0.25% per annum).

	Note	2016 Rupees	2015 Rupees
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		–	180,000,000
Repurchase agreements lendings (reverse repo)	9.1	340,000,000	–
		340,000,000	180,000,000

9.1 These are secured against Pakistan Investment Bonds (PIBs) and carry markup at the rate of 5.80% per annum having maturity on January 3, 2017.

	2016 Rupees	2015 Rupees
9.2 Particulars of lendings		
In local currency	340,000,000	180,000,000
	340,000,000	180,000,000

9.3 Securities held as collateral against lendings to financial institutions

	Note	2016 Held by the company	2016 Further as collateral	2016 Total	2015 Held by the company	2015 Further as collateral	2015 Total
			Rupees			Rupees	
Pakistan Investment Bonds	9.3.1	340,000,000	–	340,000,000	–	–	–
		340,000,000	–	340,000,000	–	–	–

9.3.1 These represent the securities obtained under reverse repo transactions.

9.3.2 Market value of securities held as collateral at December 31, 2016 was Rs. 343,901,500 (2015: Nil).

10. INVESTMENTS

10.1 Investment by types:

	Note	2016 Held by the company	2016 Further as collateral	2016 Total	2015 Held by the company	2015 Further as collateral	2015 Total
			Rupees			Rupees	
Held for trading securities (HFT)							
Quoted shares		63,640,333	–	63,640,333	–	–	–
Available for sale securities (AFS)							
Pakistan Investment Bonds (PIBs)		2,679,664,033	5,269,482,367	7,949,146,400	2,395,818,161	6,358,195,317	8,754,013,478
Market Treasury Bills		296,933,100	–	296,933,100	523,211,395	–	523,211,395
Quoted securities		1,623,809,439	–	1,623,809,439	1,289,390,956	–	1,289,390,956
Term Finance Certificates (TFCs)		106,511,641	–	106,511,641	137,023,918	–	137,023,918
Un-quoted securities		456,333,048	–	456,333,048	703,833,048	–	703,833,048
Other - Islamabad Stock exchange Membership		–	–	–	2,500,000	–	2,500,000
		5,163,251,261	5,269,482,367	10,432,733,628	5,051,777,478	6,358,195,317	11,409,972,795
Held to maturity securities (HTM)							
Term Finance Certificates (TFCs)		531,589,926	–	531,589,926	806,115,122	–	806,115,122
Subsidiaries							
Saudi Pak Leasing Company Limited							
- Investment in shares		–	–	–	243,467,574	–	243,467,574
- Investment in preference shares		–	–	–	333,208,501	–	333,208,501
Saudi Pak Real Estate Company Limited	10.1.1	500,000,000	–	500,000,000	500,000,000	–	500,000,000
		500,000,000	–	500,000,000	1,076,676,075	–	1,076,676,075
Investment in associates							
Saudi Pak Leasing Company Limited							
- Investment in shares		243,467,574	–	243,467,574	–	–	–
- Investment in preference shares		333,208,501	–	333,208,501	–	–	–
		576,676,075	–	576,676,075	–	–	–
Investment at cost		6,835,157,595	5,269,482,367	12,104,639,962	6,934,568,675	6,358,195,317	13,292,763,992
Provision for diminution in value of investments	10.2.1	(1,614,006,676)	–	(1,614,006,676)	(1,459,557,533)	–	(1,459,557,533)
Investments (net of provisions)		5,221,150,919	5,269,482,367	10,490,633,286	5,475,011,142	6,358,195,317	11,833,206,459
Surplus on revaluation of AFS securities	19	854,861,542	–	854,861,542	869,034,658	–	869,034,658
Surplus on revaluation of HFT securities	10.7	3,608,666	–	3,608,666	–	–	–
Total investments		6,079,621,127	5,269,482,367	11,349,103,494	6,344,045,800	6,358,195,317	12,702,241,117

10.1.1 This represents 50 million shares in Saudi Pak Real Estate Company Limited (SPRECL) representing 100% of paid up capital of SPRECL having a break-up value of Rs. 13.48 (2015: Rs. 13.27) per share on the basis of latest available audited financial statements.

		Note	2016 Rupees	2015 Rupees
10.2	**Investment by segments**			
	Federal Government securities	10.2.3		
	- Pakistan Investment Bonds (PIBs)		7,949,146,400	8,754,013,478
	- Market Treasury Bills		296,933,100	523,211,395
			8,246,079,500	9,277,224,873
	Fully paid up ordinary shares			
	- Listed securities	10.3	1,930,917,346	1,532,858,530
	- Unquoted securities	10.4	956,333,048	1,203,833,048
			2,887,250,394	2,736,691,578
	Term Finance Certificates (TFCs)	10.5		
	- Listed TFCs		208,817,784	488,536,311
	- Unlisted TFCs		429,283,783	454,602,729
			638,101,567	943,139,040
	Other investments			
	Islamabad Stock exchange Membership		–	2,500,000
	Investment in preference shares		333,208,501	333,208,501
			333,208,501	335,708,501
	Total investment at cost		12,104,639,962	13,292,763,992
	Provision for diminution in value of investments	10.2.1	(1,614,006,676)	(1,459,557,533)
	Investments (net of provisions)		10,490,633,286	11,833,206,459
	Surplus on revaluation of available for sale securities (AFS)		854,861,542	869,034,658
	Surplus on revaluation of held for trading securities (HFT)	10.7	3,608,666	–
	Total investments at market value		11,349,103,494	12,702,241,117
10.2.1	**Particulars of provision for diminution in value of investments**			
	Opening balance		1,459,557,533	1,376,385,845
	Charge for the year		180,477,221	94,414,929
	Reversals for the year		(26,028,078)	(11,243,241)
			154,449,143	83,171,688
	Closing balance	10.2.2	1,614,006,676	1,459,557,533
10.2.2	**Particulars of provision in respect of type and segments**			
	Available for sale (AFS) securities			
	Impairment on quoted securities		137,927,115	163,955,194
	Un-quoted securities		358,208,040	291,302,066
	Term Finance Certificates (TFCs)		77,105,520	67,181,343
	Held to maturity (HTM) securities			
	Term Finance Certificates (TFCs)		464,089,926	360,442,855
	Subsidiary - fully paid ordinary shares – listed			
	Fully paid ordinary shares		–	243,467,574
	Preference shares		–	333,208,501
	Associates - fully paid ordinary shares – listed			
	Fully paid ordinary shares		243,467,574	–
	Preference shares		333,208,501	–
			1,614,006,676	1,459,557,533

10.2.3 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon
Pakistan Investment Bonds	July 2017 to July 2022	On maturity	9.25% to 12.00%	semi-annually
Market Treasury Bills	March 2017	On maturity	6.18%	at maturity

10.3 Investment in fully paid up ordinary shares-listed

Number of ordinary share 2016	Number of ordinary share 2015	Average cost Per share Rupees	Name of companies	2016 Rupees	2015 Rupees
500,000	750,000	59.48	Adamjee Insurance Company Limited	29,740,906	36,145,055
3,346,506	4,304,051	35.00	Agritech Limited	117,127,705	125,107,957
–	1,000,000	–	Aisha Steel Limited	–	8,677,496
500,000	522,500	23.71	Askari Bank Limited	11,853,735	10,866,966
500,000	1,000,000	33.11	Bank Al-Falah Limited	16,556,770	26,000,630
300,000	–	194.95	Bestway Cement Company Limited	58,484,490	–
250,000	300,000	85.84	Cherat Cement limited	21,459,800	23,262,898
500,000	250,000	21.23	Crescent Textile	10,613,613	5,440,337
500,000	–	126.04	Dawood Hercules	63,020,676	–
100,000	–	284.99	Engro Corporation Limited	28,499,033	–
1,000,000	500,000	66.30	Engro Fertilizer Limited	66,303,329	36,648,146
250,000	–	147.05	Engro Foods Limited	36,762,086	–
–	500,000	–	Engro Powergen Limited	–	20,990,557
1,000,000	1,500,000	31.92	Fatima Fertilizer Company Limited	31,920,017	45,947,617
1,500,000	1,000,000	34.90	Fauji Cement Company Limited	52,355,722	26,176,110
1,000,000	750,000	91.57	Fauji Fertilizer Company Limited	91,571,141	64,570,201
1,500,000	1,000,000	37.00	Fauji Fertilizer Bin Qasim Limited	55,496,315	28,753,960
5,000,000	2,500,000	11.31	Golden Arrow Selected Stocks Fund Limited	56,531,513	27,057,661
250,000	208,250	331.73	Hascol Petroleum Limited	82,932,257	15,039,774
1,000,000	500,000	99.59	The Hub Power Company Limited	99,594,817	40,211,219
7,765,963	8,877,963	4.15	Japan Power Generation Limited	32,213,214	36,825,790
500,000	500,000	44.95	Kohinoor Energy Limited	22,477,250	22,477,248
500,000	–	20.18	Kohinoor Mills Limited	10,089,705	–
1,000,000	1,985,500	23.82	Kohinoor Spinning Mills Limited	23,821,380	47,297,349
1,500,000	450,000	75.50	Kott Addu Power Company Limited	113,250,026	22,552,458
100,000	100,000	232.11	MCB Bank Limited	23,211,223	21,531,761
500,000	1,545,500	72.87	National Bank of Pakistan	36,434,634	94,521,185
2,500,000	2,000,000	40.17	Nishat Chunian Power Limited	100,429,772	72,559,278
500,000	500,000	38.74	Nishat (Chunian) Limited	19,371,328	21,927,920
2,000,000	500,000	45.58	Nishat Power Limited	91,155,803	11,927,027
200,000	200,000	157.02	Oil & Gas Development Company Limited	31,404,069	38,773,335
–	1,975,000	–	Pakcem Limited	–	33,652,316
2,000,000	1,340,000	30.63	Pakistan International Bulk Terminal Limited	61,262,602	38,743,067
1,000,000	1,500,000	17.17	Pakistan Telecommunication Company Limited	17,171,838	27,445,905
250,000	505,000	160.79	Pakistan Petroleum Limited	40,197,324	74,131,904
–	200,000	–	Pakistan Oil Field	–	67,362,097
–	425,000	–	Pakistan Reinsurance Co. Limited	–	15,897,479
1,500,000	–	67.05	Pak Elektron Limited	100,580,065	–
–	500,000	–	Saif Power Limited	–	19,185,555
15,835,403	15,835,403	15.37	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
100,000	78,400	44.22	Security Papers Limited	4,421,702	2,470,442
–	22,187,000	–	Silkbank Limited	–	34,613,723
1,500,000	1,000,000	19.42	Standard Chartered Bank (Pakistan) Limited	29,133,913	17,879,403
–	105,200	–	Shell Pakistan Limited	–	26,719,131
				1,930,917,346	1,532,858,530

10.4 Investment in fully paid up shares – unquoted

	2016 Number of shares	2016 Total paid up value	2016 Name of Chief executive / status
Ali Paper Board Industries Limited	571,000	5,710,000	Under Liquidation
Saudi Pak Kalabagh Livestock Company Limited	1,000,000	10,000,000	Under Liquidation
Bela Chemical Industries Limited	650,000	6,500,000	Under Liquidation
Fruit Sap Limited	400,000	4,000,000	Under Liquidation
Taurus Securities Limited	1,125,000	11,250,000	Syed Zain Hussain
Pakistan Textile City Limited	5,000,000	50,000,000	Mr. M Hanif Kasbati
Alhamra Hills Private Limited	5,000,000	50,000,000	Mr. Habib Ahmed
Pak Kuwait Takaful Company	4,000,000	40,000,000	Mr. Aziz Kapadia
Al Hamra Avenue Private Limited	5,000,000	50,000,000	Mr. Habib Ahmed
Pace Barka Properties Limited	16,875,000	168,750,000	Ms. Asma Taseer
Innovative Investment Bank Limited	3,762,304	37,623,048	Under Liquidation
Trust Investment Bank Limited	2,000,000	20,000,000	Mr Ahsan Rafique
ISE Towers - REIT Management Company Limited	3,034,603	2,500,000	Mian Ayaz Afzal
		456,333,048	
Subsidiary			
Saudi Pak Real Estate Limited	50,000,000	500,000,000	Ms. Parveen A-Malik
		956,333,048	

10.5 Investment in term finance certificates – listed

Number of certificate 2016 Rupees	Number of certificate 2015 Rupees	Company's name	Redeemable value per certificate Rupees	2016 Rupees	2015 Rupees
Listed					
44,149	44,149	Azgard Nine Limited	2,801	136,614,140	136,614,140
–	44,780	Engro Corporation Pakistan Limited	4,957	–	222,175,000
–	32,300	Maple Leaf Cement (Sukuk) Limited	5,000	–	52,456,602
2,000	2,000	Trust Investment Bank Limited	1,874	3,748,500	3,748,500
10,000	10,000	World Call Telecom Limited	1,920	19,200,843	19,200,843
15,000	15,000	World Call Telecom Limited	3,089	19,848,180	19,848,180
–	250	Pakistan Mobile Communications Limited	100,000	–	5,073,125
6,000	6,000	Summit Bank Limited	4,804	29,406,121	29,419,921
Book value as on December 31				208,817,784	488,536,311

These carry return at the rates ranging from 7.66% to 9.31% (2015: 7.86% to 8.25%) per annum and having maturity in 2021.

Number of certificate

2016 Rupees	2015 Rupees	Company's name	Redeemable value per certificate Rupees	2016 Rupees	2015 Rupees
Unlisted					
18,000	18,000	Amtex Limited (Sukuk) (Chief Executive: Mr. Khurram Iftikhar)	3,750	67,500,000	67,500,000
10,000	10,000	B.R.R Guardian Modaraba (Chief Executive: Mr. Ayaz Dawood)	1,824	18,238,132	21,875,000
7,263	7,263	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	5,000	57,257,340	57,257,340
50,000	50,000	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	5,000	229,026,411	229,026,411
30,000	30,000	Sitara Peroxide Limited (Chief Executive: Mr. Imran Ghafoor)	1,909	57,261,900	78,943,978
Book value as on December 31				429,283,783	454,602,729
				638,101,567	943,139,040

These carry return at the rates ranging from 6.24% to 11% (2015: 6.51% to 11%) per annum and having maturity in 2019

10.5.1 Investment in term finance certificates (TFCs) includes Rs. 608.695 million (2015: Rs. 533.195 million) which has been placed under non-performing status as detailed below:-

	2016		
	Classified investment	Specific provision required	Specific provision held
		Rupees	
Category of classification of TFCs			
Substandard	–	–	–
Doubtful	–	–	–
Loss	608,695,446	541,195,446	541,195,446
	608,695,446	541,195,446	541,195,446

	2015		
	Classified investment	Specific provision required	Specific provision held
		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

10.6 Quality of available for sale securities

	Note	2016 Rating Rupees	2016 Marekt value Rupees	2015 Rating Rupees	2015 Market value Rupees
Market Treasury Bills	10.6.1	unrated	297,045,600	unrated	524,099,491
Pakistan Investment Bonds	10.6.1	unrated	8,435,015,650	unrated	9,429,492,842
Fully paid up ordinary shares	10.6.2				
Adamjee Insurance Company Limited		AA+	37,070,000	AA	42,382,500
Agritech Limited		unrated	133,793,301	unrated	8,953,045
Aisha Steel Mills Limited		unrated	–	unrated	8,710,000
Askari Bank Limited		AA+/A-1+	12,475,000	AA/A-1+	11,359,150
Bank Alfalah Limited		AA/A-1+	18,980,000	AA/A-1+	28,820,000
Bestway Cement Company Limited		AA-	82,773,000	–	–
Cherat Cement		A/A-1	43,510,000	–	27,054,000
Crescent Textile Mills Limited		unrated	13,749,993	unrated	4,828,880
Dawood Hercules		AA-/A-1+	72,165,000	–	–
Engro Corporation Limited		AA/A-1+	–	–	–
Engro Fertilizer Limited		AA-/A1+	67,980,000	AA-/A1+	42,065,000
Engro Foods		unrated	47,985,000	–	–
Engro Powergen Limited		–	–	–	17,090,000
Fauji Cement Company Limited		unrated	67,620,000	unrated	36,820,000
Fatima Fertilizer Company Limited		AA-/A1+	36,890,000	AA-/A1+	67,095,000
Fauji Fertilizer Bin Qasim Limited		unrated	76,815,000	unrated	52,680,000
Fauji Fertilizer Company Limited		AA/A1+	104,370,000	unrated	88,485,000
Golden Arrow Selected Stocks Fund Limited		4 Star/ 4 Star	69,450,000	4 Star/ 4 Star	24,000,000
Hascol Petroleum Limited		A+/A-1	84,380,000	A+/A-1	30,040,062
Hub Power Company Limited		AA+/A1+	123,480,000	AA+/A1+	51,300,000
Japan Power Generation Limited		unrated	71,917,691	unrated	35,156,733
Kohinoor Energy Limited		AA/A1+	21,500,000	AA/A1+	21,500,000
Kohinoor Mills Limited		unrated	20,250,000	-	-
Kohinoor Spinning Mills Limited		unrated	24,911,558	unrated	19,894,507
Kot Addu Power Company Limited		AA+/A1+	118,200,000	AA+/A1+	36,450,000
MCB Bank Limited		AAA/A1+	23,782,000	AAA/A1+	21,685,000
National Bank of Pakistan		AAA/A1+	37,445,000	AAA/A1+	83,518,820
Nishat Power Limited		A+/A1	128,180,000	A+/A1	26,840,000
Nishat (Chunian) Limited		unrated	31,215,000	A-/A-2	17,000,000
Nishat Chunian Power Limited		unrated	138,700,000	A+/A-2	110,100,000
Oil and Gas Development Company Limited		AAA/A1+	33,070,000	AAA/A1+	23,468,000
Pakistan International Bulk Terminal Limited		unrated	65,980,000	unrated	37,479,800
Pakistan Telecommunication Company Limited		unrated	17,180,000	unrated	24,735,000
Pakistan Oilfields Limited		–	–	unrated	53,604,000
Pakistan Petroleum Limited		unrated	47,045,000	unrated	61,514,050
Pakcem Limited		–	–	A-/A2	33,634,250
Pakistan Reinsurance Company Limited		–	–	AA	14,386,250
Pak Elektron Limited		A+/A1	71,280,000	–	–
Saif Power Limited		–	–	A+/A1	16,375,000
Silkbank Limited		–	–	A-/A2	40,380,340
Standard Chartered Bank (Pakistan) Limited		AAA/A1+	37,875,000	AAA/A1+	21,900,000
Security Papers Limited		unrated	9,864,000	unrated	6,907,824
Shell Pakistan Limited		–	–	unrated	24,010,848
	10.6.3		1,991,881,543		1,098,050,484

	Note	2016 Rating Rupees	2016 Marekt value Rupees	2015 Rating Rupees	2015 Market value Rupees
Term Finance Certificates					
Summit Bank Ltd		A-	30,213,809	A-	30,717,033
Mapple Leaf Cement factory Limited		–	–	A	2,578,295
Engro Fertilize Limited		–	–	AA	22,889,725
Pakistan Mobile Communication limited		–	–	AA-	5,060,070
			30,213,809		61,245,123
			10,754,156,602		11,112,887,940

10.6.1 These are Government of Pakistan guaranteed securities.

10.6.2 Ratings for these securities / units represent 'Entity Ratings'.

10.6.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company (JCR-VIS)', whereas foreign securities and certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

10.6.4 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with SBP.

		Note	2016 Rupees	2015 Rupees
10.7	**Unrealized gain on revaluation of investments classified as held for trading**			
	Fully paid up ordinary shares of listed companies		3,608,666	–
11.	**ADVANCES**			
	In Pakistan		10,303,964,877	8,591,513,212
	Net investment in finance lease	11.2.1	162,712,806	182,631,084
	Advances – gross	11.1	10,466,677,683	8,774,144,296
	Provision for non-performing advances	11.3.1	(2,210,414,595)	(2,099,189,893)
	Advances – net of provision		8,256,263,088	6,674,954,403
11.1	**Particulars of advances - gross**			
11.1.1	In local currency		10,429,449,895	8,736,916,508
	In foreign currencies		37,227,788	37,227,788
			10,466,677,683	8,774,144,296
11.1.2	Long term advances (over one year)	11.1.3	9,269,226,792	7,752,508,697
	Short term advances (upto one year)	11.1.4	1,158,073,877	981,053,877
	Staff advances (long term)	11.4	39,377,014	40,581,722
			10,466,677,683	8,774,144,296

11.1.3 These advances are secured by charges created over assets of the beneficiary companies and carry mark-up at rates ranging from 7.00% to 17.88% (2015: 7.00% to 17.88%) per annum.

11.1.4 These are maturing within next twelve months and carry mark-up at rates ranging from 6.75% to 9.12% (2015: 7.35% to 9.60%) per annum. These are secured by pledge of quoted shares, stocks and charge on receivable etc.

	Note	2016 Rupees	2015 Rupees
11.2 Net investment in finance lease			
Minimum lease payments receivables		235,864,646	259,383,533
Less: Unearned finance income		(73,151,840)	(76,752,449)
Present value of minimum lease payments	11.2.1	162,712,806	182,631,084
Less: Provision for potential lease losses		(139,055,744)	(140,648,716)
Net investment in lease		23,657,062	41,982,368

	2016		
	Note later than one year	Later than one and less than five years	Total
		Rupees	
11.2.1 Net investment in finance lease			
Minimum lease payments receivable	232,291,446	3,573,200	235,864,646
Less: Unearned finance income	(73,111,952)	(39,888)	(73,151,840)
Present value of minimum lease payments	159,179,494	3,533,312	162,712,806

	2015		
	Note later than one year	Later than one and less than five years	Total
		Rupees	
Minimum lease payments 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

11.3 Advances include Rs. 2,796,201,699 (2015: Rs. 2,815,675,026) which have been placed under non-performing status as detailed below:-

	2016		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	–	–	–
Doubtful	479,705,881	57,500,000	57,500,000
Loss	2,316,495,818	2,152,914,595	2,152,914,595
	2,796,201,699	2,210,414,595	2,210,414,595

	2015		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	458,333,333	–	–
Doubtful	200,000,000	–	–
Loss	2,157,341,693	2,099,189,893	2,099,189,893
	2,815,675,026	2,099,189,893	2,099,189,893

	Note	2016 Rupees	2015 Rupees
11.3.1 Particulars of provisions against non-performing advances			
Opening balance		2,099,189,893	2,096,435,952
Charge for the year		196,940,492	118,758,927
Reversals		(84,307,541)	(116,004,986)
		112,632,951	2,753,941
Amounts written off	11.3.2	(1,408,249)	–
Closing balance		2,210,414,595	2,099,189,893

11.3.1.1 The net FSV benefit already availed has been increased by Rs. 73.199 million, which has resulted in decreased charge for specific provision for the year by the same amount. Had the FSV benefit not increased, before and after tax profit for the year would have been lower by Rs. 73.199 million (2015: Rs. 153.679 million) and Rs. 50.506 million (2015: Rs. 108.421 million) respectively. Further, at December 31, 2016, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 238.694 million (December 31, 2015: Rs. 188.188 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

	2016 Rupees	2015 Rupees
11.3.2 Particulars of write offs		
Against provisions	1,408,249	
Directly charged to the unconsolidated profit and loss account	–	–
	1,408,249	–
11.3.3 Particulars of amounts written off against provisions		
Rs. 500,000 and above	1,408,249	–
Below Rs. 500,000	–	–
	1,408,249	–

11.3.4 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, 2016 is given at Annexure I.

	2016 Rupees	2015 Rupees
11.4 Particulars of loans and advances to directors, associated companies etc.		
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons		
Opening balance	40,581,722	30,638,447
Loans granted during the year	14,306,681	25,961,433
Repayments during the year	(15,511,389)	(16,018,158)
Closing balance	39,377,014	40,581,722

	Note	2016 Rupees	2015 Rupees
12. OPERATING FIXED ASSETS			
Property and equipment	12.1	2,624,315,126	2,737,259,094
Intangible assets	12.2	1,095,137	1,705,612
		2,625,410,263	2,738,964,706

12.1 Property and equipment

	2016									
	Cost / Revalued Amount				Depreciation					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the Year	Disposals	Closing balance	Net book value	Rate %
	Rupees									
Freehold land	8,088,120	–	–	8,088,120	–	–	–	–	8,088,120	–
Leasehold land - Islamabad	1,372,500,000	–	–	1,372,500,000	–	20,862,000	–	20,862,000	1,351,638,000	1.52
Building - Islamabad	883,751,000	350,000	–	884,101,000	–	35,350,021	–	35,350,021	848,750,979	4
Building	24,440,000	–	–	24,440,000	–	977,597	–	977,597	23,462,403	4
Building - ISE towers, Islamabad	34,145,000	–	–	34,145,000	–	389,250		389,250	33,755,750	1.14
Heating and air conditioning	133,347,574	–	235,828	133,111,746	253,643	19,804,880	8,844	20,049,679	113,062,067	15
Elevators	60,820,000	–	–	60,820,000	6	9,122,990		9,122,996	51,697,004	15
Electrical fittings	146,930,001	–	–	146,930,001	582,750	21,992,217	–	22,574,967	124,355,034	15
Fire fighting equipment	2,450,400	382,590	52,544	2,780,446	–	414,167	1,973	412,194	2,368,252	15
Leasehold improvement	6,302,839	1,155,141		7,457,980	5,944,680	424,727	–	6,369,407	1,088,573	15
Motor vehicles	83,234,695	13,876,522	5,883,149	91,228,068	33,132,483	15,851,567	3,224,505	45,759,545	45,468,523	20
Furniture, fixture and fittings	14,819,129	239,775	151,361	14,907,543	13,899,095	402,073	146,742	14,154,426	753,117	20
Office equipment	41,447,074	5,853,738	1,975,657	45,325,155	34,148,436	4,658,177	1,975,631	36,830,982	8,494,173	33.33
Telephone installation	1,094,846	–	1,525	1,093,321	396,033	142,983	95	538,921	554,400	15
Electrical appliances	6,303,005	971,478	91,600	7,182,883	3,194,579	845,917	91,596	3,948,900	3,233,983	15
Loose tools	1,232,731	–	–	1,232,731	1,027,840	152,609	–	1,180,449	52,282	15
Miscellaneous	804,769	–	–	804,769	797,544	2,697	–	800,241	4,528	15
Security systems	8,925,000	265,560	412,533	8,778,027	–	1,305,559	15,470	1,290,089	7,487,938	15
	2,830,636,183	23,094,804	8,804,197	2,844,926,790	93,377,089	132,699,431	5,464,856	220,611,664	2,624,315,126	

12.1.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 61,556,315 (2015: Rs. 52,421,307).

12.1 Property and equipment

	2016									
	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the year	Disposals	Closing balance	Net book value	Rate %
	Rupees									
Software and others	14,347,053	351,288	–	14,698,341	12,641,441	961,763	–	13,603,204	1,095,137	33.33

12.2.1 Cost of fully amortized intangible assets still in use amounts to Rs. 12,552,173 (2015: Rs. 10,666,165).

12.1 Property and equipment (continued)

	2015												
	Cost						Depreciation						
	Opening balance	Addition	Revaluation surplus/ (deficit)	Adjustment for revaluation	Disposals	Closing balance	Opening balance	For the year	Adjustment for revaluation	Disposals	Closing balance	Net book value	Rate %
	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	29,714,150	14,857,075	44,571,225	–	–	1,372,500,000	1.19
Building - Islamabad	720,117,702	6,018,010	243,706,659	86,091,371	–	883,751,000	57,202,342	28,889,029	86,091,371	–	–	883,751,000	4
Building	19,975,000	–	6,861,991	2,396,991	–	24,440,000	1,597,994	798,997	2,396,991	–	–	24,440,000	4
Building - ISE towers, Islamabad	25,500,000	–	9,517,100	872,100	–	34,145,000	581,400	290,700	872,100		–	34,145,000	1.14
Heating and air-conditioning	126,808,691	–	63,026,081	56,487,198	–	133,347,574	37,883,747	18,857,094	56,487,198	–	253,643	133,093,931	15
Elevators	64,932,976	14,327,786	21,816,795	21,158,170	19,099,387	60,820,000	19,385,564	8,367,290	21,158,170	6,594,678	6	60,819,994	15
Electrical fittings	139,822,325	1,734,710	63,261,744	57,888,778	–	146,930,001	37,281,373	21,190,155	57,888,778	–	582,750	146,347,251	15
Fire fighting equipment	3,798,595	–	375,674	1,697,082	26,787	2,450,400	1,139,422	568,706	1,697,082	11,046	–	2,450,400	15
Leasehold improvement	6,302,839	–	–	–	–	6,302,839	5,026,333	918,347	–	–	5,944,680	358,159	15
Motor vehicles	85,109,860	10,268,512	–	–	12,143,677	83,234,695	27,736,753	14,695,823	–	9,300,093	33,132,483	50,102,212	20
Furniture, fixture and fittings	14,799,256	279,459	–	–	259,586	14,819,129	13,739,056	382,952	–	222,913	13,899,095	920,034	20
Office equipment	39,283,567	4,754,405	–	–	2,590,898	41,447,074	32,661,075	4,018,985	–	2,531,624	34,148,436	7,298,638	33.33
Telephone installation	2,209,736	–	(280,222)	834,668	–	1,094,846	966,659	264,042	834,668	–	396,033	698,813	15
Electrical appliances	5,470,777	836,925	–	–	4,697	6,303,005	2,445,457	753,815	–	4,693	3,194,579	3,108,426	15
Loose tools	1,170,325	62,406	–	–	–	1,232,731	883,810	144,030	–	–	1,027,840	204,891	15
Miscellaneous	804,769	–	–	–	–	804,769	793,527	4,017	–	–	797,544	7,225	15
Security systems	13,399,065	–	1,818,799	5,778,333	514,531	8,925,000	4,000,037	1,990,515	5,778,333	212,219	–	8,925,000	15
	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	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		18,877,266	93,377,089	2,737,259,094	

12.2 Intangible assets (continued)

	2015												
	Cost / Revalued Amount						Amortization						
	Opening balance	Addition	Revaluation surplus/ (deficit)	Adjustment for revaluation	Disposals	Closing balance	Opening balance	For the year	Adjustment for revaluation	Disposals	Closing balance	Net book value	Rate %
	Rupees												
Software and others	13,139,576	1,207,477	–	–	–	14,347,053	11,566,840	1,074,601	–	–	12,641,441	1,705,612	33.33

12.3 Details of disposal of operating fixed assets

	Cost/ revalued amount	Accumulated depreciated	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Fire fighting equipment						
Fire Extinguisher (DCP) 6 KG (5 Nos).	29,960	1,125	28,835	3,000	Auction	Saeed Khan
Fire Extinguisher (Carbon DI Oxide) 6 KG (4 Nos).	22,584	848	21,736	3,000	Auction	Saeed Khan
	52,544	1,973	50,571	6,000		
Security systems						
Metal Detector Walk Through Gate	412,533	15,470	397,063	35,000	Auction	Saeed Khan
Heating and air-conditioning						
Daikool Air Conditioner 2-ton (2 Nos)	235,828	8,844	226,984	5,000	Auction	Saeed Khan
Furniture, fixture and fittings						
Furniture	151,361	146,742	4,619	65,000	Auction	Saeed Khan
Electrical appliances						
Mitsubishi Split AC 1.5 ton	31,800	31,799	1	8,000	Auction	Saeed Khan
Orient 1 ton Split Ac	17,000	16,999	1	5,000	Auction	Saeed Khan
LG Jet Cool Split AC 1.5 ton	41,500	41,499	1	8,000	Auction	Saeed Khan
Padestal Fan 20”	1,300	1,299	1	400	Auction	Saeed Khan
	91,600	91,596	4	21,400		
Telephone installation						
Telephone Set (5 Nos)	1,525	95	1,430	1,000	Auction	Saeed Khan
Motor vehicles						
Motor Cycle LWD-2497	54,000	53,999	1	15,000	Auction	Saeed Khan
Toyota Corolla GLI 1.3 SW-486	1,524,779	1,524,778	1	1	As per policy	Fozia Fakhar - employee
Honda Civic VTI 1.8 CY-859	2,496,330	832,110	1,664,220	1,664,220	As per policy	Rohail Ajmal - employee
Toyota Corolla GLI 1.3 CH-708	1,808,040	813,618	994,422	994,422	As per policy	Shaikh Aftab Ahmed - employee
	5,883,149	3,224,505	2,658,644	2,673,643		
Office equipment						
UPS APC Smart 250 VA	13,310	13,309	1	2,000	Auction	Saeed Khan
17” SVGA Colour Monitor	33,590	33,589	1	4,000	Auction	Saeed Khan
Dell Optiplex 270	67,488	67,487	1	7,000	Auction	Saeed Khan
Dell Optiplex GX-620	283,468	283,457	11	25,000	Auction	Saeed Khan
HP Colour Laser Jet Printer 2840	74,900	74,899	1	10,000	Auction	Saeed Khan
HP Colour Laser Jet Printer 3800	112,010	112,009	1	7,000	Auction	Saeed Khan
Dell Laptop E-6520	130,000	129,999	1	6,500	As per policy	Kamaluddin Khan (GM/CE)
Dell Laptop E-6530	148,701	148,700	1	7,435	As per policy	Rohail Ajmal - employee
Dell Laptop E-6530	148,701	148,700	1	7,435	As per policy	Saeed Aziz Khan - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Muhammad Tanveer - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Shaikh Aftab - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Parveen A Malik - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Ali Imran - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Fozia Fakhar - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	M Naeem Akhtar - employee
Dell Laptop E-6520	132,363	132,362	1	6,618	As per policy	Arshed Ahmed Khan - employee
	1,975,657	1,975,631	26	124,544		
	8,804,197	5,464,856	3,339,341	2,931,587		

12.4 Depreciation and amortization for the year has been allocated as follows:

	Note	2016 Rupees	2015 Rupees
Rental income	25.1	111,083,855	96,508,645
Administrative expenses	26	22,577,339	21,557,528
		133,661,194	118,066,173

13. OTHER ASSETS

	Note	2016 Rupees	2015 Rupees
Income / mark-up accrued in local currency	13.1	482,142,624	649,319,836
Advances, deposits, advance rent and other prepayments		13,438,425	45,147,760
Advance taxation (payments less provision)		870,747,726	759,715,293
Excise duty		78,817,895	38,255,895
Non-banking assets acquired in satisfaction of claims	13.2	248,450,814	356,494,933
Dividend receivable		7,250,000	–
Others		15,000,000	15,000,000
		1,715,847,484	1,863,933,717
Provision against other assets	13.3	(105,297,512)	(120,666,410)
		1,610,549,972	1,743,267,307

13.1 This balance is net of interest in suspense account amounting to Rs. 1,116,142,590 (2015: Rs. 1,066,051,951).

13.2 Non-banking assets acquired in satisfaction of claims

	Note	2016 Rupees	2015 Rupees
Opening balance		356,494,933	356,494,933
Disposals		(105,265,027)	–
Depreciation		(2,779,092)	–
Closing balance		248,450,814	356,494,933

13.3 Provision against other assets

Opening balance		120,666,410	107,154,410
Charge for the year		–	13,512,000
Reversal during the year		(15,368,898)	–
Closing balance		105,297,512	120,666,410

14. BORROWINGS

	Note	2016 Rupees	2015 Rupees
In Pakistan			
Secured - Local currency			
Borrowings from State Bank of Pakistan - long term financing facility (LTFF)	14.1	190,907,824	245,452,912
Repurchase agreement borrowings	14.2	5,052,000,000	6,215,000,000
Against book debts/receivables	14.3	3,875,000,000	3,450,000,000
Morabaha finance	14.4	1,600,000,000	2,100,000,000
		10,717,907,824	12,010,452,912

14.1 These represent facilities obtained against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 8.40% per annum (2015: 8.40% per annum). These facilities will mature during June 2017 to June 2020 (2015: June 2016 to June 2020).

14.2 These facilities are secured against Pakistan Investment Bonds. These carry markup rates ranging from 5.95% to 6.10% (2015: 6.40% to 6.50%) per annum and will mature in January 2017 (2015: January 2016 to February 2016).

14.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 7,333.333 million (2015: Rs. 6,400 million). The mark up is charged at varying rates ranging from 6.19% to 6.55% per annum (2015: 6.76% to 7.24% per annum). These facilities will mature during March 2017 to December 2021 (2015: March 2016 to June 2019).

14.4 This represents morabaha finance arranged from an Islamic Bank. These carry markup rates ranging from 6.21% to 6.25% (2015: 6.63% to 6.74%) per annum. These will mature in March 2017 to April 2017 (2015: January 2016 to April 2016).

15. DEPOSITS AND OTHER ACCOUNTS

This represents certificate of investments issued to various institutions which carried mark up rates ranging from 6.00% to 6.20% per annum (2015: 6.75% per annum) and are repayable during the period February 2017 to May 2017 (2015: May 2016). Deposits include Rs. 12,500,000 (2015: 7,000,000) due to related parties.

	Note	2016 Rupees	2015 Rupees
16. DEFERRED TAX LIABILITIES			
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		16,045,427	16,880,386
Surplus on revaluation of operating fixed assets		725,842,144	756,952,802
Non banking assets acquired in satisfaction of claims		1,788,585	–
Surplus on revaluation of securities- HFT		541,300	–
Surplus on revaluation of securities- AFS		83,129,127	269,400,744
		827,346,583	1,043,233,932
Deferred tax debits arising due to following deductible temporary differences:			
Acturial loss on gratuity valuation		(1,130,745)	(2,074,075)
Net investment in leases		37,440,794	(645,096)
Provision for investment in TFCs		–	(128,287,260)
Provision for non banking assets acquired in satisfaction of claims		(4,523,839)	(34,032,600)
Impairment loss on available for sale quoted securities		(1,354,604)	–
		30,431,606	(165,039,031)
		857,778,189	878,194,901
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		56,831,445	96,300,823
Accrued expenses		34,120,276	28,925,927
Advance rental income	17.1	102,751,234	41,531,332
Payable to defined benefit plan		7,775,610	2,090,658
Provision for compensated absences		5,741,732	4,593,242
Directors' remuneration		3,145,485	3,250,660
Others		28,356,225	47,727,107
		238,722,007	224,419,749

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

18. SHARE CAPITAL

18.1 Authorized capital

2016 Number of Share	2015 Number of Share		2016 Rupees	2015 Rupees
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

18.2 Issued, subscribed and paid up capital:

2016 Number of Share	2015 Number of Share		2016 Rupees	2015 Rupees
400,000,000	400,000,000	Fully paid in cash	4,000,000,000	4,000,000,000
260,000,000	260,000,000	Issued as bonus shares	2,600,000,000	2,600,000,000
660,000,000	660,000,000		6,600,000,000	6,600,000,000

18.3 State Bank of Pakistan on behalf of the Government of Pakistan and Public Investment Fund on behalf of Kingdom of Saudi Arabia hold 50% each of the share capital of the Company.

	Note	2016 Rupees	2015 Rupees
19. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of operating fixed assets	19.1	2,419,473,818	2,519,850,128
Related deferred tax		(725,842,147)	(756,952,802)
		1,693,631,671	1,762,897,326
Surplus on revaluation of available for sale securities	19.2	854,861,542	869,034,658
Related deferred tax		(83,129,127)	(269,400,744)
		771,732,415	599,633,914
		2,465,364,086	2,362,531,240
19.1 Surplus on revaluation of operating fixed assets			
Opening balance		2,519,850,128	2,039,988,404
Surplus for the year on revaluation during the year		–	578,682,096
Surplus realized on disposal of operating fixed - transferred to unappropriated profit		(675,922)	(12,822,757)
Transfer to unappropriated profit in respect of incremental depreciation charge during the year		(99,700,388)	(85,997,615)
Closing balance		2,419,473,818	2,519,850,128
Less: Related deferred tax liability on revaluation surplus			
Opening balance		(756,952,802)	(673,196,173)
Deferred tax on surplus recognised during the year		–	(173,752,153)
Deferred tax effect of surplus realized on disposal of fixed assets		203,535	4,103,282
Impact of change in tax rate		–	58,373,005
Deferred tax on incremental depreciation transferred to unconsolidated profit and loss account		30,907,120	27,519,237
Closing balance		(725,842,147)	(756,952,802)
		1,693,631,671	1,762,897,326

		2016 Rupees	2015 Rupees
19.2	**Surplus on revaluation of available for sale securities**		
	Quoted securities	368,072,104	191,340,472
	Government securities	485,981,750	676,367,460
	Term Finance Certificates (TFCs)	807,688	1,326,726
		854,861,542	869,034,658
	Less: related deferred tax liability	(83,129,127)	(269,400,744)
	Surplus on revaluation of AFS securities - net of tax	771,732,415	599,633,914
20.	**CONTINGENCIES AND COMMITMENTS**		
20.1	**Direct credit substitutes**		
	Letter of comfort / guarantee	340,000,000	100,000,000
20.2	**Non disbursed commitment for term and working capital finance**	2,078,289,000	430,000,000
20.3	**Commitments for the acquisition of**		
	operating fixed assets (intangibles assets)	6,447,656	4,966,892

20.4 Tax status

The Company has filed income tax returns for and up to tax year 2016 (year ended December 31, 2015). The assessments for and upto the tax year 2015 were amended by tax authorities mainly related to disallowance of provisions against non-performing loans and apportionment of expenses to income subject to final tax regime and income subject to normal tax regime. The Company has filed appeals and reference application to the higher fora in relation to adverse decisions. The Company paid tax under protest in relation to matters currently pending and the amounts paid have been carried as receivable since management, based on the opinion of its legal counsel, believes that the matters will be decided in favour of the Company.

20.5 Tax contingencies

i) Issues involving disallowance of provision of non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime in respect of tax years 2004, 2005, 2006, 2008, 2009 and 2010 are under litigation before Islamabad High Court. Total outstanding demands in respect of tax years under litigation amounts to Rs 539.44 million. The Appellate Tribunal Inland Revenue Islamabad did not accept the Company’s grounds of appeal in respect of tax years 2004 to 2006 and 2008 to 2010. The Company has filed tax reference before the Islamabad High Court which has been admitted for hearing.

ii) For tax years 2012 and 2013, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. For tax year 2012, the Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Company filed an appeal before Appellate Tribunal Inland Revenue in respect of issues decided against the Company which is pending adjudication. The Additional Commissioner Inland Revenue while giving appeal effect has raised demand of Rs 72.07 million for tax year 2012. The Company has filed appeal before Commissioner Inland Revenue (Appeals) which is pending for adjudication. The Company has obtained stay against the demand from Islamabad High Court. For tax year 2013, the Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Company filed an appeal before Appellate Tribunal Inland Revenue in respect of issues decided against the Company which is pending adjudication. No appeal effect has been received by the Company yet.

iii) For tax year 2014, provision for non-performing loans and certain other expenses were disallowed by Deputy Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Company filed an appeal before Appellate Tribunal Inland Revenue which is pending adjudication. No appeal effect has been received by the Company yet.

iv) For tax year 2015, certain items were disallowed by Additional Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Company filed an appeal before Appellate Tribunal Inland Revenue which is pending adjudication. No appeal effect has been received by the Company yet.

v) For the period January 2011 to December 2014, Deputy Commissioner Inland Revenue issued order to charge Federal Excise Duty and sales tax on certain services. Current outstanding demand in this respect is Rs 92.05 million. The actions of Deputy Commissioner Inland Revenue were upheld by Commissioner Inland Revenue (Appeals). The Company has filed appeal before Appellate Tribunal Inland Revenue which is pending adjudication. The Company has also obtained stay from the Appellate Tribunal Inland Revenue against the disputed demands.

vi) The management, based on the opinion of its legal counsel, believes that the matters will be decided in favour of the Company.

20.6 Other contingencies

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

“The Customer had availed a Term Finance Facility from the Company. On default, the Company filed a recovery suit against the customer/guarantors. Alongside, to save the mortgaged properties from creation of any third party interest, the Company also published notice in local newspapers for public alert. In response, the customer filed the subject frivolous suit in the Lahore High Court on account of alleged overpayments and claiming damages which is being defended vigorously. Based on the opinion of its legal counsel, management expects that the subject suit will be dismissed after due process of law.

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

“The customer availed a Term Finance of Rs.125.00 million in 2003/04 but defaulted in repayments. Subsequently, on his request a settlement package was approved by the Company in the year 2011. The package involved write-off/waiver of Rs.72.659 million (comprising 50% frozen markup of Rs.28.729 million and liquidated damages of Rs.43.930 million) subject to payment of the settlement amount of Rs.100.141 million. The Company reported write off/waiver to the State Bank of Pakistan (SBP) in compliance with eCIB circulars. Customer requested the Company and SBP to remove its name from e-CIB. Neither the Company nor SBP agreed. The Customer aggrieved and filed the subject suit against the Company in the Sindh High Court. It is being contested vigorously. SBP has also filed comments confirming that no wrong was done by the Company. It is expected that suit will be dismissed after due process of law.

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

“On 27.04.2014, 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. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only 03 plots at DHA Karachi was accepted. The entire sale consideration has been paid by the highest bidder and three plots at DHA Karachi have been transferred to the purchaser. The auction was also participated by one Mr. Zafar Sultan Paracha with a lower bid of Rs.93.00 million against the above mentioned four (04) properties, which was rejected. He felt aggrieved and filed the subject damages suit against the Company in the Sindh High Court. The suit is being contested by the Company vigorously. It is expected that suit will be dismissed after due process of law.

		2016 Rupees	2015 Rupees
21.	**MARK-UP / RETURN / INTEREST EARNED**		
	On loans and advances	579,092,931	591,610,987
	On investments in:		
	Available for sale securities	735,465,075	1,032,176,622
	Held to maturity securities	4,340,551	54,024,748
		739,805,626	1,086,201,370
	On lendings to financial institutions	6,179,222	21,550,162
	On deposit accounts	9,725,358	18,617,264
		1,334,803,137	1,717,979,783
22.	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	3,564,612	1,011,444
	Securities purchased under repurchase agreements	150,412,081	410,112,536
	Other short term borrowings	161,387,483	163,695,213
	Long term finance for export oriented projects from SBP	19,234,745	31,792,487
	Long term borrowings	163,551,795	254,519,042
	Brokerage fee	2,636,483	6,136,274
		500,787,199	867,266,996

This includes an amount of Rs. 690,206 (2015: Rs. 675,691) on account of mark-up / interest on deposits of related parties.

		Note	2016 Rupees	2015 Rupees
23.	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS - NET**			
	Term finance certificates (TFCs)		113,571,248	50,447,162
	Unquoted investment		66,905,974	43,967,767
	Impairment loss reversal on quoted securities		(26,028,078)	(11,243,241)
			54,449,144	83,171,688
24.	**GAIN ON SALE OF SECURITIES-NET**			
	Federal government securities			
	Market treasury bills		–	2,456,774
	Pakistan Investment Bonds		317,144,451	231,894,650
	Shares - listed		119,257,698	106,646,854
			436,402,149	340,998,278
25.	**OTHER INCOME**			
	Rent on property - net	25.1	115,478,377	104,728,352
	Net loss on disposal of operating fixed assets		(407,754)	(9,381,872)
	Gain on disposal of non banking assets	25.2	29,234,973	–
	Others	25.3	2,086,693	1,205,219
			146,392,289	96,551,699

	Note	2016 Rupees	2015 Rupees
25.1 Rent on property - net			
Rental income		290,378,512	254,161,899
Less: Operating expenses			
Salaries, allowances and employee benefits	26.1	13,440,146	18,976,611
Traveling and conveyance		23,000	1,600
Medical		398,993	433,679
Janitorial services		7,513,501	5,691,979
Security services		20,831,729	13,743,944
Insurance		1,662,867	1,428,356
Postage, telegraph, telegram and telephone		58,398	65,148
Printing and stationery		356,063	292,973
Utilities		5,301,313	5,552,954
Consultancy and professional charges		50,000	161,000
Repairs and maintenance		11,009,433	4,696,952
Rent, rates and taxes		2,464,397	1,427,194
Depreciation	12.4	111,083,855	96,508,645
Office general expenses		706,440	452,512
		174,900,135	149,433,547
		115,478,377	104,728,352

25.2 Gain on sale of non banking assets

Name of party	Book value	Market value	Cash received	Gain on sale	Mode of disposal
	2016		Rupees		
Mr Sarup Kumar	105,265,027	134,500,000	134,500,000	29,234,973	Auction

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

	Note	2016 Rupees	2015 Rupees
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	26.1	192,853,569	180,251,275
Non-executive directors' fees/remuneration		3,145,485	3,250,660
Traveling and conveyance	26.2	27,349,418	29,174,319
Vehicle running expenses		3,005,388	5,192,412
Utilities		16,908,428	16,300,912
Advertisement and publicity		2,631,066	1,351,424
Postage, telegram, telephone and telex		6,974,151	6,619,628
Printing, stationery and periodical		4,375,798	3,885,432
Legal and professional charges		15,759,451	8,178,928
Consultancy, custodial and rating services		11,818,283	9,447,794
Auditor's remuneration	26.3	1,100,000	1,100,000
Repair and maintenance		7,138,878	6,980,579
Office and general expenses		21,430,694	22,951,004
Bank charges		552,518	389,635
Professional training		1,588,737	2,536,959
Insurance		1,994,096	3,260,719
Depreciation- fixed assets	12.4	22,577,339	21,557,528
Depreciation- non banking assets	13.2	2,779,092	–
Donations	26.4	500,000	–
		344,482,391	322,429,208

26.1 **This includes the followings staff benefits:**

- Rs. 5.432 million (2015: Rs. 4.812 million) on account of employee provident fund expense;
- Rs. 4.006 million (2015: Rs. 5.022 million) on account of gratuity expense; and
- Rs. 3.018 million (2015: Rs. 2.156 million) on account of compensated absences expense.

26.2 This includes Rs. 19.740 million (2015: Rs. 18.531 million) in respect of travel costs paid to directors of the Company for attending Board / Board's committee meetings.

	2016 Rupees	2015 Rupees
26.3 Auditors' remuneration		
Audit fee	620,000	857,000
Half yearly review	350,000	110,000
Review of statement of compliance	30,000	33,000
Out of pocket expenses	100,000	100,000
	1,100,000	1,100,000

26.4 These represent donations given to Behbud Association of Pakistan and Poor Patient Welfare Society (Regd) for providing vocational / skill training, educational, health and communities services to needy women and children. Donations were not given to any donee in which the Company or any of its directors or their spouses had any interest.

27. OTHER (REVERSALS) / PROVISIONS

This represents reversal of provision against non banking assets acquired in satisfaction of claims.

28. OTHER CHARGES

This represented penalties imposed by State Bank of Pakistan.

	Note	2016 Rupees	2015 Rupees
29. TAXATION			
For the year			
Current		251,860,519	236,135,952
Deferred		122,920,495	(7,076,696)
		374,781,014	229,059,256
For the prior year(s)			
Current		69,763,310	29,855,048
Deferred		42,194,615	–
	29.1	486,738,939	258,914,304
29.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		962,851,566	982,619,420
Tax rate		31%	32%
Tax on accounting profit		298,483,985	314,438,214
Tax effect on income subject to lower rate of taxation		(119,650,067)	(96,173,493)
Impact of change in tax rate for prior year		193,023,536	(65,542,641)
Tax effect of prior years		33,354,016	(9,708,696)
Impact of super tax for prior year		36,409,294	39,563,744
Reversal of deferred tax asset for prior year		42,194,615	42,809,615
Others		2,923,560	33,527,561
		486,738,939	258,914,304

29.2 A one time super tax was imposed for tax year 2015 on the income of individuals, association of persons and companies who are earning income of Rs 500 million or above in tax year 2015. Super tax has been charged at the rate of 3% for persons other than banking companies. Through the Finance Act, 2016 the said levy has been extended to tax year 2016 also.

29.3 For tax related contingencies, refer to note 20.5

	2016	2015
30. BASIC EARNING PER SHARE		
Profit for the year - Rupees	476,112,627	723,705,116
Weighted average number of ordinary shares - Number	660,000,000	660,000,000
Basic earning per share - Rupees	0.721	1.097

	2016 Rupees	2015 Rupees
31. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	34,289,134	64,560,467
Balance with other banks	116,131,516	758,317,400
	150,420,650	822,877,867

	Note	2016 Number	2015 Number
32. STAFF STRENGTH			
Permanent		74	63
Temporary/on contractual basis		3	5
Company's own staff strength at the end of the year		77	68
Outsourced	32.1	91	98
Total staff strength		168	166

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

33. DEFINED BENEFIT PLAN

33.1 General description

The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2016 using the Projected unit cedit method. Detail of the defined benefit plan are:

	2016 Rupees	2015 Rupees
33.2 The amounts recognized in the unconsolidated statement of financial position are as follows:		
Present value of defined benefit obligation	30,778,159	27,265,055
Fair value of plan assets	(23,002,550)	(25,174,397)
Net liability	7,775,609	2,090,658
33.3 The amounts recognized in the unconsolidated profit and loss account are as follows:		
Current service cost	3,826,236	2,640,281
Net interest cost	180,224	2,381,580
	4,006,460	5,021,861

		2016 Rupees	2015 Rupees
33.4	**The amounts recognized in other comprehensive income**		
	Actuarial loss due to:		
	Experience adjustment	2,850,937	2,405,752
	Investment return	1,095,246	–
	Actuariual gain due to change in financial assumptions	(177,034)	(228,455)
		3,769,149	2,177,297
33.5	**Actual return on plan assets**	1,102,905	–
33.6	**Movement in the net defined benefit liability**		
	Opening balance	2,090,658	25,174,398
	Net periodic benefit cost	4,006,460	5,021,860
	Benefits payable to outgoing members	(5,365,410)	(5,108,500)
	Amount received by the Company from the Fund	10,473,909	–
	Actual contribution by employer	(7,199,157)	(25,174,397)
	Actuarial losses	3,769,149	2,177,297
	Closing balance	7,775,609	2,090,658
33.7	**Changes in the present value of defined benefit obligation**		
	Opening defined benefit obligation	27,265,055	25,174,397
	Current service cost	3,826,236	2,640,281
	Interest expense	2,378,375	2,381,580
	Actuarial loss	2,673,903	2,177,297
	Benefits payable	(5,365,410)	(5,108,500)
	Closing defined benefit obligation	30,778,159	27,265,055
33.8	**Changes in the fair value of plan assets**		
	Opening fair value of plan assets	25,174,397	–
	Interest income	2,198,151	–
	Contributions by employer	7,199,157	25,174,397
	Actual amount paid by the Fund to the Company	(10,473,909)	–
	Benefits payable	–	–
	Actuarial loss	(1,095,246)	–
	Closing fair value of plan assets	23,002,550	25,174,397

The Company expects to contribute Rs 5,052,794 to its defined benefit plan in 2017.

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

		2016 Rupees	2015 Rupees
33.9	**Break-up of category of assets**		
	Term deposit receipts	22,859,550	–
	Cash and cash equivalents	143,000	25,174,397
		23,002,550	25,174,397
33.10	**Principal actuarial assumptions**		
	Discount rate - per annum	8.00%	9.00%
	Expected rate of increase in salary - per annum	6.00%	7.00%
	Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1

33.11 Gratuity expense for the year ended December 31, 2017 is expected to be Rs. 5.053 million.

33.12 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below.

	Impact on defined benefit obligation	
	1 % increase	1 % decrease
	Effect in Rupees	
Discount rate	(831,088)	882,806
Salary	970,246	(2,592,246)

34. DEFINED CONTRIBUTION PLAN

The Company operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Company and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. The total assets of the Fund as at December 31, 2016 were Rs. 69,234,834 (2015: Rs. 63,150,347) as per latest available financial statements of the Fund.

34.1 The details of size and investment of the provident fund is as follows:

	Note	2016 Unaudited Rupees	2015 Audited Rupees
Size of the Fund		69,234,834	63,150,347
Cost of investments		62,000,000	57,500,000
Fair value of investments	34.2	62,000,000	57,500,000
Percentage of investments		90%	91%

34.2 Breakup of investments

Break-up of category of assets

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Term deposit receipts	33,000,000	53	34,000,000	59
Certificates of investment	29,000,000	47	23,500,000	41
	62,000,000	100	57,500,000	100

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2016 Rupees	2015 Rupees
35. Provision for compensated absences		
Opening balance	4,593,242	4,759,254
Charge for the year	3,018,458	2,155,572
Payment during the year	(1,869,968)	(2,321,584)
Closing balance	5,741,732	4,593,242

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	Rupees					
Fees	–	–	3,145,485	3,250,660	–	–
Managerial remuneration	12,000,000	11,987,097	–	–	33,337,251	23,405,114
Contribution to defined contribution plan	1,200,000	1,198,710	–	–	3,346,264	2,340,511
Charge for defined benefit plan	981,741	2,167,498	–	–	6,869,708	4,479,182
Rent and house maintenance	6,360,000	6,329,108	–	–	20,002,351	14,043,068
Utilities	1,200,000	1,198,710	–	–	3,333,725	2,340,511
Medical	408,000	407,973	–	–	5,575,758	3,899,390
Bonus and others	9,714,168	9,812,844	–	–	26,545,330	25,063,187
	31,863,909	33,101,940	3,145,485	3,250,660	99,010,387	75,570,963
Number of persons	1	1	6	6	39	31

Executives mean all executive employees other than the Chief Executive, whose annual basic salary exceeds rupees five hundred thousand. Chief Executive and certain other executives are provided with Company maintained vehicles.

Director's boarding and lodging expenses for attending meetings are borne by the Company and are included in administrative expenses.

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

37. DERIVATIVE INSTRUMENTS

The Company does not deal in derivative instruments.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Company as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Company's accounting policy as stated in note 6.5

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

38.1 The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Company has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

On balance sheet financial instruments

	2016			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial assets:				
Held for trading				
Quoted securities	67,248,999	–	–	67,248,999
Available for sale securities				
Market Treasury Bills	–	283,990,799	–	283,990,799
Pakistan Investment Bonds	–	8,435,015,650	–	8,435,015,650
Fully paid ordinary shares / units	1,853,954,428	–	–	1,853,954,428
Term Finance Certificates	–	30,213,809	–	30,213,809
	1,921,203,427	8,749,220,258	–	10,670,423,685
Non-financial assets:				
Operating fixed assets				
Property and equipment (leasehold land)	–	–	1,380,588,120	1,380,588,120
Other assets				
Non-banking assets acquired in satisfaction of claims	–	–	150,377,712	150,377,712
	–	–	1,530,965,832	1,530,965,832

	2015			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial assets:				
Held for trading				
Quoted securities	76,216,500	–	–	76,216,500
Available for sale securities				
Market Treasury Bills	–	524,099,491	–	524,099,491
Pakistan Investment Bonds	–	9,429,492,842	–	9,429,492,842
Fully paid ordinary shares / units	1,319,276,234	–	–	1,319,276,234
Term Finance Certificates	–	71,169,301	–	71,169,301
	1,395,492,734	10,024,761,634	–	11,420,254,368
Non-financial assets:				
Operating fixed assets				
Property and equipment (leasehold land)	–	–	1,380,588,120	1,380,588,120

38.2 The Company's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016			
	Corporate Financial Rupees	Trading and sales Rupees	Building rental services Rupees	Total Rupees
Total income	631,626,163	1,310,643,120	292,465,205	2,234,734,488
Total expenses	489,799,476	607,183,311	174,900,135	1,271,882,922
Net income	141,826,687	703,459,809	117,565,070	962,851,566
Segment Assets (gross)	11,547,112,862	14,219,631,206	2,389,424,670	28,156,168,738
Segment Non Performing Loans	2,796,201,699	–	–	2,796,201,699
Segment Provision Required	2,674,504,521	1,149,916,750	–	3,824,421,271
Segment Liabilities	4,963,206,064	6,141,484,326	841,117,055	11,945,807,445
Segment Return on net Assets (ROA) (%)	3.63	10.15	7.59	7.77
Segment Cost of funds (%)	3.35	5.64	–	4.62

	2015			
	Corporate Financial Rupees	Trading and sales Rupees	Building rental services Rupees	Total Rupees
Total income	661,014,274	1,505,388,408	255,367,118	2,421,769,800
Total expenses	424,929,910	864,786,923	149,433,547	1,439,150,380
Net income	236,084,364	640,601,485	105,933,571	982,619,420
Segment Assets (gross)	10,116,939,797	15,901,340,577	2,402,772,452	28,421,052,826
Segment Non Performing Loans	2,815,675,026	–	–	2,815,675,026
Segment Provision Required	2,459,632,748	1,099,114,678	–	3,558,747,426
Segment Liabilities	4,614,330,201	7,691,059,506	814,677,855	13,120,067,562
Segment Return on net Assets (ROA) (%)	7.76	9.01	6.67	8.37
Segment Cost of funds (%)	5.66	8.21	–	7.22

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.00 % (2015: 4.62 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 92.09% (2015: 93.12%) of the total liabilities have been allocated to segments based on their respective assets.

40. RELATED PARTY TRANSACTIONS

40.1 The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares 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 with related parties mainly comprise of loans and advances, deposits etc.

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

40.2 Following are the transactions and balances with related parties

Nature of balances / transactions	Name of the Entity	2016 Rupees	2015 Rupees
Outstanding balances at year end			
Sponsor			
– Other receivables	Public Investment Fund - Saudi Arabia	15,000,000	15,000,000
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
– Security deposit	Saudi Pak Real Estate Company Limited	278,280	278,280
– Rent received in advance	Saudi Pak Real Estate Company Limited	845,585	805,391
– Rent receivable	Saudi Pak Leasing Company Ltd	–	46,585
– Rent payable for generator	Saudi Pak Leasing Company Ltd	30,000	30,000
Key management personnel			
– Advances to executives		29,959,095	30,995,219
Employee funds			
– Deposits against COIs	Employee funds	12,500,000	7,000,000
– Interest payable	Employee funds	54,357	50,486
– Contribution payable	Staff gratuity fund	7,775,609	2,090,657
Transactions during the year			
Subsidiary / Associated companies			
– Borrowing availed	Saudi Pak Leasing Company Limited	–	32,000,000
– Maturity of borrowing	Saudi Pak Leasing Company Limited	–	50,000,000
– Interest expensed	Saudi Pak Leasing Company Limited	–	2,548,143
– Rent received	Saudi Pak Leasing Company Limited	559,020	512,435
– Rent paid for generator	Saudi Pak Leasing Company Limited	137,535	130,630
– Rent received	Saudi Pak Real Estate Company Limited	4,010,571	2,899,399
– Electricity bill received	Saudi Pak Real Estate Company Limited	348,925	387,709
Key Management Personnel			
– Advances to executives		6,281,825	19,854,500
– Repayment of advances		13,944,567	12,457,487
Employee funds			
– Deposits against COIs	Employee Provident Fund	7,500,000	–
– Maturity of deposits against COIs	Employee Provident Fund	2,000,000	–
– Contribution paid	Employee Provident Fund	5,719,626	4,810,350
– Interest expense	Employee Provident Fund	690,206	675,691
– Contribution paid	Staff Gratuity Fund	2,090,657	25,174,397

41. CAPITAL ADEQUACY

41.1 Scope of Application

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk.

The Company has a wholly-owned subsidiary Saudi Pak Real Estate Company Limited (SPREL) and an associated company, Saudi Pak Leasing Company Limited (SPLCL). Other than SPREL and SPLCL the Company has no 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.

41.2 Capital Management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

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

– To be an adequately capitalised institution, considering the requirements set by the regulators of the banking markets where the Company operates;
– Maintain strong ratings and to protect the Company against unexpected events;
– Availability of adequate capital at a reasonable cost so as to enable the Company to operate adequately and provide reasonable value added for the shareholders and other stakeholders.

Company's regulatory capital analysed into two tiers

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles.

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2016. It includes reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent). Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years uptil 2018.

As of December 31, 2016 the Company must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 10.65% respectively.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable.

Leverage ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. DFI's are required to maintain minimum leverage ratio of 3% and to disclose the same from December 31, 2015. At present, the leverage ratio is on parallel run till December 31, 2017. Based on the results of the parallel run period, the SBP intends to make any final adjustments to the definition and calibration of the leverage ratio with a view to set the leverage ratio requirements as a separate capital standard on December 31, 2018.

The Bank's position under Basel III's third capital standard is as under:

	2016 Rupees	2015 Rupees
Tier I Capital	9,914,230	8,035,866
Total Exposure	26,756,484	25,397,272
Leverage Ratio	37.05%	31.64%

41.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31

S.No	Common Equity Tier 1 capital (CET1): Instruments and reserves	2016 Rs. 000	2015 Rs. 000
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,600,000
2	Balance in Share Premium Account	–	–
3	Reserve for issue of Bonus Shares	–	–
4	Discount on Issue of shares	–	– 5
	General/ Statutory Reserves	1,159,890	1,064,668
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	–
7	Unappropriated/unremitted profits/ (losses)	2,160,686	1,715,039
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**	9,920,576	9,379,707
10	Total regulatory adjustments applied to CET1 (Note 41.3.1.1)	(6,346)	(1,343,841)
11	Common Equity Tier 1	9,914,230	8,035,866
	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 41.3.1.2)	–	–
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)**	9,914,230	8,035,866
	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	1,321,033	1,181,141
29	of which: Unrealized gains/losses on AFS	601,951	401,755
30	Foreign Exchange Translation Reserves	–	–
31	Undisclosed/Other Reserves (if any)	–	–
32	**T2 before regulatory adjustments**	1,922,984	1,582,896

		2016 Rs. 000	2015 Rs. 000
33	Total regulatory adjustment applied to T2 capital (Note 41.3.1.3)	–	–
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**	1,922,984	1,582,896
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	11,837,214	9,618,762
39	**Total Risk Weighted Assets (RWA) (Note 41.6)**	26,314,270	22,379,788
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	37.68%	35.91%
41	**Tier-1 capital to total RWA**	37.68%	35.91%
42	**Total capital to total RWA**	44.98%	42.98%
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%	6.00%
49	**Tier 1 minimum ratio**	7.50%	7.50%
50	**Total capital minimum ratio**	10.00%	10.00%
51	**Total Capital plus CCB* ratio**	10.65%	10.25%

*CCB: consisting of CET1 only

41.3.1 Regulatory Adjustments and Additional Information

		2016 Rs.000	2016 Amounts subject to Pre-Basel III treatment Rs.000	2015 Rs.000
41.3.1.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	–	–	–
2	All other intangibles (net of any associated deferred tax liability)	(6,346)	–	(6,182)
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)	–	–	–
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)
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)	(6,346)	–	(1,343,841)

		2016		2015
		Rs.000	Rs.000	Rs.000
41.3.1.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–	–
24	Investment in own AT1 capital instruments	–	–	–
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–	–
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	–	–	–
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	–	–	–

			2016	2015
			Rs. 000	Rs. 000
41.3.1.3	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–		–
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)	–	–	–

		2016 Rs. 000	2015 Rs. 000
41.3.1.4	**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	–	–

41.4 Capital Structure Reconciliation

41.4.1 Step-I of Capital Structure Reconciliation

	2016 Balance sheet as in published financial Statement Rs.000	2016 Under regulatory scope of consolidated Rs.000
ASSETS		
Cash and balances with treasury banks	34,289	34,289
Balances with other banks	116,132	116,132
Lendings to financial institutions	340,000	340,000
Investments	11,349,103	11,349,103
Advances	8,256,263	8,256,263
Operating fixed assets	2,625,410	2,625,410
Deferred tax assets	–	–
Other assets	1,610,550	1,610,550
TOTAL ASSETS	24,331,747	24,331,747
LIABILITIES AND EQUITY		
Bills payable	–	–
Borrowings	10,717,908	10,717,908
Deposits and other accounts	131,399	131,399
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	857,778	857,778
Other liabilities	238,722	238,722
TOTAL LIABILITIES	11,945,807	11,945,807
Share capital	6,600,000	6,600,000
Reserves	1,159,890	1,159,890
Unappropriated/ Unremitted profit	2,160,686	2,160,686
Minority Interest	–	–
Surplus on revaluation of assets	2,465,364	2,465,364
TOTAL EQUITY	12,385,940	12,385,940
TOTAL LIABILITIES AND EQUITY	24,331,747	24,331,747

41.4.2 Step-II of Capital Structure Reconciliation

	2016 Balance sheet published financial statements Rs.000	2016 Under regulatory scope of consolidation Rs.000	Reference
ASSETS			
Cash and balances with treasury banks	34,289	34,289	
Balanced with other banks	116,132	116,132	
Lending to financial institutions	340,000	340,000	
Investments	11,349,103	11,349,103	
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	8,256,263	8,256,263	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	
general provisions reflected in Tier 2 capital	–	–	
Fixed Assets	2,625,410	2,625,410	
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	1,610,550	1,610,550	
of which: Goodwill	–	–	
of which: Intangibles	6,348	6,348	(b)
of which: Defined-benefit pension fund net assets	–	–	
TOTAL ASSETS	24,331,747	24,331,747	
LIABILITIES AND EQUITY			
Bills payable	–	–	
Borrowings	10,717,908	10,717,908	
Deposits and other accounts	131,399	131,399	
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	857,778	857,778	
of which: DTLs related to goodwill	–	–	
of which: DTLs related to intangible assets	2	2	(c)
of which: DTLs related to defined pension fund net assets	–	–	
of which: other deferred tax liabilities	–	–	
Other liabilities	238,722	238,722	
TOTAL LIABILITIES	11,945,807	11,945,807	

	2016		
	Balance sheet published financial statements	Under regulatory scope of consolidation	Reference
	Rs.000	Rs.000	
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	1,159,890	1,159,890	
of which: portion eligible for inclusion in CET1(provide breakup)	1,159,890	1,159,890	(e)
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profits	2,160,686	2,160,686	(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	2,465,364	2,465,364	
of which: Revaluation reserves on Fixed Assets	1,693,632	1,693,632	(g)
of which: Unrealized Gains/Losses on AFS	771,732	771,732	
In case of Deficit on revaluation (deduction from CET1)	–	–	
TOTAL LIABILITIES AND EQUITY	24,331,747	24,331,747	

41.4.3 Step- III of Capital Structure Reconciliation

		2016	
		Component of regulatory capital reported by Company	Source based on reference from step II
		Rs. 000	
	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	1,159,890	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated/unremitted profits/ (losses)	2,160,686	(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**	9,920,576	
	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)	(6,346)	(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	–	

		2016	
		Component of regulatory capital reported by Company	Source based on reference from step II
		Rs. 000	
18	Capital shortfall of regulated subsidiaries	–	
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)	(6,346)	
31	**Common Equity Tier 1**	9,914,230	
	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**	–	

41.4.3 Step- III of Capital Structure Reconciliation (Continued)
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	–	

		2016	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
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)	9,914,230	
	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	1,321,033	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	601,951	
57	Foreign Exchange Translation Reserves	–	
58	Undisclosed/Other Reserves (if any)	–	
59	**T2 before regulatory adjustments**	1,922,984	
	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	1,922,984	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	11,837,214	

41.5 Main features of Regulatory Capital Instrument

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

41.6 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Credit Risk				
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	–	–	–	–
Sovereign	–	–	–	–
Public Sector entities	–	–	–	–
Banks	9,123	33,833	91,226	241,664
Corporate	713,967	785,443	7,139,672	5,610,306
Retail	605	739	6,048	5,281
Residential Mortgages	1,096	1,643	10,960	11,738
Past Due loans	84,689	164,195	846,890	1,172,825
Operating Fixed Assets	262,432	383,216	2,624,315	2,737,259
Other assets	659,665	1,006,911	6,596,650	7,192,221
	1,731,577	2,375,980	17,315,761	16,971,294
Portfolios subject to Internal Rating Based (IRB) Approach	–	–	–	–
Total- on balance sheet portfolio for credit risk	1,731,577	2,375,980	17,315,761	16,971,294
Off-Balance sheet				
Non-market related	273,474	57,395	2,734,737	409,967
Market related	–	–	–	–
	273,474	57,395	2,734,737	409,967
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	–	–	–	–
Under Internal models approach	–	–	–	–
Total- off balance sheet portfolio for credit risk	273,474	57,395	2,734,737	409,967
TOTAL CREDIT RISK	2,005,051	2,433,375	20,050,497	17,381,261
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	22,573	69,425	225,728	495,894
Equity position risk	384,241	368,697	3,842,407	2,633,552
Foreign Exchange risk	1,718	2,678	17,183	19,132
	408,532	440,800	4,085,317	3,148,578
Capital Requirement for portfolios subject to Internal Models Approach	–	–	–	–
TOTAL MARKET RISK	408,532	440,800	4,085,317	3,148,578
OPERATIONAL RISK				
Capital Requirement for operational risks	217,846	258,993	2,178,456	1,849,949
TOTAL OPERATIONAL RISK	217,846	258,993	2,178,456	1,849,949
TOTAL	2,631,429	3,133,168	26,314,270	22,379,788

	2016		2015	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	37.68%	6.00%	35.91%
Tier-1 capital to total RWA	7.50%	37.68%	7.50%	35.91%
Total capital to total RWA	10.00%	44.98%	10.00%	42.98%
Gross total capital to total RWA (including CCB)	10.65%	44.98%	10.25%	42.98%

42. 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. The Company has a small setup and comparatively less complex products. Risk management at the Company is its core competency and helps to mitigate the risk and produce consistently high returns for its shareholders. The Company's aim is to manage all major types of risk by applying methods that always meet best practices. The effective risk management at the Company 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 the Company 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.

The Company's Board provides overall risk & capital management supervision. Risk strategy and risk appetite are defined based on the the Company'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.

42.1 Credit risk

Credit 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 the Company with the most significant risk potential. In the Company'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.

42.1.1 Segmental information

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

42.1.1.1 Segments by class of business

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	500,687,751	4.78	–	–	325,000,000	13.40
Paper and allied	496,725,163	4.75	–	–	–	–
Electrical goods	800,000,000	7.64	–	–	200,000,000	8.25
Dairy and poultry	1,038,562,322	9.92	–	–	–	–
Banaspati and allied	–	–	–	–	–	–
Sugar and allied products	317,634,473	3.03	–	–	225,480,000	9.30
Chemical and fertilizer	527,472,941	5.04	–	–	–	–
Energy, oil and gas	1,562,067,145	14.92	–	–	850,000,000	35.06
Construction	539,086,040	5.15	–	–	–	–
Hotels	477,030,294	4.56	–	–	–	–
Cement	203,899,745	1.95	–	–	–	–
Textile	1,359,979,671	12.99	–	–	790,000,000	32.58
Metal and allied products	627,647,033	6.00	–	–	–	–
Automobiles and allied	281,871,212	2.69	–	–	–	–
Transport/services and misc.	429,127,820	4.10	–	–	–	–
Telecommunication	–	–	–	–	–	–
Others	1,304,886,073	12.47	131,399,425	100.00	34,256,656	1.41
	10,466,677,683	100.00	131,399,425	100.00	2,424,736,656	100.00

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	603,499,999	6.88	–	–	–	–
Paper and allied	390,475,163	4.45	–	–	–	–
Electrical goods	500,000,000	5.70	–	–	–	–
Dairy and poultry	542,847,022	6.19	–	–	–	–
Banaspati and allied	–	–	–	–	–	–
Sugar and allied products	543,114,471	6.19	–	–	–	–
Chemical and fertilizer	145,331,381	1.66	–	–	–	–
Energy, oil and gas	1,414,767,780	16.12	–	–	100,000,000	18.69
Construction	668,086,041	7.61	–	–	–	–
Hotels	235,495,868	2.68	–	–	–	–
Cement	339,605,921	3.87	–	–	–	–
Textile	1,594,424,214	18.17	–	–	400,000,000	74.77
Metal and allied products	640,189,643	7.30	–	–	–	–
Automobiles and allied	284,420,947	3.24	–	–	–	–
Transport/services and misc.	12,918,383	0.15	–	–	–	–
Telecommunication	–	–	–	–	–	–
Others	858,967,463	9.79	7,000,000	100.00	34,966,892	6.54
	8,774,144,296	100.00	7,000,000	100.00	534,966,892	100.00

42.1.1.2 Segment by sector

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	10,466,677,683	100.00	131,399,425	100.00	2,424,736,656	100.00
	10,466,677,683	100.00	131,399,425	100.00	2,424,736,656	100.00

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	8,774,144,296	100.00	7,000,000	100.00	534,966,892	100.00
	8,774,144,296	100.00	7,000,000	100.00	534,966,892	100.00

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Financial institutions	100,687,751	100,687,751	103,499,999	103,499,999
Paper and allied	40,475,163	40,475,163	40,475,163	40,475,163
Electrical goods	–	–	–	–
Dairy and poultry	38,562,323	38,562,323	42,847,023	42,847,023
Banaspati and allied	–	–	–	–
Sugar and allied products	243,114,473	92,033,250	243,114,473	43,114,473
Chemical and fertilizer	27,472,941	14,972,941	28,747,941	14,972,941
Energy, oil and gas	280,028,751	222,528,752	165,028,752	165,028,752
Construction	205,752,708	205,752,708	664,086,041	161,375,908
Hotels	32,030,294	32,030,294	–	–
Cement	116,206,923	116,206,923	116,206,923	116,206,923
Textile	1,106,600,680	741,894,798	801,056,047	801,056,047
Metal and metal products	168,687,328	168,687,328	172,437,328	172,437,328
Automobiles and allied	281,871,212	281,871,212	281,871,212	281,871,212
Transport/services	12,461,152	12,461,152	12,918,383	12,918,383
Miscellaneous	142,250,000	142,250,000	143,385,741	143,385,741
	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Public/Government sector	–	–	–	–
Private sector	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893
	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893

42.1.1.5 Geographical segment analysis

	2016			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	962,851,566	24,331,747,467	12,385,940,022	2,424,736,656
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	962,851,566	24,331,747,467	12,385,940,022	2,424,736,656

Total assets employed include intra group items of Rs. 500 million.

	2015			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	982,619,420	24,862,305,400	11,742,237,838	534,966,892
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	982,619,420	24,862,305,400	11,742,237,838	534,966,892

Total assets employed include intra group items of Rs. 500 million.

42.2 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 the Company 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.

42.2.1 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 the Company 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.

42.2.2 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 the Company's scenario foreign exchange risk is confined to asset side and most of the time is favorable.

	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	24,314,564,631	11,945,807,445	2,424,736,656	9,944,020,530
United States Dollar	17,182,836	–	–	17,182,836
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	24,331,747,467	11,945,807,445	2,424,736,656	9,961,203,366

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	24,843,173,622	13,120,067,562	534,966,892	11,188,139,168
United States Dollar	19,131,778	–	–	19,131,778
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	24,862,305,400	13,120,067,562	534,966,892	11,207,270,946

42.2.3 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.

The Company 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.

42.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			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	
	%	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees
Assets												
Cash and balances with treasury banks	–	34,289,134	–	–	–	–	–	–	–	–	–	34,289,134
Balances with other banks	4.00	116,131,516	99,946,680	–	–	–	–	–	–	–	–	16,184,836
Lending to financial institutions	5.80	340,000,000	340,000,000	–	–	–	–	–	–	–	–	–
Investments	11.02	11,349,103,494	67,500,000	297,045,600	30,213,809	359,752,400	1,615,248,000	3,566,320,000	1,337,393,750	1,556,301,500	–	2,519,328,435
Advances	8.17	8,256,263,088	210,270,564	3,488,959,682	4,347,655,828	170,379,500	4,248,900	–	–	34,748,614	–	–
Other assets	–	486,243,276	–	–	–	–	–	–	–	–	–	486,243,276
		20,582,030,508	717,717,244	3,786,005,282	4,377,869,637	530,131,900	1,619,496,900	3,566,320,000	1,337,393,750	1,591,050,114	–	3,056,045,681
Liabilities												
Borrowings from financial institutions	6.23	10,717,907,824	5,052,000,000	1,800,000,000	3,702,272,544	27,272,544	54,545,088	54,545,088	27,272,560	–	–	–
Deposits and other accounts	6.02	131,399,425	–	126,399,425	5,000,000	–	–	–	–	–	–	–
Other liabilities	–	122,453,432	–	–	–	–	–	–	–	–	–	122,453,432
		10,971,760,681	5,052,000,000	1,926,399,425	3,707,272,544	27,272,544	54,545,088	54,545,088	27,272,560	–	–	122,453,432
On-balance sheet gap		9,610,269,827	(4,334,282,756)	1,859,605,857	670,597,093	502,859,356	1,564,951,812	3,511,774,912	1,310,121,190	1,591,050,114	–	2,933,592,249
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total yield/interest risk sensitivity gap		9,610,269,827	(4,334,282,756)	1,859,605,857	670,597,093	502,859,356	1,564,951,812	3,511,774,912	1,310,121,190	1,591,050,114	–	2,933,592,249
Cumulative yield/interest risk sensitivity gap		–	(4,334,282,756)	(2,474,676,899)	(1,804,079,806)	(1,301,220,450)	263,731,362	3,775,506,274	5,085,627,464	6,676,677,578	6,676,677,578	–

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

	Effective yield/ interest rate	Exposed to Yield / Interest risk										
		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	Non-interest bearing financial instruments
	%	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
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	–

42.3 Liquidity risk

Liquidity risk reflects an entity's inability in raising funds 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.

42.3.1 Maturities of assets and liabilities

	Maturities									
	Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees
Assets										
Cash and balances with treasury banks	34,289,134	34,289,134	–	–	–	–	–	–	–	–
Balances with other banks	116,131,516	116,131,516	–	–	–	–	–	–	–	–
Lending to financial institutions	340,000,000	340,000,000	–	–	–	–	–	–	–	–
Investments	11,349,103,494	67,500,000	364,294,599	–	2,213,706,828	1,645,461,809	3,566,320,000	1,337,393,750	1,651,926,508	502,500,000
Advances	8,256,263,088	210,270,564	383,668,835	821,367,010	1,318,144,148	2,988,230,512	1,509,581,502	839,582,316	185,418,201	-
Operating fixed assets	2,625,410,263	9,464,498	18,928,996	28,393,494	56,786,988	113,573,975	113,573,975	221,028,818	353,443,477	1,710,216,042
Other Assets	1,610,549,972	232,540,353	191,222,613	149,850,846	1,036,936,160	–	–	–	–	–
	24,331,747,467	1,010,196,065	958,115,043	999,611,350	4,625,574,124	4,747,266,296	5,189,475,477	2,398,004,884	2,190,788,186	2,212,716,042
Liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	10,717,907,824	5,052,000,000	1,925,000,000	1,114,772,544	439,772,544	1,004,545,088	529,545,088	652,272,560	–	–
Deposits and other accounts	131,399,425	-	126,399,425	5,000,000	–	–	–	–	–	–
Deferred tax liabilities	857,778,189	2,625,588	5,809,351	7,876,764	60,642,485	31,627,655	59,475,638	105,655,453	157,248,233	426,817,022
Other Liabilities	238,722,007	28,238,963	56,477,926	56,301,167	84,186,611	–	–	4,055,202	9,462,138	–
	11,945,807,445	5,082,864,551	2,113,686,702	1,183,950,475	584,601,640	1,036,172,743	589,020,726	761,983,215	166,710,371	426,817,022
Net assets	12,385,940,022	(4,072,668,486)	(1,155,571,659)	(184,339,125)	4,040,972,484	3,711,093,553	4,600,454,751	1,636,021,669	2,024,077,815	1,785,899,020
	–	–	–	–	–	–	–	–	–	–
Share capital	6,600,000,000	–	–	–	–	–	–	–	–	–
Reserves	1,159,890,064	–	–	–	–	–	–	–	–	–
Unappropriated profit	2,160,685,872	–	–	–	–	–	–	–	–	–
Surplus on revaluation of assets	2,465,364,086	–	–	–	–	–	–	–	–	–
	12,385,940,022	–	–	–	–	–	–	–	–	–

42.3 Liquidity risk (continued)

42.3.1 Maturities of assets and liabilities (continued)

	Total	Maturities								
		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
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	1,743,267,307	315,811,498	268,063,061	220,296,131	939,096,617	–	–	–	–	–
	24,862,305,400	1,617,757,673	588,458,230	1,008,269,257	3,473,602,299	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	224,419,749	34,194,791	68,389,583	54,433,962	60,717,513	–	–	2,005,170	4,678,730	–
	13,120,067,562	4,756,513,083	3,140,344,459	1,135,661,382	1,731,899,808	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	–	–	–	–	–	–	–	–	–

42.4 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.

42.4.1 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.

43. CREDIT RATING

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

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

44. GENERAL

44.1 Corresponding figures for the prior year have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances for the purpose of comparison. Significant rearrangements and reclassifications in the financial statements are as follows:

From	To	Rupees
Statement of Financial Position:		
Other liabilities	Other assets	225,166,522

(Provision for taxation was included in other liabilities in 2015 financial statements which has now been netted off against advance tax paid)

Profit and loss account		
Gain on sale of securities - net	Provision for diminution in the value of investments - net	64,716,965

(Provision for diminution in the value of investments was netted off against gain on sale of securities in 2015 financial statements)

44.2 Captions as prescribed by BSD circular No. 4 dated February 17, 2006 issued by SBP in respect of which there are no amounts, have been reproduced in these unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss account.

45. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on 2 March 2017.

Chief Executive	Director	Director	Chairman

Annexure - I

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a persons(s) during the year ended December 31, 2016.

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with NIC / CNIC No.)	Fathers' / Husband Name	Outstanding Principal	Liabilities at Make up	The Beginning of Other	The Year Total	Principal Written off	Make up Waied	Other financial Relief Principal	Total
1	Style Enterprises (Pvt) Ltd.	Mr. Jawwad Khurshid Ahmed 35200-4638410-7	Mr. Khurshid Ahmed	1.408	5.693	–	7.101	1.408	5.693	–	7.101
		Mr. Hammad Khurshid Ahmed 35202-1113721-3	Mr. Khurshid Ahmed								
		Mr. Aitzaz Khurshid Ahmed 35202-7630279-3	Mr. Khurshid Ahmed								
2	Ferro Alloys Pakistan Ltd.	Rana Mohammad Sarwar Khan 274-34-301781	AL-Haj Mohammad Khan	–	96.533	–	96.533	–	96.533	–	96.533
		Mr. Mohammad Saeed Khan 286-30-261991	Ch. Rehmat Ali khan								
		Mr. Mahboob Sarwar Khan 35202-0418937-7	Rana Mohammad Sarwar Khan								
		Mrs. Nasim Sarwar Khan 274-38-301782	W/o Rana Mohammad Sarwar Khan								
		Mr. Mohammad Akram Khan 34101-9854696-9	Mr. Ali Mohammad Khan								
		Mr. Mohammad Aslam 285-46-033713	Mr. Ali Buksh Khan								
		Mr. Maqsood Sarwar 35202-2599610-1	Rana Mohammad Sarwar Khan								
				1.408	102.226	–	103.634	1.408	102.226	–	103.634

SAUDI PAK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
CONSOLIDATED

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A·F·FERGUSON&Co.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Saudi Pak Industrial and Agricultural Investment Company Limited (the Holding Company) and its subsidiary company, Saudi Pak Real Estate Limited as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as the 'consolidated financial statements') for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company, Saudi Pak Real Estate Limited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company Limited and its subsidiary company as at December 31, 2016 and the results of their operations for the year then ended.

Emphasis of Matter

We draw attention to note 21. 7 (i) to the consolidated financial statements, which describes the uncertainty related to the outcome of the tax reference filed by the Company before the Islamabad High Court which is pending adjudication. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Holding Company for the year ended December 31, 2015 were audited by KPMG Taseer Hadi & Co., Chartered Accountants who had expressed an unqualified opinion thereon dated April 29, 2016.

Chartered Accountants
Islamabad: March 2, 2017
Engagement Partner: S. Haider Abbas

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Cash and balances with treasury banks	7	34,292,665	64,573,297
Balances with other banks	8	151,477,516	761,486,417
Lendings to financial institutions	9	340,000,000	180,000,000
Investments	10	11,061,364,020	12,202,241,117
Advances	11	8,256,518,591	6,675,005,524
Operating fixed assets	12	2,772,774,625	2,885,892,566
Other assets	13	1,778,535,679	2,081,805,587
Development properties	14	129,962,494	188,253,771
		24,524,925,590	25,039,258,279
LIABILITIES			
Bills payable		–	–
Borrowings	15	10,717,907,824	12,010,452,912
Deposits and other accounts	16	131,399,425	7,000,000
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	17	857,778,189	878,194,901
Other liabilities	18	258,135,836	237,931,699
		11,965,221,274	13,133,579,512
NET ASSETS		12,559,704,316	11,905,678,767
REPRESENTED BY			
Share capital	19	6,600,000,000	6,600,000,000
Reserve fund		801,227,124	706,004,599
General reserve		358,662,940	358,662,940
Unappropriated profit		2,334,450,166	1,878,479,988
		10,094,340,230	9,543,147,527
Surplus on revaluation of assets - net of tax	20	2,465,364,086	2,362,531,240
		12,559,704,316	11,905,678,767
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 46 and Annexure I form an integral part of these unconsolidated financial statements.

Chief Executive | Director | Director | Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
Mark-up / return / interest earned	22	1,337,143,373	1,720,811,064
Mark-up / return / interest expensed	23	500,787,199	868,487,575
Net mark-up / interest income		836,356,174	852,323,489
Provision against non-performing loans and advances - net		112,632,951	2,753,941
Provision for diminution in the value of investments - net	24	154,449,144	83,171,688
Bad debts written off directly		–	–
		267,082,095	85,925,629
Net mark-up / interest income after provisons		569,274,079	766,397,860
Non mark-up / interest income			
Fee, commission and brokerage income		13,998,496	9,541,338
Dividend income		124,633,826	106,547,220
(Loss) / gain from dealing in foreign currencies		(4,210)	717,935
Gain on sale of securities - net	25	436,402,149	343,626,325
Unrealized gain on revaluation of investments classified as held for trading		4,612,754	–
Other income	26	179,557,966	121,220,809
Total non mark-up / interest income		759,200,981	581,653,627
Non mark-up / interest expenses			
Administrative expenses	27	370,348,655	341,960,722
Other (reversals) / provisions	28	(17,388,744)	13,512,000
Other charges	29	–	583,000
Total non-markup / interest expenses		352,959,911	356,055,722
Extraordinary / unusual items		–	–
Profit before taxation		975,515,149	991,995,765
Taxation - current		254,013,328	236,922,335
- prior years'		69,763,310	29,882,485
- deferred		165,115,110	(7,076,696)
	30	488,891,748	259,728,124
Profit after taxation		486,623,401	732,267,641
Attributable to:			
Equity holders of the Company		486,623,401	732,267,641
Basic earning per share	31	0.737	1.109

The annexed notes 1 to 46 and Annexure I form an integral part of these unconsolidated financial statements.

Chief Executive | Director | Director | Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	486,623,401	732,267,641
Other comprehensive income		
Items that will not be reclassified to consolidated profit and loss account		
Remeasurement loss of defined benefit plan	(3,956,558)	(2,138,979)
Related deferred tax impact on remeasurement loss	1,130,745	696,735
Remeasurement loss of defined benefit plan - net of tax	(2,825,813)	(1,442,244)
Reversal of prior year excess deferred tax	(2,074,075)	–
	(4,899,888)	(1,442,244)
Comprehensive income - transferred to consolidated statement of changes in equity	481,723,513	730,825,397
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale securities	(14,173,116)	215,466,993
Related deferred tax impact	4,251,935	(53,723,413)
	(9,921,181)	161,743,580
Reversal of deferred tax liability - prior year	182,019,682	–
	172,098,501	161,743,580
Surplus on revaluation of operating fixed assets	–	578,682,096
Related deferred tax	–	(173,752,153)
	–	404,929,943
	172,098,501	566,673,523
Total comprehensive income for the year	653,822,014	1,297,498,920

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Executive | Director | Director | Chairman

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		975,515,149	991,995,765
Less: dividend income		(124,633,826)	(106,547,220)
		850,881,323	885,448,545
Adjustments:			
Depreciation / amortization		139,386,533	118,953,338
Provision against non-performing advances		112,632,951	2,753,941
Provision for diminution in the value of investments		154,449,144	83,171,688
Other (reversals) / provisions		(17,388,744)	13,512,000
Loss on disposal of property and equipment		399,755	9,381,872
Gain on disposal of non banking assets		(29,234,973)	–
Provision for gratuity		4,536,452	5,499,132
Provision for compensated absences		3,018,458	2,155,572
Unrealized gain on revaluation investments classified as held for trading		(4,612,754)	–
		363,186,822	235,427,543
		1,214,068,145	1,120,876,088
(Increase) / decrease in operating assets			
Lendings to financial institutions		(160,000,000)	720,000,000
Development properties		58,323,268	(18,429,463)
Advances		(1,694,146,018)	(989,710,767)
Other assets		370,211,667	(101,063,919)
		(1,425,611,083)	(389,204,149)
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(1,292,545,088)	1,379,572,803
Deposits		124,399,425	(30,000,000)
Other liabilities		13,439,553	(18,059,491)
		(1,154,706,110)	1,331,513,312
Net cash flow from operating activities		(1,366,249,048)	2,063,185,251
Payment to defined benefit plan		(4,746,885)	(33,067,066)
Income tax paid		(433,561,772)	(172,355,201)
Excise duty paid		(40,562,000)	(14,255,895)
		(478,870,657)	(219,678,162)
Net cash from operating activities		(1,845,119,705)	1,843,507,089
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in available-for-sale securities - net		977,239,167	(2,196,114,245)
Investment in held-for-trading securities		(209,640,333)	29,359,676
Investment in held-to-maturity securities		209,268,758	364,206,925
Dividend received		117,383,826	107,047,220
Investment in operating fixed assets		(26,897,737)	(70,649,940)
Sale proceeds from disposal of property and equipment		2,976,491	6,380,422
Sale proceeds from disposal of non banking assets		134,500,000	–
Net cash generated from/ (used in) investing activities		1,204,830,172	(1,759,769,942)
CASH FLOW FROM FINANCING ACTIVITIES		–	–
(Decrease) / increase in cash and cash equivalents		(640,289,533)	83,737,147
Cash and cash equivalents at beginning of the year		826,059,714	742,322,567
Cash and cash equivalents at end of the year	32	185,770,181	826,059,714

The annexed notes 1 to 46 and Annexure I 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, 2016

	Share capital	Reserve fund*	General reserve Rupees	Unappropriated profit	Total
Balance as at January 1, 2015	6,000,000,000	561,263,576	358,662,940	1,821,094,479	8,741,020,995
Total comprehensive income for the year ended December 31, 2015					
Net profit for the year ended December 31, 2015	–	–	–	732,267,641	732,267,641
Other comprehensive income related to equity	–	–	–	(1,442,244)	(1,442,244)
Bonus shares issued	600,000,000	–	–	(600,000,000)	–
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
Balance as at January 1, 2016	6,600,000,000	706,004,599	358,662,940	1,878,479,988	9,543,147,527
Total comprehensive income for the year ended December 31, 2016					
Net profit for the year ended December 31, 2016	–	–	–	486,623,401	486,623,401
Other comprehensive income related to equity	–	–	–	(4,899,888)	(4,899,888)
Transfer to reserve fund *	–	95,222,525	–	(95,222,525)	–
Transferred from surplus on revaluation of operating fixed assets - net	–	–	–	69,469,190	69,469,190
Balance as at December 31, 2016	6,600,000,000	801,227,124	358,662,940	2,334,450,166	10,094,340,230

* 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 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Executive	Director	Director	Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND OPERATIONS

Saudi Pak Industrial and Agricultural Investment Company Limited (the holding 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 holding Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan. The principal activity of the holding 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 holding 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 holding Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad.

The Group consists of Saudi Pak Industrial and Agricultural Investment Company Limited, (the holding Company) and its subsidiary company namely Saudi Pak Real Estate Limited (SPREL).

Saudi Pak Real Estate Limited, (SPREL)

SPREL was incorporated in Pakistan as an unlisted public limited company on November 14, 2006 under the Companies Ordinance, 1984. The principal place of business of the company is Pakistan. The principal business of SPREL is investment in properties (both for investment and development purposes), property management services, investment in joint ventures and other related services. The registered office of the SPREL is situated at Saudi Pak Tower, 61-A, Jinnah Avenue, Islamabad.

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. Rupee, which is the Group's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

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

3.2 International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosures" are not applicable to Banking Companies in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

4. STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

a) The following amendments to published accounting standards were effective during the year and have been adopted by the Group:

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 11	Joint Arrangements (Amendments)	January 1, 2016
IAS 1	Presentation of financial statements (Amendments)	January 1, 2016
IAS 16	Property, plan and equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate financial statements (Amendments)	January 1, 2016
IAS 38	Intangible assets (Amendments)	January 1, 2016

b) Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

c) Following standards and amendments to published accounting standards will be effective in future periods and have not been earlier adopted by the Group.

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRS 7	Financial Instruments (Amendments)	January 1, 2018
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2018
IAS 40	Investment property (Amendments)	July 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Group's financial statements other than in presentation/disclosure.

5. BASIS OF MEASUREMENT

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

– certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;

– certain investments which are carried at fair value in accordance with directives of the SBP; and

– staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.

Use of critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan 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:

i) Classification of investments (note 6.6)
ii) Provision against investments (note 6.6), advances (note 6.7) and other assets
iii) Valuation and impairment of available for sale securities (note 6.6(b))
iv) Valuation and useful life of operating fixed assets (note 6.9)
v) Taxation (note 6.12)
vi) Present value of staff retirement benefits (note 6.13)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Non consolidation of SPLCL

The holding Company has 35.06% stake in the shareholding of SPLCL, however, because of the management control acquired by virtue of a shareholders' agreement, SPLCL was being classified as subsidiary company upto January 26, 2016. The status of SPLCL was changed from subsidiary to an associate effective January 27, 2016 consequent to loss of management control due to termination of shareholders' agreement.

SPLCL's licence to carry out business of leasing expired on March 18, 2010, and has not been renewed by SECP owing to non-compliance of Minimum Capital Requirement (MCR). Therefore, SPLCL is non-operational since then. The financial statements of SPLCL for the year ended June 30, 2015 were last approved by their shareholders in their annual general meeting held on March 22, 2016. Since then, due to management issues like nonfunctioning of the Board of Directors, approved quarterly, half yearly and yearly financial statements are not available for the subsequent periods which are required for consolidation as well as for equity accounting of investment in associated company.

The holding Company sought exemption from SECP of consolidating the accounts of SPLCL for 26 days i.e. for the period from January 01, 2016 to January 26, 2016 u/s 237(8) of the Companies Ordinance, 1984 and exemption from compliance with all the requirements of IAS-28 (Investment in Associates and Joint Ventures) including requirement for equity accounting of investment in the associated company i.e. SPLCL for the period from January 27, 2016 to December 31, 2016.

The Securities and Exchange Commission of Pakistan (SECP) vide its letter No. CLD/CCD/Co. 237/1/2017- 4102 dated February 15, 2017 granted exemption to the holding company from:

a) consolidating accounts of subsidiary company i.e. SPLCL for the period from January 01, 2016 to January 26, 2016 under section 237(8) of the Companies Ordinance 1984; and

b) compliance with all the requirements of IAS-28 (Investment in Associates and Joint Ventures) including requirement of equity accounting of its investment in the associated company i.e. SPLCL for the period from January 27, 2016 to December 31, 2016 under section 234(5) of the Companies Ordinance, 1984.

Accordingly, investment in SPLCL as at 31 December 2016 has been carried at cost less impairment loss in these consolidated financial statements.

6.2 The consolidated financial statements include the financial statements of the holding Company and its subsidiary company (SPREL). Persuant to the exemption, Saudi Pak Leasing Company Limited (SPLCL) has neither been consolidated nor equity accounted for the year ended 31 December 2016. Refer note 6.1 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.

- When the Group losses 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 company 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 subsidiary.

- 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 subsidiary have been changed where necessary to align them with the policies adopted by the Group.

- Associate is the entity in which the Group has significant influence, but not control over the financial and operating policies. Significant influence exists when the Group holds 20 percent or more of the voting power of another entity unless it can be clearly demonstrated that this is not the case. The consolidated financial statements include the Group's share of result of the associate. Investment in associate is accounted for using the equity method of accounting and is initially recognized at cost.

6.3 Non banking assets acquired in satisfaction of claims

To comply with the requirements of the 'Regulations for Debt Property Swap' (the Regulations) issued by SBP vide BPRD Circular No. 1 of 2016 dated January 1, 2016, the Group has changed its accounting policy effective January 1, 2016 for recording of non-banking assets acquired in satisfaction of claims. In accordance with the Regulations, the non-banking assets acquired in satisfaction of claims are now being carried at revalued amounts. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost including attached costs less impairment, if any.

Had the accounting policy not been changed, the non banking assets acquired in satisfaction of claims (included in other assets in the consolidated statement of financial position) would have been lower by Rs 12,589,806, consequently related reversal of provision and depreciation charge as appearing in consolidated profit and loss account would have been lower by Rs 15,368,898 and Rs 2,779,092, profit before and after tax would have been lowered by Rs 12,589,806 and 11,782,287 respectively.

6.4 Cash and cash equivalents

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

6.5 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.

6.6 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) 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 SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, 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 taken through "Consolidated Statement of Comprehensive Income" 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. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

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.

(c) 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.

6.7 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by SBP 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.

6.8 Net investment in finance lease

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

6.9 Operating fixed assets and depreciation/ amortization

(a) Tangibles assets

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 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.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

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 when 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.

With effect from January 1, 2016, SPREL's depreciation is charged to consolidated profit and loss account on straight line method to allocate cost over estimated useful life at the rate specified in note 12.1 to the consolidated financial statements. Previously property and equipment were depreciated using reducing balance method. Further the estimate of useful life of leasehold improvements has been revised from 20 to 10 years and estimate of useful life of furniture and fixtures has been revised from 10 to 5 years. Such changes in depreciation method and useful life of property and equipment has been recognized prospectively.

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 and impairment losses, if any. Amortization 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 life.

(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.

6.10 Development properties

Development properties include acquisition or development of properties for sale in the ordinary course of business. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes all direct costs attributable to the acquisition, design and construction of the properties.

The cost of development properties recognized in consolidated profit and loss account on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. 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.

6.11 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.

6.12 Taxation

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

(a) Current

Provision for current tax 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, and 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 Group recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

6.13 Staff retirement benefits

(a) Defined benefit plan

The Group operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using “projected unit credit method”.

(b) Defined contribution plan

The Group also operates a recognized provident fund 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.

6.14 Revenue recognition

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

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

- Unrealized lease income on classified lease 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 Group’s right to receive income is established.

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

- Gains and losses on sale of investments are taken to the consolidated profit and loss account.

- Rental income is recognized on accrual basis.

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

- 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 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 doesnot expect any further economic benefits from such property.

6.15 Foreign currency transactions

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

6.16 Impairment

The carrying amount of the Group's assets are reviewed at the date of consolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised 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 recognised.

6.17 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 consolidated profit and loss account is stated net off expected recoveries.

6.18 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the consolidated profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.19 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.

6.20 Segment Reporting

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

(a) Business Segment

- **Corporate finance**

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

- **Trading and sales**

  Trading and sales includes the Group's treasury and money market activities.

- **Building rental / real estate services**

  This segment undertakes the investment in properties, property management services, investment in joint ventures and other related servies and also undertakes the rental services of Saudi Pak Tower and its allied activities.

(b) Geographical segment

The Group conducts all its operations in Pakistan.

	Note	2016 Rupees	2015 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		241,591	252,683
With State Bank of Pakistan in			
Local currency current accounts	7.1	34,051,074	64,320,614
		34,292,665	64,573,297

7.1 These represent current accounts maintained with the State Bank of Pakistan to comply with the statutory cash reserve requirements.

	Note	2016 Rupees	2015 Rupees
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		17,788,003	6,658,228
On deposit accounts			
– local currency (profit and loss savings account)	8.1	116,506,677	735,696,411
– foreign currency	8.2	17,182,836	19,131,778
		151,477,516	761,486,417

8.1 These deposit accounts carry markup at the rate ranging from 2.12% to 5.08% per annum (2015: 4.00% to 8.40% per annum).

8.2 These deposit accounts carry interest at the rate of 0.25% per annum (2015: 0.25% per annum).

	Note	2016 Rupees	2015 Rupees
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		–	180,000,000
Repurchase agreements lendings (reverse repo)	9.1	340,000,000	–
		340,000,000	180,000,000

9.1 These are secured against Pakistan Investment Bonds (PIBs) and carry markup at the rate of 5.80% per annum having maturity on January 3, 2017.

	2016 Rupees	2015 Rupees
9.2 Particulars of lendings		
In local currency	340,000,000	180,000,000
	340,000,000	180,000,000

9.3 Securities held as collateral against lendings to financial institutions

	Note	2016 Held by the company	2016 Further as collateral	2016 Total	2015 Held by the company	2015 Further as collateral	2015 Total
			Rupees			Rupees	
Pakistan Investment Bonds	9.3.1	340,000,000	–	340,000,000	–	–	–
		340,000,000	–	340,000,000	–	–	–

9.3.1 These represent the securities obtained under reverse repo transactions.

9.3.2 Market value of securities held as collateral at December 31, 2016 was Rs. 343,901,500 (2015: Nil).

10. INVESTMENTS

10.1 Investment by types:

	Note	2016 Held by the company	2016 Further as collateral	2016 Total	2015 Held by the company	2015 Further as collateral	2015 Total
		Rupees			Rupees		
Held for trading securities (HFT)							
Quoted shares		63,640,333	–	63,640,333	–	–	–
Mutual funds		146,000,000	–	146,000,000	–	–	–
		209,640,333	–	209,640,333	–	–	–
Available for sale securities (AFS)							
Pakistan Investment Bonds (PIBs)		2,679,664,033	5,269,482,367	7,949,146,400	2,395,818,161	6,358,195,317	8,754,013,478
Market Treasury Bills		296,933,100	–	296,933,100	523,211,395	–	523,211,395
Quoted securities		1,623,809,439	–	1,623,809,439	1,289,390,956	–	1,289,390,956
Term Finance Certificates (TFCs)		106,511,641	–	106,511,641	137,023,918	–	137,023,918
Un-quoted securities		456,333,048	–	456,333,048	703,833,048	–	703,833,048
Other - Islamabad Stock exchange Membership		–	–	–	2,500,000	–	2,500,000
		5,163,251,261	5,269,482,367	10,432,733,628	5,051,777,478	6,358,195,317	11,409,972,795
Held to maturity securities (HTM)							
Term Finance Certificates (TFCs)		531,589,926	–	531,589,926	806,115,122	–	806,115,122
Certificate of Investment		65,256,438	–	65,256,438	–	–	–
		596,846,364	–	596,846,364	806,115,122	–	806,115,122
Subsidiaries							
Saudi Pak Leasing Company Limited							
- Investment in shares		–	–	–	243,467,574	–	243,467,574
- Investment in preference shares		–	–	–	333,208,501	–	333,208,501
		–	–	–	576,676,075	–	576,676,075
Investment in associates							
Saudi Pak Leasing Company Limited							
- Investment in shares		243,467,574	–	243,467,574	–	–	–
- Investment in preference shares		333,208,501	–	333,208,501	–	–	–
		576,676,075	–	576,676,075	–	–	–
Investment at cost		6,546,414,033	5,269,482,367	11,815,896,400	6,434,568,675	6,358,195,317	12,792,763,992
Provision for diminution in value of investments	10.2.1	(1,614,006,676)	–	(1,614,006,676)	(1,459,557,533)	–	(1,459,557,533)
Investments (net of provisions)		4,932,407,357	5,269,482,367	10,201,889,724	4,975,011,142	6,358,195,317	11,333,206,459
Surplus on revaluation of AFS securities	20.2	854,861,542	–	854,861,542	869,034,658	–	869,034,658
Surplus on revaluation of HFT securities	10.8	4,612,754	–	4,612,754	–	–	–
Total investments		5,791,881,653	5,269,482,367	11,061,364,020	5,844,045,800	6,358,195,317	12,202,241,117

	Note	2016 Rupees	2015 Rupees
10.2 Investment by segments			
Federal Government securities	10.2.3		
- Pakistan Investment Bonds (PIBs)		7,949,146,400	8,754,013,478
- Market Treasury Bills		296,933,100	523,211,395
		8,246,079,500	9,277,224,873
Fully paid up ordinary shares			
- Listed securities	10.3	1,930,917,346	1,532,858,530
- Unquoted securities	10.4	456,333,048	703,833,048
		2,387,250,394	2,236,691,578
Term Finance Certificates (TFCs)	10.5		
- Listed TFCs		208,817,784	488,536,311
- Unlisted TFCs		429,283,783	454,602,729
		638,101,567	943,139,040
Other investments			
Islamabad Stock exchange Membership		–	2,500,000
Mutual funds	10.6	146,000,000	–
Certificate of Investments		65,256,438	–
Investment in preference shares		333,208,501	333,208,501
		544,464,939	335,708,501
Total investment at cost		11,815,896,400	12,792,763,992
Provision for diminution in value of investments	10.2.1	(1,614,006,676)	(1,459,557,533)
Investments (net of provisions)		10,201,889,724	11,333,206,459
Surplus on revaluation of available for sale securities (AFS)		854,861,542	869,034,658
Surplus on revaluation of held for trading securities (HFT)	10.8	4,612,754	–
Total investments at market value		11,061,364,020	12,202,241,117
10.2.1 Particulars of provision for diminution in value of investments			
Opening balance		1,459,557,533	1,376,385,845
Charge for the year		180,477,221	94,414,929
Reversals for the year		(26,028,078)	(11,243,241)
		154,449,143	83,171,688
Closing balance	10.2.2	1,614,006,676	1,459,557,533
10.2.2 Particulars of provision in respect of type and segments			
Available for sale (AFS) securities			
Impairment on quoted securities		137,927,115	163,955,194
Un-quoted securities		358,208,040	291,302,066
Term Finance Certificates (TFCs)		77,105,520	67,181,343
Held to maturity (HTM) securities			
Term Finance Certificates (TFCs)		464,089,926	360,442,855
Subsidiary - fully paid ordinary shares – listed			
Fully paid ordinary shares		–	243,467,574
Preference shares		–	333,208,501
Associate - fully paid ordinary shares – listed			
Fully paid ordinary shares		243,467,574	–
Preference shares		333,208,501	–
		1,614,006,676	1,459,557,533

10.2.3 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon
Pakistan Investment Bonds	July 2017 to July 2022	On maturity	9.25% to 12.00%	semi-annually
Market Treasury Bills	March 2017	On maturity	6.18%	at maturity

10.3 Investment in fully paid up ordinary shares-listed

Number of ordinary share 2016	Number of ordinary share 2015	Average cost Per share Rupees	Name of companies	2016 Rupees	2015 Rupees
500,000	750,000	59.48	Adamjee Insurance Company Limited	29,740,906	36,145,055
3,346,506	4,304,051	35.00	Agritech Limited	117,127,705	125,107,957
–	1,000,000	–	Aisha Steel Limited	–	8,677,496
500,000	522,500	23.71	Askari Bank Limited	11,853,735	10,866,966
500,000	1,000,000	33.11	Bank Al-Falah Limited	16,556,770	26,000,630
300,000	–	194.95	Bestway Cement Company Limited	58,484,490	–
250,000	300,000	85.84	Cherat Cement limited	21,459,800	23,262,898
500,000	250,000	21.23	Crescent Textile	10,613,613	5,440,337
500,000	–	126.04	Dawood Hercules	63,020,676	–
100,000	–	284.99	Engro Corporation Limited	28,499,033	–
1,000,000	500,000	66.30	Engro Fertilizer Limited	66,303,329	36,648,146
250,000	–	147.05	Engro Foods Limited	36,762,086	–
–	500,000	–	Engro Powergen Limited	–	20,990,557
1,000,000	1,500,000	31.92	Fatima Fertilizer Company Limited	31,920,017	45,947,617
1,500,000	1,000,000	34.90	Fauji Cement Company Limited	52,355,722	26,176,110
1,000,000	750,000	91.57	Fauji Fertilizer Company Limited	91,571,141	64,570,201
1,500,000	1,000,000	37.00	Fauji Fertilizer Bin Qasim Limited	55,496,315	28,753,960
5,000,000	2,500,000	11.31	Golden Arrow Selected Stocks Fund Limited	56,531,513	27,057,661
250,000	208,250	331.73	Hascol Petroleum Limited	82,932,257	15,039,774
1,000,000	500,000	99.59	The Hub Power Company Limited	99,594,817	40,211,219
7,765,963	8,877,963	4.15	Japan Power Generation Limited	32,213,214	36,825,790
500,000	500,000	44.95	Kohinoor Energy Limited	22,477,250	22,477,248
500,000	–	20.18	Kohinoor Mills Limited	10,089,705	–
1,000,000	1,985,500	23.82	Kohinoor Spinning Mills Limited	23,821,380	47,297,349
1,500,000	450,000	75.50	Kott Addu Power Company Limited	113,250,026	22,552,458
100,000	100,000	232.11	MCB Bank Limited	23,211,223	21,531,761
500,000	1,545,500	72.87	National Bank of Pakistan	36,434,634	94,521,185
2,500,000	2,000,000	40.17	Nishat Chunian Power Limited	100,429,772	72,559,278
500,000	500,000	38.74	Nishat (Chunian) Limited	19,371,328	21,927,920
2,000,000	500,000	45.58	Nishat Power Limited	91,155,803	11,927,027
200,000	200,000	157.02	Oil & Gas Development Company Limited	31,404,069	38,773,335
–	1,975,000	–	Pakcem Limited	–	33,652,316
2,000,000	1,340,000	30.63	Pakistan International Bulk Terminal Limited	61,262,602	38,743,067
1,000,000	1,500,000	17.17	Pakistan Telecommunication Company Limited	17,171,838	27,445,905
250,000	505,000	160.79	Pakistan Petroleum Limited	40,197,324	74,131,904
–	200,000	–	Pakistan Oil Field	–	67,362,097
–	425,000	–	Pakistan Reinsurance Co. Limited	–	15,897,479
1,500,000	–	67.05	Pak Elektron Limited	100,580,065	–
–	500,000	–	Saif Power Limited	–	19,185,555
15,835,403	15,835,403	15.37	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
100,000	78,400	44.22	Security Papers Limited	4,421,702	2,470,442
–	22,187,000	–	Silkbank Limited	–	34,613,723
1,500,000	1,000,000	19.42	Standard Chartered Bank (Pakistan) Limited	29,133,913	17,879,403
–	105,200	–	Shell Pakistan Limited	–	26,719,131
				1,930,917,346	1,532,858,530

10.4 Investment in fully paid up shares – unquoted

	2016 Number of shares	2016 Total paid up value	2016 Name of Chief executive / status
Ali Paper Board Industries Limited	571,000	5,710,000	Under Liquidation
Saudi Pak Kalabagh Livestock Company Limited	1,000,000	10,000,000	Under Liquidation
Bela Chemical Industries Limited	650,000	6,500,000	Under Liquidation
Fruit Sap Limited	400,000	4,000,000	Under Liquidation
Taurus Securities Limited	1,125,000	11,250,000	Syed Zain Hussain
Pakistan Textile City Limited	5,000,000	50,000,000	Mr. M Hanif Kasbati
Alhamra Hills Private Limited	5,000,000	50,000,000	Mr. Habib Ahmed
Pak Kuwait Takaful Company	4,000,000	40,000,000	Mr. Aziz Kapadia
Al Hamra Avenue Private Limited	5,000,000	50,000,000	Mr. Habib Ahmed
Pace Barka Properties Limited	16,875,000	168,750,000	Ms. Asma Taseer
Innovative Investment Bank Limited	3,762,304	37,623,048	Under Liquidation
Trust Investment Bank Limited	2,000,000	20,000,000	Mr Ahsan Rafique
ISE Towers - REIT Management Company Limited	3,034,603	2,500,000	Mian Ayaz Afzal
		456,333,048	

10.5 Investment in term finance certificates – listed

Number of certificate 2016 Rupees	Number of certificate 2015 Rupees	Company's name	Redeemable value per certificate Rupees	2016 Rupees	2015 Rupees
Listed					
44,149	44,149	Azgard Nine Limited	2,801	136,614,140	136,614,140
–	44,780	Engro Corporation Pakistan Limited	4,957	–	222,175,000
–	32,300	Maple Leaf Cement (Sukuk) Limited	5,000	–	52,456,602
2,000	2,000	Trust Investment Bank Limited	1,874	3,748,500	3,748,500
10,000	10,000	World Call Telecom Limited	1,920	19,200,843	19,200,843
15,000	15,000	World Call Telecom Limited	3,089	19,848,180	19,848,180
–	250	Pakistan Mobile Communications Limited	100,000	–	5,073,125
6,000	6,000	Summit Bank Limited	4,804	29,406,121	29,419,921
Book value as on December 31				208,817,784	488,536,311

These carry return at the rates ranging from 7.66% to 9.31% (2015: 7.86% to 8.25%) per annum and having maturity in 2021.

Number of certificate 2016 Rupees	Number of certificate 2015 Rupees	Company's name	Redeemable value per certificate Rupees	2016 Rupees	2015 Rupees
Unlisted					
18,000	18,000	Amtex Limited (Sukuk) (Chief Executive: Mr. Khurram Iftikhar)	3,750	67,500,000	67,500,000
10,000	10,000	B.R.R Guardian Modaraba (Chief Executive: Mr. Ayaz Dawood)	1,824	18,238,132	21,875,000
7,263	7,263	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	5,000	57,257,340	57,257,340
50,000	50,000	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	5,000	229,026,411	229,026,411
30,000	30,000	Sitara Peroxide Limited (Chief Executive: Mr. Imran Ghafoor)	1,909	57,261,900	78,943,978
Book value as on December 31				429,283,783	454,602,729
				638,101,567	943,139,040

These carry return at the rates ranging from 6.24% to 11% (2015: 6.51% to 11%) per annum and having maturity in 2019.

10.5.1 Investment in term finance certificates (TFCs) includes Rs. 608.695 million (2015: Rs. 533.195 million) which has been placed under non-performing status as detailed below:-

	2016		
	Classified investment	Specific provision required	Specific provision held
		Rupees	
Category of classification of TFCs			
Substandard	–	–	–
Doubtful	–	–	–
Loss	608,695,446	541,195,446	541,195,446
	608,695,446	541,195,446	541,195,446

	2015		
	Classified investment	Specific provision required	Specific provision held
		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

10.6 **Investment in mutual funds**

Average cost

Number of ordinary share		Average cost			
2016	2015	Per share Rupees	Name of companies	2016 Rupees	2015 Rupees
486,012	–	10.29	NAFA Government Securities Savings Fund	5,000,000	–
2,091,779	–	10.04	NAFA Money Market Fund	21,000,000	–
1,251,174	–	51.95	Meezan Sovereign Fund	65,000,000	–
524,851	–	104.79	Al - Ameen Islamic Sovereign Fund	55,000,000	–
				146,000,000	–

10.7 Quality of available for sale securities

	Note	2016 Rating Rupees	2016 Marekt value Rupees	2015 Rating Rupees	2015 Market value Rupees
Market Treasury Bills	10.7.1	unrated	297,045,600	unrated	524,099,491
Pakistan Investment Bonds	10.7.1	unrated	8,435,015,650	unrated	9,429,492,842
Fully paid up ordinary shares	10.7.2				
Adamjee Insurance Company Limited		AA+	37,070,000	AA	42,382,500
Agritech Limited		unrated	133,793,301	unrated	8,953,045
Aisha Steel Mills Limited		unrated	–	unrated	8,710,000
Askari Bank Limited		AA+/A-1+	12,475,000	AA/A-1+	11,359,150
Bank Alfalah Limited		AA/A-1+	18,980,000	AA/A-1+	28,820,000
Bestway Cement Company Limited		AA-	82,773,000	–	–
Cherat Cement		A/A-1	43,510,000	–	27,054,000
Crescent Textile Mills Limited		unrated	13,749,993	unrated	4,828,880
Dawood Hercules		AA-/A-1+	72,165,000	–	–
Engro Corporation Limited		AA/A-1+	–	–	–
Engro Fertilizer Limited		AA-/A1+	67,980,000	AA-/A1+	42,065,000
Engro Foods		unrated	47,985,000	–	–
Engro Powergen Limited		–	–	–	17,090,000
Fauji Cement Company Limited		unrated	67,620,000	unrated	36,820,000
Fatima Fertilizer Company Limited		AA-/A1+	36,890,000	AA-/A1+	67,095,000
Fauji Fertilizer Bin Qasim Limited		unrated	76,815,000	unrated	52,680,000
Fauji Fertilizer Company Limited		AA/A1+	104,370,000	unrated	88,485,000
Golden Arrow Selected Stocks Fund Limited		4 Star/ 4 Star	69,450,000	4 Star/ 4 Star	24,000,000
Hascol Petroleum Limited		A+/A-1	84,380,000	A+/A-1	30,040,062
Hub Power Company Limited		AA+/A1+	123,480,000	AA+/A1+	51,300,000
Japan Power Generation Limited		unrated	71,917,691	unrated	35,156,733
Kohinoor Energy Limited		AA/A1+	21,500,000	AA/A1+	21,500,000
Kohinoor Mills Limited		unrated	20,250,000	–	–
Kohinoor Spinning Mills Limited		unrated	24,911,558	unrated	19,894,507
Kot Addu Power Company Limited		AA+/A1+	118,200,000	AA+/A1+	36,450,000
MCB Bank Limited		AAA/A1+	23,782,000	AAA/A1+	21,685,000
National Bank of Pakistan		AAA/A1+	37,445,000	AAA/A1+	83,518,820
Nishat Power Limited		A+/A1	128,180,000	A+/A1	26,840,000
Nishat (Chunian) Limited		unrated	31,215,000	A-/A-2	17,000,000
Nishat Chunian Power Limited		unrated	138,700,000	A+/A-2	110,100,000
Oil and Gas Development Company Limited		AAA/A1+	33,070,000	AAA/A1+	23,468,000
Pakistan International Bulk Terminal Limited		unrated	65,980,000	unrated	37,479,800
Pakistan Telecommunication Company Limited		unrated	17,180,000	unrated	24,735,000
Pakistan Oilfields Limited		–	–	unrated	53,604,000
Pakistan Petroleum Limited		unrated	47,045,000	unrated	61,514,050
Pakcem Limited		–	–	A-/A2	33,634,250
Pakistan Reinsurance Company Limited		–	–	AA	14,386,250
Pak Elektron Limited		A+/A1	71,280,000	–	–
Saif Power Limited		–	–	A+/A1	16,375,000
Silkbank Limited		–	–	A-/A2	40,380,340
Standard Chartered Bank (Pakistan) Limited		AAA/A1+	37,875,000	AAA/A1+	21,900,000
Security Papers Limited		unrated	9,864,000	unrated	6,907,824
Shell Pakistan Limited		–	–	unrated	24,010,848
	10.7.3		1,991,881,543		1,098,050,484

	Note	2016 Rating Rupees	2016 Marekt value Rupees	2015 Rating Rupees	2015 Market value Rupees
Term Finance Certificates					
Summit Bank Ltd		A-	30,213,809	A-	30,717,033
Mapple Leaf Cement factory Limited		–	–	A	2,578,295
Engro Fertilize Limited		–	–	AA	22,889,725
Pakistan Mobile Communication limited		–	–	AA-	5,060,070
			30,213,809		61,245,123
			10,754,156,602		11,112,887,940

10.7.1 These are Government of Pakistan guaranteed securities.

10.7.2 Ratings for these securities / units represent 'Entity Ratings'.

10.7.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company (JCR-VIS)', whereas foreign securities and certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

10.7.4 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with SBP.

		Note	2016 Rupees	2015 Rupees
10.8	**Unrealized gain on revaluation of investments classified as held for trading**			
	Fully paid up ordinary shares of listed companies		3,608,666	–
	Mutual funds		1,004,088	–
			4,612,754	–
11.	**ADVANCES**			
	Advances in Pakistan		10,304,220,380	8,591,564,333
	Net investment in finance lease in Pakistan	11.2.1	162,712,806	182,631,084
	Advances – gross	11.1	10,466,933,186	8,774,195,417
	Provision for non-performing advances	11.3.1	(2,210,414,595)	(2,099,189,893)
	Advances – net of provision		8,256,518,591	6,675,005,524
11.1	**Particulars of advances - gross**			
11.1.1	In local currency		10,429,705,398	8,736,967,629
	In foreign currencies		37,227,788	37,227,788
			10,466,933,186	8,774,195,417
11.1.2	Long term advances (over one year)	11.1.3	9,269,226,792	7,752,508,697
	Short term advances (upto one year)	11.1.4	1,158,073,877	981,053,877
	Staff advances (long term)	11.4	39,632,517	40,632,843
			10,466,933,186	8,774,195,417

11.1.3 These advances are secured by charges created over assets of the beneficiary companies and carry mark-up at rates ranging from 7.00% to 17.88% (2015: 7.00% to 17.88%) per annum.

11.1.4 These are maturing within next twelve months and carry mark-up at rates ranging from 6.75% to 9.12% (2015: 7.35% to 9.60%) per annum. These are secured by pledge of quoted shares, stocks and charge on receivable etc.

		Note	2016 Rupees	2015 Rupees
11.2	**Net investment in finance lease**			
	Minimum lease payments receivables		235,864,646	259,383,533
	Less: Unearned finance income		(73,151,840)	(76,752,449)
	Present value of minimum lease payments	11.2.1	162,712,806	182,631,084
	Less: Provision for potential lease losses		(139,055,744)	(140,648,716)
	Net investment in lease		23,657,062	41,982,368

		2016		
		Note later than one year	Later than one and less than five years	Total
			Rupees	
11.2.1	**Net investment in finance lease**			
	Minimum lease payments receivable	232,291,446	3,573,200	235,864,646
	Less: Unearned finance income	(73,111,952)	(39,888)	(73,151,840)
	Present value of minimum lease payments	159,179,494	3,533,312	162,712,806

		2015		
		Note later than one year	Later than one and less than five years	Total
			Rupees	
	Minimum lease payments 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

11.3 Advances include Rs. 2,796,201,699 (2015: Rs. 2,815,675,026) which have been placed under non-performing status as detailed below:-

	2016		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	–	–	–
Doubtful	479,705,881	57,500,000	57,500,000
Loss	2,316,495,818	2,152,914,595	2,152,914,595
	2,796,201,699	2,210,414,595	2,210,414,595

	2015		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	458,333,333	–	–
Doubtful	200,000,000	–	–
Loss	2,157,341,693	2,099,189,893	2,099,189,893
	2,815,675,026	2,099,189,893	2,099,189,893

	Note	2016 Rupees	2015 Rupees
11.3.1 Particulars of provisions against non-performing advances			
Opening balance		2,099,189,893	2,096,435,952
Charge for the year		196,940,492	118,758,927
Reversals		(84,307,541)	(116,004,986)
		112,632,951	2,753,941
Amounts written off	11.3.2	(1,408,249)	–
Closing balance		2,210,414,595	2,099,189,893

11.3.1.1 The net FSV benefit already availed by the Holding Company has been increased by Rs. 73.199 million, which has resulted in decreased charge for specific provision for the year by the same amount. Had the FSV benefit not increased, before and after tax profit for the year of the Group would have been lower by Rs. 73.199 million (2015: Rs. 153.679 million) and Rs. 50.506 million (2015: Rs. 108.421 million) respectively. Further, at December 31, 2016, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 238.694 million (December 31, 2015: Rs. 188.188 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

	2016 Rupees	2015 Rupees
11.3.2 Particulars of write offs		
Against provisions	1,408,249	
Directly charged to the unconsolidated profit and loss account	–	–
	1,408,249	–
11.3.3 Particulars of amounts written off against provisions		
Rs. 500,000 and above	1,408,249	–
Below Rs. 500,000	–	–
	1,408,249	–

11.3.4 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, 2016 is given at Annexure I.

	Note	2016 Rupees	2015 Rupees
11.4 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Opening balance		40,632,843	30,638,447
Loans granted during the year		14,951,717	26,012,554
Repayments during the year		(15,952,043)	(16,018,158)
Closing balance		39,632,517	40,632,843
12. OPERATING FIXED ASSETS			
Property and equipment	12.1	2,771,679,488	2,884,186,954
Intangible assets	12.2	1,095,137	1,705,612
		2,772,774,625	2,885,892,566

12.1 Property and equipment

	2016									
	Cost / Revalued Amount				Depreciation					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the year	Disposals	Closing balance	Net book value	Rate %
	Rupees									
Freehold land	8,088,120	–	–	8,088,120	–	–	–	–	8,088,120	–
Leasehold land - Islamabad	1,372,500,000	–	–	1,372,500,000	–	20,862,000	–	20,862,000	1,351,638,000	1.52
Building - Islamabad	883,751,000	350,000	–	884,101,000	–	35,350,021	–	35,350,021	848,750,979	4
Building	168,166,969	–	–	168,166,969	977,597	–		977,597	167,189,372	4
Building - ISE towers, Islamabad	34,145,000	–	–	34,145,000	–	389,250		389,250	33,755,750	1.14
Heating and air conditioning	133,347,574	–	235,828	133,111,746	253,643	19,804,880	8,844	20,049,679	113,062,067	15
Elevators	60,820,000	–	–	60,820,000	6	9,122,990		9,122,996	51,697,004	15
Electrical fittings	146,930,001	–	–	146,930,001	582,750	21,992,217	–	22,574,967	124,355,034	15
Fire fighting equipment	2,450,400	382,590	52,544	2,780,446	–	414,167	1,973	412,194	2,368,252	15
Leasehold improvement	6,302,839	1,155,141	–	7,457,980	6,391,131	792,802	–	7,183,933	274,047	10-15
Motor vehicles	89,764,599	13,941,809	5,921,149	97,785,259	37,427,071	17,296,178	3,262,504	51,460,745	46,324,514	20
Furniture, fixture and fittings	16,294,299	2,939,153	151,361	19,082,091	14,386,007	1,336,568	146,742	15,575,833	3,506,258	20
Office equipment	42,507,545	6,540,718	2,026,657	47,021,606	34,785,139	4,889,234	1,989,727	37,684,646	9,336,960	33.33
Telephone installation	1,094,846	–	1,525	1,093,321	396,033	142,983	95	538,921	554,400	15
Electrical appliances	6,303,005	971,478	91,600	7,182,883	3,194,579	845,917	91,596	3,948,900	3,233,983	15
Loose tools	1,232,731	–	–	1,232,731	1,027,840	152,609	–	1,180,449	52,282	15
Miscellaneous	804,769	–	–	804,769	797,544	2,697	–	800,241	4,528	15
Security systems	8,925,000	265,560	412,533	8,778,027	–	1,305,559	15,470	1,290,089	7,487,938	15
	2,983,428,697	26,546,449	8,893,197	3,001,081,949	99,241,743	135,677,669	5,516,951	229,402,461	2,771,679,488	

12.1.1 Cost of fully depreciated property and equipment still in use of the holding Company amounts to Rs. 61,556,315 (2015: Rs. 52,421,307).

12.1.2 As disclosed in note 6.9, SPREL has changed depreciation method from reducing balance method to straight line method. Further, the estimate of useful life of leasehold improvements has been revised from 20 to 10 years and estimate of useful life of furniture and fixtures has been revised from 10 to 5 years. Had there been no such change, property and equipment would have been higher by Rs. 1,996,756 and depreciation expense for the year would have been lower by the same amount.

12.2 Property and equipment

	2016									
	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the year	Disposals	Closing balance	Net book value	Rate %
	Rupees									
Software and others	14,347,053	351,288	–	14,698,341	12,641,441	961,763	–	13,603,204	1,095,137	33.33

12.2.1 Cost of fully amortized intangible assets still in use of the holding Company amounts to Rs. 12,552,173 (2015: Rs. 10,666,165).

12.1 Property and equipment (continued)

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

12.2 Intangible assets (continued)

	2015														
	Cost							Amortization							
	Opening balance	Addition	Revaluation surplus/ (deficit)	Adjustment for revaluation	Disposals	Closing balance	Closing balance	Opening balance	For the year	Adjustment for revaluation	Disposals	Closing balance	Closing balance	Net book value	Rate %
	Rupees														
Software and others	13,139,576	1,207,477	–	–	–	14,347,053	14,347,053	11,566,840	1,074,601	–	–	24,839,292	12,641,441	1,705,612	33.33

12.3 Details of disposal of operating fixed assets

	Cost/ revalued amount	Accumulated depreciated	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Fire fighting equipment						
Fire Extinguisher (DCP) 6 KG (5 Nos).	29,960	1,125	28,835	3,000	Auction	Saeed Khan
Fire Extinguisher (Carbon DI Oxide) 6 KG (4 Nos).	22,584	848	21,736	3,000	Auction	Saeed Khan
	52,544	1,973	50,571	6,000		
Security systems						
Metal Detector Walk Through Gate	412,533	15,470	397,063	35,000	Auction	Saeed Khan
Heating and air-conditioning						
Daikool Air Conditioner 2-ton (2 Nos)	235,828	8,844	226,984	5,000	Auction	Saeed Khan
Furniture, fixture and fittings						
Furniture	151,361	146,742	4,619	65,000	Auction	Saeed Khan
Electrical appliances						
Mitsubishi Split AC 1.5 ton	31,800	31,799	1	8,000	Auction	Saeed Khan
Orient 1 ton Split Ac	17,000	16,999	1	5,000	Auction	Saeed Khan
LG Jet Cool Split AC 1.5 ton	41,500	41,499	1	8,000	Auction	Saeed Khan
Padestal Fan 20”	1,300	1,299	1	400	Auction	Saeed Khan
	91,600	91,596	4	21,400		
Telephone installation						
Telephone Set (5 Nos)	1,525	95	1,430	1,000	Auction	Saeed Khan
Motor vehicles						
Motor Cycle LWD-2497	54,000	53,999	1	15,000	Auction	Saeed Khan
Toyota Corolla GLI 1.3 SW-486	1,524,779	1,524,778	1	1	As per policy	Fozia Fakhar - employee
Honda Civic VTI 1.8 CY-859	2,496,330	832,110	1,664,220	1,664,220	As per policy	Rohail Ajmal - employee
Toyota Corolla GLI 1.3 CH-708	1,808,040	813,618	994,422	994,422	As per policy	Shaikh Aftab Ahmed - employee
Vehicle-SPREL	38,000	37,999	1	8,000	As per policy	Javed Khan - employee
	5,921,149	3,262,504	2,658,645	2,681,643		
Office equipment						
UPS APC Smart 250 VA	13,310	13,309	1	2,000	Auction	Saeed Khan
17” SVGA Colour Monitor	33,590	33,589	1	4,000	Auction	Saeed Khan
Dell Optiplex 270	67,488	67,487	1	7,000	Auction	Saeed Khan
Dell Optiplex GX-620	283,468	283,457	11	25,000	Auction	Saeed Khan
HP Colour Laser Jet Printer 2840	74,900	74,899	1	10,000	Auction	Saeed Khan
HP Colour Laser Jet Printer 3800	112,010	112,009	1	7,000	Auction	Saeed Khan
Dell Laptop E-6520	130,000	129,999	1	6,500	As per policy	Kamaluddin Khan (GM/CE)
Dell Laptop E-6530	148,701	148,700	1	7,435	As per policy	Rohail Ajmal - employee
Dell Laptop E-6530	148,701	148,700	1	7,435	As per policy	Saeed Aziz Khan - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Muhammad Tanveer - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Shaikh Aftab - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Parveen A Malik - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Ali Imran - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	Fozia Fakhar - employee
Dell Laptop E-6530	138,521	138,520	1	6,926	As per policy	M Naeem Akhtar - employee
Dell Laptop E-6520	132,363	132,362	1	6,618	As per policy	Arshed Ahmed Khan - employee
Computer equipment- SPREL	51,000	14,096	36,904	36,904	As per policy	Ammar Yasir - employee
	2,026,657	1,989,727	36,930	161,448		
	8,893,197	5,516,951	3,376,246	2,976,491		

12.4 Depreciation and amortization for the year has been allocated as follows:

	Note	2016 Rupees	2015 Rupees
Rental income	26.1	111,083,855	96,508,645
Administrative expenses	27	25,523,586	22,442,471
Development properties		31,991	2,222
		136,639,432	118,953,338

13. OTHER ASSETS

	Note	2016 Rupees	2015 Rupees
Income / mark-up accrued in local currency	13.1	482,142,624	649,319,836
Advances, deposits, advance rent and other prepayments		16,488,177	45,831,187
Advance taxation (payments less provision)		869,443,058	759,657,924
Excise duty		78,817,895	38,255,895
Non-banking assets acquired in satisfaction of claims	13.2	248,450,814	356,494,933
Dividend receivable		7,250,000	–
Others	13.3	181,240,623	354,932,068
		1,883,833,191	2,204,491,843
Provision against other assets	13.4	(105,297,512)	(122,686,256)
		1,778,535,679	2,081,805,587

13.1 This balance is net of interest in suspense account amounting to Rs. 1,116,142,590 (2015: Rs. 1,066,051,951).

13.2 Non-banking assets acquired in satisfaction of claims

	2016 Rupees	2015 Rupees
Opening balance	356,494,933	356,494,933
Disposals	(105,265,027)	–
Depreciation	(2,779,092)	–
Closing balance	248,450,814	356,494,933

13.3 This mainly represents receivables from NAB by SPREL. Receivable balance of Rs. 335,327,846 million was initially due from DDPL to SPREL against sale of 90 residential houses in 2011 which was secured against equitable as well as registered mortgage of immovable properties in favour of SPREL amounting to Rs. 1,350 million. On default by DDPL, SPREL filed a law suit in the civil court Lahore for recovery of this balance and also referred the matter to NAB for resolution. NAB through its letter dated October 21,2015 informed SPREL that DDPL has offered payment under voluntary return scheme subject to certain conditions which SPREL accepted through its letter dated November 4, 2015. As per agreed terms, the amount was to be recovered from DDPL in three installments comprising a down payment of Rs. 114,011,468 and two quarterly installments of Rs. 110,658,189 million each provided that SPREL will release the mortgage over 24 houses of 5 Marla and 11 houses of 10 Marla after receipt of down payment. Further, SPREL will release mortgage over 24 houses of 5 Marla and 11 houses of 10 Marla after receipt of first quarterly installment and release mortgage over collateral land of 17 Kanal and 13 Marla after receipt of second quarterly installment. The settlement terms were also approved by the Executive Board of NAB on February 9, 2016. Uptill December 31, 2016, NAB has recovered whole amount of Rs. 335,327,846 and released Rs. 173,557,500 to SPREL. Remaining amount of Rs. 161,770,346 is receivable from NAB.

13.4 Provision against other assets

	2016 Rupees	2015 Rupees
Opening balance	122,686,256	109,174,256
Charge for the year	–	13,512,000
Reversal during the year	(17,388,744)	–
Closing balance	105,297,512	122,686,256

		2016 Rupees	2015 Rupees
14.	**DEVELOPMENT PROPERTIES**		
	Balance at beginning of the year	188,253,771	174,419,530
	Additions during the year	20,991,549	13,834,241
	Cost of plots / house sold during the year	(79,282,826)	–
	Balance at end of the year	129,962,494	188,253,771

This represents SPREL's cost of 21 plots and cost of construction of residential houses at 6 plots in the housing project at Paragon City, Lahore.

		Note	2016 Rupees	2015 Rupees
15.	**BORROWINGS**			
	In Pakistan			
	Secured - Local currency			
	Borrowings from State Bank of Pakistan - long term financing facility (LTFF)	15.1	190,907,824	245,452,912
	Repurchase agreement borrowings	15.2	5,052,000,000	6,215,000,000
	Against book debts/receivables	15.3	3,875,000,000	3,450,000,000
	Morabaha finance	15.4	1,600,000,000	2,100,000,000
			10,717,907,824	12,010,452,912

15.1 These represent facilities obtained by the holding company against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 8.40% per annum (2015: 8.40% per annum). These facilities will mature during June 2017 to June 2020 (2015: June 2016 to June 2020).

15.2 These facilities are obtained by the holding company which are secured against Pakistan Investment Bonds. These carry markup rates ranging from 5.95% to 6.10% (2015: 6.40% to 6.50%) per annum and will mature in January 2017 (2015: January 2016 to February 2016).

15.3 These represent facilities obtained by the holding company against charge on book debts/receivables valuing Rs. 7,333.333 million (2015: Rs. 6,400 million). The mark up is charged at varying rates ranging from 6.19% to 6.55% per annum (2015: 6.76% to 7.24% per annum). These facilities will mature during March 2017 to December 2021 (2015: March 2016 to June 2019).

15.4 This represents morabaha finance arranged by the holding company from an Islamic Bank. These carry markup rates ranging from 6.21% to 6.25% (2015: 6.63% to 6.74%) per annum. These will mature in March 2017 to April 2017 (2015: January 2016 to April 2016).

16. DEPOSITS AND OTHER ACCOUNTS

This represents certificate of investments issued to various institutions which carried mark up rates ranging from 6.00% to 6.20% per annum (2015: 6.75% per annum) and are repayable during the period February 2017 to May 2017 (2015: May 2016). Deposits include Rs. 12,500,000 (2015: 7,000,000) due to related parties.

		2016 Rupees	2015 Rupees
17. DEFERRED TAX LIABILITIES			
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		14,891,116	15,914,508
Surplus on revaluation of operating fixed assets		733,112,585	764,223,243
Non banking assets acquired in satisfaction of claims		1,788,585	–
Surplus on revaluation of securities- HFT		691,911	–
Surplus on revaluation of securities- AFS		83,129,127	269,400,744
		833,613,324	1,049,538,495
Deferred tax debits arising due to following deductible temporary differences:			
Acturial loss on gratuity valuation		(1,171,518)	(2,058,626)
Net investment in leases		37,440,794	(645,096)
Provision for investment in TFCs		–	(128,287,260)
Provision for non banking assets acquired in satisfaction of claims		(4,523,839)	(34,032,600)
Alternative corporate tax in excess of corporate tax		(1,427,334)	–
Trade receivable- net of provision for doubtful debts		–	(605,954)
Accumulated tax losses		(4,798,634)	(5,714,058)
Impairment loss on available for sale quoted securities		(1,354,604)	–
		24,164,865	(171,343,594)
		857,778,189	878,194,901

17.1 Deferred tax asset to the extent of Rs 1,041,073 (2015: Rs 2,417,428) related to unused tax losses of Rs 3,470,244 (2015: Rs.8,058,094) has not been recognized by SPREL in view of uncertainty related to taxable profits in foreseeable future. Such tax losses shall expire in tax year 2022 (2015: tax year 2022).

		2016 Rupees	2015 Rupees
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		56,831,445	96,300,823
Accrued expenses		34,573,406	29,651,415
Advance rental income	18.1	101,905,649	40,725,941
Payable to defined benefit plan		7,771,539	2,155,444
Provision for compensated absences		5,741,732	4,593,242
Directors' remuneration		3,145,485	3,250,660
Others	18.2	48,166,580	61,254,174
		258,135,836	237,931,699

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

18.2 This also includes amount of Rs 17,354,500 (2015: 12,025,000) which represents advance receipt against booking of houses in SPREL's housing project at Paragon City Lahore. The booking is made on installment plan and advances from customers are transferred to revenue on transfer of possession to the customer.

19. SHARE CAPITAL

19.1 Authorized capital

2016 Number of share	2015 Number of share		2016 Rupees	2015 Rupees
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

19.2 Issued, subscribed and paid up capital:

2016 Number of share	2015 Number of share		2016 Rupees	2015 Rupees
400,000,000	400,000,000	Fully paid in cash	4,000,000,000	4,000,000,000
260,000,000	260,000,000	Issued as bonus shares	2,600,000,000	2,600,000,000
660,000,000	660,000,000		6,600,000,000	6,600,000,000

19.3 State Bank of Pakistan on behalf of the Government of Pakistan and Public Investment Fund on behalf of Kingdom of Saudi Arabia hold 50% each of the share capital of the Group.

	Note	2016 Rupees	2015 Rupees
20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of operating fixed assets	20.1	2,419,473,818	2,519,850,128
Related deferred tax		(725,842,147)	(756,952,802)
		1,693,631,671	1,762,897,326
Surplus on revaluation of available for sale securities	20.2	854,861,542	869,034,658
Related deferred tax		(83,129,127)	(269,400,744)
		771,732,415	599,633,914
		2,465,364,086	2,362,531,240

20.1 Surplus on revaluation of operating fixed assets

	2016 Rupees	2015 Rupees
Opening balance	2,519,850,128	2,039,988,404
Surplus for the year on revaluation during the year	–	578,682,096
Surplus realized on disposal of operating fixed - transferred to unappropriated profit	(675,922)	(12,822,757)
Transfer to unappropriated profit in respect of incremental depreciation charge during the year	(99,700,388)	(85,997,615)
Closing balance	2,419,473,818	2,519,850,128
Less: Related deferred tax liability on revaluation surplus		
Opening balance	(756,952,802)	(679,481,844)
Deferred tax on surplus recognised during the year	–	(173,752,153)
Deferred tax effect of surplus realized on disposal of fixed assets	203,535	4,103,282
Impact of change in tax rate	–	58,373,005
Deferred tax on incremental depreciation transferred to unconsolidated profit and loss account	30,907,120	27,519,237
Closing balance	(725,842,147)	(756,952,802)
	1,693,631,671	1,762,897,326

		2016 Rupees	2015 Rupees
20.2	**Surplus on revaluation of available for sale securities**		
	Quoted securities	368,072,104	191,340,472
	Government securities	485,981,750	676,367,460
	Term Finance Certificates (TFCs)	807,688	1,326,726
		854,861,542	869,034,658
	Less: related deferred tax liability	(83,129,127)	(269,400,744)
	Surplus on revaluation of AFS securities - net of tax	771,732,415	599,633,914
21.	**CONTINGENCIES AND COMMITMENTS**		
21.1	**Direct credit substitutes**		
	Letter of comfort / guarantee	340,000,000	100,000,000
21.2	**Non disbursed commitment for term and working capital finance**	2,078,289,000	430,000,000
21.3	**Commitments for the acquisition of**		
	operating fixed assets (intangibles assets)	6,447,656	4,966,892
21.4	**Construction of development properties**	25,704,000	25,884,766

21.5 SPREL has an unavailed credit facility of Rs 150,000,000 (2015: nil) as at December 31, 2016 from Pak Oman Investment Company Limited. The facility carries a markup at rate of three month KIBOR + 2% which will be payable on quarterly basis. The facility is secured by way of hypothecation charge over present and future furniture, fixtures, fittings, equipments and investment properties. Further, the facility is also secured by way of hypothecation over all present and future current assets.

21.6 Tax status- holding company

The holding company has filed income tax returns for and up to tax year 2016 (year ended December 31, 2015). The assessments for and upto the tax year 2015 were amended by tax authorities mainly related to disallowance of provisions against non-performing loans and apportionment of expenses to income subject to final tax regime and income subject to normal tax regime. The holding company has filed appeals and reference application to the higher fora in relation to adverse decisions. The holding company paid tax under protest in relation to matters currently pending and the amounts paid have been carried as receivable since management, based on the opinion of its legal counsel, believes that the matters will be decided in favour of the holding company.

21.7 Tax contingencies- holding company

i) Issues involving disallowance of provision of non-performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime in respect of tax years 2004, 2005, 2006, 2008, 2009 and 2010 are under litigation before Islamabad High Court. Total outstanding demands in respect of tax years under litigation amounts to Rs 539.44 million. The Appellate Tribunal Inland Revenue Islamabad did not accept the holding company's grounds of appeal in respect of tax years 2004 to 2006 and 2008 to 2010. The holding company has filed tax reference before the Islamabad High Court which has been admitted for hearing.

ii) For tax years 2012 and 2013, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. For tax year 2012, the Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The holding company filed an appeal before Appellate Tribunal Inland Revenue in respect of issues decided against the holding company which is pending adjudication. The Additional Commissioner Inland Revenue while giving appeal effect has raised demand of Rs 72.07 million for tax year 2012. The holding company has filed appeal before Commissioner Inland Revenue (Appeals) which is pending for adjudication. The holding company has obtained stay against the demand from Islamabad High Court. For tax year 2013, the Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The holding company filed an appeal before Appellate Tribunal Inland Revenue in respect of issues decided against the holding company which is pending adjudication. No appeal effect has been received by the holding company yet.

iii) For tax year 2014, provision for non-performing loans and certain other expenses were disallowed by Deputy Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The holding company filed an appeal before Appellate Tribunal Inland Revenue which is pending adjudication. No appeal effect has been received by the holding company yet.

iv) For tax year 2015, certain items were disallowed by Additional Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The holding company filed an appeal before Appellate Tribunal Inland Revenue which is pending adjudication. No appeal effect has been received by the holding company yet.

v) For the period January 2011 to December 2014, Deputy Commissioner Inland Revenue issued order to charge Federal Excise Duty and sales tax on certain services. Current outstanding demand in this respect is Rs 92.05 million. The actions of Deputy Commissioner Inland Revenue were upheld by Commissioner Inland Revenue (Appeals). The holding company has filed appeal before Appellate Tribunal Inland Revenue which is pending adjudication. The holding company has also obtained stay from the Appellate Tribunal Inland Revenue against the disputed demands.

vi) The management, based on the opinion of its legal counsel, believes that the matters will be decided in favour of the holding company.

21.8 Other contingencies - holding company

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

The Customer had availed a Term Finance Facility from the holding company. On default, the holding company filed a recovery suit against the customer/guarantors. Alongside, to save the mortgaged properties from creation of any third party interest, the holding company also published notice in local newspapers for public alert. In response, the customer filed the subject frivolous suit in the Lahore High Court on account of alleged overpayments and claiming damages which is being defended vigorously. Based on the opinion of its legal counsel, management expects that the subject suit will be dismissed after due process of law.

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

The customer availed a Term Finance of Rs.125.00 million in 2003/04 but defaulted in repayments. Subsequently, on his request a settlement package was approved by the holding company in the year 2011. The package involved write-off/waiver of Rs.72.659 million (comprising 50% frozen markup of Rs.28.729 million and liquidated damages of Rs.43.930 million) subject to payment of the settlement amount of Rs.100.141 million. The holding company reported write off/waiver to the State Bank of Pakistan (SBP) in compliance with eCIB circulars. Customer requested the holding company and SBP to remove its name from e-CIB. Neither the holding company nor SBP agreed. The Customer aggrieved and filed the subject suit against the holding company in the Sindh High Court. It is being contested vigorously. SBP has also filed comments confirming that no wrong was done by the holding company. It is expected that suit will be dismissed after due process of law.

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

On 27.04.2014, the holding 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. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only 03 plots at DHA Karachi was accepted. The entire sale consideration has been paid by the highest bidder and three plots at DHA Karachi have been transferred to the purchaser. The auction was also participated by one Mr. Zafar Sultan Paracha with a lower bid of Rs.93.00 million against the above mentioned four (04) properties, which was rejected. He felt aggrieved and filed the subject damages suit against the holding company in the Sindh High Court. The suit is being contested by the holding company vigorously. It is expected that suit will be dismissed after due process of law.

		2016 Rupees	2015 Rupees
22.	**MARK-UP / RETURN / INTEREST EARNED**		
	On loans and advances	579,092,931	591,610,987
	On investments in:		
	Available for sale securities	735,465,075	1,034,908,762
	Held to maturity securities	5,851,236	54,024,748
		741,316,311	1,088,933,510
	On lendings to financial institutions	6,179,222	21,550,162
	On deposit accounts	10,554,909	18,716,405
		1,337,143,373	1,720,811,064
23.	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	3,564,612	1,011,444
	Securities purchased under repurchase agreements	150,412,081	410,112,536
	Other short term borrowings	161,387,483	164,915,792
	Long term finance for export oriented projects from SBP	19,234,745	31,792,487
	Long term borrowings	163,551,795	254,519,042
	Brokerage fee	2,636,483	6,136,274
		500,787,199	868,487,575

This includes an amount of Rs. 690,206 (2015: Rs. 675,691) on account of mark-up / interest on deposits of related parties.

		Note	2016 Rupees	2015 Rupees
23.	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS - NET**			
	Term finance certificates (TFCs)		113,571,248	50,447,162
	Unquoted investment		66,905,974	43,967,767
	Impairment loss reversal on quoted securities		(26,028,078)	(11,243,241)
			154,449,144	83,171,688
25.	**GAIN ON SALE OF SECURITIES-NET**			
	Federal government securities			
	Market treasury bills		–	2,456,774
	Pakistan Investment Bonds		317,144,451	234,173,025
	Shares - listed		119,257,698	106,646,854
	Mutual funds		–	349,672
			436,402,149	343,626,325
26.	**OTHER INCOME**			
	Rent on property - net	26.1	111,118,881	100,946,839
	Net loss on disposal of operating fixed assets		(399,755)	(9,381,872)
	Gain on disposal of non banking assets	26.2	29,234,973	–
	Others	26.3	39,603,867	29,655,842
			179,557,966	121,220,809

		Note	2016 Rupees	2015 Rupees
26.1	**Rent on property - net**			
	Rental income		286,019,016	250,380,386
	Less: Operating expenses			
	Salaries, allowances and employee benefits	27.1	13,440,146	18,976,611
	Traveling and conveyance		23,000	1,600
	Medical		398,993	433,679
	Janitorial services		7,513,501	5,691,979
	Security services		20,831,729	13,743,944
	Insurance		1,662,867	1,428,356
	Postage, telegraph, telegram and telephone		58,398	65,148
	Printing and stationery		356,063	292,973
	Utilities		5,301,313	5,552,954
	Consultancy and professional charges		50,000	161,000
	Repairs and maintenance		11,009,433	4,696,952
	Rent, rates and taxes		2,464,397	1,427,194
	Depreciation	12.4	111,083,855	96,508,645
	Office general expenses		706,440	452,512
			174,900,135	149,433,547
			111,118,881	100,946,839

26.2 Gain on sale of non banking assets

	2016				
Name of party	Book value	Market value	Cash received Rupees	Gain on sale	Mode of disposal
Mr Sarup Kumar	105,265,027	134,500,000	134,500,000	29,234,973	Auction

26.3 This includes amount of Rs 13,517,174 (2015: Nil) which represents net income of SPREL from sale of house and plots. Remaining amount of Rs 2,086,693 (2015: Rs 1,205,219) represents income received by the holding company from tender fee and sale of miscellaneous scrap items etc.

		Note	2016 Rupees	2015 Rupees
27.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances, etc.	27.1	206,324,246	191,737,937
	Non-executive directors' fees, allowances and other expenses		3,905,485	4,090,660
	Traveling and conveyance	27.2	29,012,423	30,927,687
	Vehicle running expenses		3,598,599	5,862,928
	Utilities		17,019,116	16,810,053
	Advertisement and publicity		4,471,231	2,421,914
	Postage, telegram, telephone and telex		7,101,328	6,716,759
	Printing, stationery and periodical		4,478,730	3,988,629
	Legal and professional charges		18,447,981	8,844,908
	Consultancy, custodial and rating services		11,890,983	9,461,184
	Auditor's remuneration	27.3	1,660,000	1,660,000
	Repair and maintenance		7,355,425	7,179,118
	Office and general expenses		21,820,389	23,323,889
	Bank charges		579,405	411,342
	Professional training		1,588,737	2,536,959
	Insurance		2,291,899	3,544,284
	Depreciation- fixed assets	12.4	25,523,586	22,442,471
	Depreciation- non banking assets	13.2	2,779,092	–
	Donations	27.4	500,000	–
			370,348,655	341,960,722

27.1 This includes the followings staff benefits:

- Rs. 5.918 million (2015: Rs. 5.198 million) on account of employee provident fund expense;
- Rs. 4.536 million (2015: Rs. 5.886 million) on account of gratuity expense; and
- Rs. 3.018 million (2015: Rs. 2.156 million) on account of compensated absences expense.

27.2 This includes Rs. 19.740 million (2015: Rs. 18.531 million) in respect of travel costs paid to directors of the holding company for attending Board / Board's committee meetings.

	2016 Rupees	2015 Rupees
27.3 Auditors' remuneration		
Audit fee	945,000	1,357,000
Half yearly review	525,000	110,000
Review of statement of compliance	30,000	33,000
Out of pocket expenses	160,000	160,000
	1,660,000	1,660,000

27.4 These represent donations given by the holding Company to Behbud Association of Pakistan and Poor Patient Welfare Society (Regd) for providing vocational / skill training, educational, health and communities services to needy women and children. Donations were not given to any donee in which the holding Company or any of its directors or their spouses had any interest.

	Note	2016 Rupees	2015 Rupees
28. OTHER (REVERSALS) / PROVISIONS			
(Reversal of provision) / provision against non banking assets		(15,368,898)	13,512,000
(Reversal of provision) against doubtful debt		(2,019,846)	–
		(17,388,744)	13,512,000
29. OTHER CHARGES			
This represented penalties imposed by State Bank of Pakistan.			
30. TAXATION			
For the year			
Current		254,013,328	236,922,335
Deferred		122,920,495	(7,076,696)
		376,933,823	229,845,639
For the prior year(s)			
Current		69,763,310	29,882,485
Deferred		42,194,615	–
	30.1	488,891,748	259,728,124
30.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		975,515,149	991,995,765
Tax rate		31%	32%
Tax on accounting profit		302,409,696	317,438,645
Tax effect on income subject to lower rate of taxation		(119,650,067)	(96,173,493)
Impact of change in tax rate for prior year		193,023,536	(65,542,641)
Tax effect of prior years		33,354,016	(9,708,696)
Impact of super tax for prior year		36,409,294	39,563,744
Reversal of deferred tax asset for prior year		42,194,615	42,809,615
Others		1,150,658	31,340,950
		488,891,748	259,728,124

30.2 A one time super tax was imposed for tax year 2015 on the income of individuals, association of persons and companies who are earning income of Rs 500 million or above in tax year 2015. Super tax has been charged at the rate of 3% for persons other than banking companies. Through the Finance Act, 2016 the said levy has been extended to tax year 2016 also.

30.3 For tax related contingencies, refer to note 21.7

	2016	2015
30. BASIC EARNING PER SHARE		
Profit for the year - Rupees	486,623,401	732,267,641
Weighted average number of ordinary shares - Number	660,000,000	660,000,000
Basic earning per share - Rupees	0.737	1.109

	2016 Rupees	2015 Rupees
32. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	34,292,665	64,573,297
Balance with other banks	151,477,516	761,486,417
	185,770,181	826,059,714

	Note	2016 Number	2015 Number
32. STAFF STRENGTH			
Permanent		84	73
Temporary/on contractual basis		3	5
Group's own staff strength at the end of the year		87	78
Outsourced	33.1	91	98
Total staff strength		178	176

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

34. DEFINED BENEFIT PLAN

34.1 General description

The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2016 using the Projected unit cedit method. Detail of the defined benefit plan are:

	2016 Rupees	2015 Rupees
34.2 The amounts recognized in the consolidated statement of financial position are as follows:		
Present value of defined benefit obligation	33,081,128	28,824,202
Fair value of plan assets	(25,309,590)	(26,668,758)
Net liability	7,771,538	2,155,444
34.3 The amounts recognized in the consolidated profit and loss account are as follows:		
Current service cost	4,385,779	3,132,555
Net interest cost	150,673	2,366,578
	4,536,452	5,499,133

		2016 Rupees	2015 Rupees
34.4	**The amounts recognized in other comprehensive income**		
	Actuarial loss due to:		
	Experience adjustment	2,902,971	2,368,327
	Investment return	1,238,699	(893)
	Actuariual gain due to change in financial assumptions	(185,112)	(228,455)
		3,956,558	2,138,979
34.5	**Actual return on plan assets**	1,102,905	–
34.6	**Movement in the net defined benefit liability**		
	Opening balance	2,155,444	29,207,286
	Elimination of SPLCL balance	–	(3,944,771)
	Opening balance- adjusted	2,155,444	25,262,515
	Net periodic benefit cost	4,536,452	5,499,132
	Benefits payable to outgoing members	(5,365,410)	(5,108,500)
	Amount received by the holding company from the Fund	10,473,909	–
	Actual contribution by employer	(7,985,415)	(25,636,982)
	Actuarial losses	3,956,558	2,139,279
	Closing balance	7,771,538	2,155,444
34.7	**Changes in the present value of defined benefit obligation**		
	Opening defined benefit obligation	28,824,202	22,315,360
	Elimination of SPLCL balance	–	3,858,403
	Opening defined benefit obligation-adjusted	28,824,202	26,173,763
	Current service cost	4,385,779	3,132,555
	Interest expense	2,518,698	2,486,512
	Actuarial loss	2,717,859	2,139,872
	Benefits payable	(5,365,410)	(5,108,500)
	Closing defined benefit obligation	33,081,128	28,824,202
34.8	**Changes in the fair value of plan assets**		
	Opening fair value of plan assets	26,668,758	(6,891,926)
	Elimination of SPLCL balance	–	7,802,874
	Opening fair value of plan assets-adjusted	26,668,758	910,948
	Interest income	2,368,025	119,935
	Contributions by employer	7,985,415	25,636,982
	Actual amount paid by the Fund to the holding company	(10,473,909)	–
	Benefits payable	–	–
	Actuarial (loss)/ gain	(1,238,699)	893
	Closing fair value of plan assets	25,309,590	26,668,758

The Group expects to contribute Rs 5,636,883 to its defined benefit plan in 2017.

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

		2016 Rupees	2015 Rupees
34.9	**Break-up of category of assets**		
	Term deposit receipts	22,859,550	–
	Cash and cash equivalents	143,000	25,174,397
	Investment in mutual funds	464,587	1,485,046
	Deposits with banks	1,842,453	9,315
		25,309,590	26,668,758
34.10	**Principal actuarial assumptions**		
	Discount rate - per annum	8.00%	9.00%
	Expected rate of increase in salary - per annum (the holding company)	6.00%	7.00%
	Expected rate of increase in salary - per annum (SPREL)	7.50%	8.00%
	Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1

34.11 Gratuity expense for the year ended December 31, 2017 is expected to be Rs. 5.637 million.

34.12 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below.

	Impact on defined benefit obligation	
	1 % increase	1 % decrease
	Effect in Rupees	
Discount rate	(967,078)	1,040,722
Salary	1,131,117	(2,737,089)

35. DEFINED CONTRIBUTION PLAN

The Group operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Group and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. The total assets of the Fund as at December 31, 2016 were Rs. 72,176,162 (2015: Rs. 65,083,240) as per latest available financial statements of the Fund.

35.1 The details of size and investment of the provident fund is as follows:

	Note	2016 Unaudited Rupees	2015 Audited Rupees
Size of the Fund		72,176,162	65,083,240
Cost of investments	35.2	64,711,973	59,303,905
Fair value of investments		64,941,328	59,432,893
Percentage of investments		90%	91%

35.2 Breakup of investments

Break-up of category of assets

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Term deposit receipts	33,000,000	51	34,000,000	57
Certificates of investment	29,000,000	44	23,500,000	40
Mutual funds	366,375	1	1,434,787	2
Bank deposits	2,345,598	4	369,118	1
	64,711,973	100	59,303,905	100

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2016 Rupees	2015 Rupees
36. Provision for compensated absences		
Opening balance	4,593,242	4,759,254
Charge for the year	3,018,458	2,155,572
Payment during the year	(1,869,968)	(2,321,584)
Closing balance	5,741,732	4,593,242

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	Rupees					
Fees	120,000	140,000	3,905,485	4,090,660	–	–
Managerial remuneration	13,762,500	13,487,097	–	–	39,211,742	28,454,290
Contribution to defined contribution plan	1,200,000	1,198,710	–	–	3,723,100	2,656,974
Charge for defined benefit plan	981,741	2,167,498	–	–	7,333,315	4,887,948
Rent and house maintenance	6,360,000	6,329,108	–	–	20,002,351	14,043,068
Utilities	1,200,000	1,198,710	–	–	3,333,725	2,340,511
Medical	408,000	407,973	–	–	6,173,960	4,426,828
Bonus and others	9,964,168	10,062,844	–	–	27,143,532	25,590,625
	33,996,409	34,991,940	3,905,485	4,090,660	106,921,725	82,400,244
Number of persons	2	2	11	11	42	34

Executives mean all executive employees other than the Chief Executive, whose annual basic salary exceeds rupees five hundred thousand. Chief Executive and certain other executives are provided with Group maintained vehicles.

Director's boarding and lodging expenses for attending meetings are borne by the Group and are included in administrative expenses.

Director's fees/remuneration is payable by the holding company to Governments of Islamic Republic of Pakistan and Kingdom of Saudi Arabia.

38. DERIVATIVE INSTRUMENTS

The Group does not deal in derivative instruments.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Group as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.5

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

39.1 The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

On balance sheet financial instruments

	2016			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial assets:				
Held for trading				
Quoted securities	67,248,999	–	–	67,248,999
Mutual funds	–	147,004,088	–	147,004,088
Available for sale securities				
Market Treasury Bills	–	297,045,600	–	297,045,600
Pakistan Investment Bonds	–	8,435,015,650	–	8,435,015,650
Fully paid ordinary shares / units	1,853,954,428	–	–	1,853,954,428
Term Finance Certificates	–	30,213,809	–	30,213,809
	1,921,203,427	8,909,279,147	–	10,830,482,574
Non-financial assets:				
Operating fixed assets				
Property and equipment (building)	–	–	140,792,500	140,792,500
Property and equipment (leasehold land)	–	–	1,380,588,120	1,380,588,120
Other assets				
Non-banking assets acquired in satisfaction of claims	–	–	150,377,712	150,377,712
	–	–	1,671,758,332	1,671,758,332

	2015			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial assets:				
Held for trading				
Quoted securities	76,216,500	–	–	76,216,500
Available for sale securities				
Market Treasury Bills	–	524,099,491	–	524,099,491
Pakistan Investment Bonds	–	9,429,492,842	–	9,429,492,842
Fully paid ordinary shares / units	1,319,276,234	–	–	1,319,276,234
Term Finance Certificates	–	71,169,301	–	71,169,301
	1,319,276,234	10,024,761,634	–	11,344,037,868
Non-financial assets:				
Operating fixed assets				
Property and equipment (building)	–	–	140,792,500	140,792,500
Property and equipment (leasehold land)	–	–	1,380,588,120	1,380,588,120
	–	–	1,521,380,620	1,521,380,620

39.2 The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016			
	Corporate Financial Rupees	Trading and sales Rupees	Building rental services Rupees	Total Rupees
Total income	631,626,163	1,310,643,120	328,975,206	2,271,244,489
Total expenses	489,799,476	607,183,311	198,746,553	1,295,729,340
Net income	141,826,687	703,459,809	130,228,653	975,515,149
Segment Assets (gross)	11,547,889,870	13,721,243,521	3,080,213,470	28,349,346,861
Segment Non Performing Loans	2,796,201,699	–	–	2,796,201,699
Segment Provision Required	2,674,504,521	1,149,916,750	–	3,824,421,271
Segment Liabilities	5,060,415,861	6,042,930,565	861,874,848	11,965,221,274
Segment Return on net Assets (ROA) (%)	3.72	10.78	5.87	7.77
Segment Cost of funds (%)	3.28	5.74	–	4.62

	2015			
	Corporate Financial Rupees	Trading and sales Rupees	Building rental services Rupees	Total Rupees
Total income	661,014,274	1,505,388,408	285,495,556	2,451,898,238
Total expenses	424,929,910	864,786,923	170,185,640	1,459,902,473
Net income	236,084,364	640,601,485	115,309,916	991,995,765
Segment Assets (gross)	10,117,500,533	15,402,617,592	3,077,887,580	28,598,005,705
Segment Non Performing Loans	2,815,675,026	–	–	2,815,675,026
Segment Provision Required	2,459,632,748	1,099,114,678	–	3,558,747,426
Segment Liabilities	4,707,087,718	7,598,012,699	828,479,095	13,133,579,512
Segment Return on net Assets (ROA) (%)	8.00	9.55	5.13	8.33
Segment Cost of funds (%)	5.66	8.21	–	7.23

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.00 % (2015: 4.62 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 92.09% (2015: 93.12%) of the total liabilities have been allocated to segments based on their respective assets.

41. RELATED PARTY TRANSACTIONS

41.1 The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares 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 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 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 with related parties mainly 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 company maintained car.

41.2 Following are the transactions and balances with related parties

Nature of balances / transactions	Name of the Entity	2016 Rupees	2015 Rupees
Outstanding balances at year end			
Sponsor			
– Other receivables	Public Investment Fund - Saudi Arabia	15,000,000	15,000,000
Subsidiary / Associated companies			
– 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
– Rent receivable	Saudi Pak Leasing Company Ltd	–	46,585
– Rent payable for generator	Saudi Pak Leasing Company Ltd	30,000	30,000
Key management personnel			
– Advances to executives		29,959,095	30,995,219
Employee funds			
– Deposits against COIs	Employee funds	12,500,000	7,000,000
– Interest payable	Employee funds	54,357	50,486
– Contribution payable	Staff gratuity fund	7,771,538	2,090,657

Nature of balances / transactions	Name of the Entity	2016 Rupees	205 Rupees
Transactions during the year			
Subsidiary / Associated companies			
– Borrowing availed	Saudi Pak Leasing Company Limited	–	32,000,000
– Maturity of borrowing	Saudi Pak Leasing Company Limited	–	50,000,000
– Interest expensed	Saudi Pak Leasing Company Limited	–	2,548,143
– Rent received	Saudi Pak Leasing Company Limited	559,020	512,435
– Rent paid for generator	Saudi Pak Leasing Company Limited	137,535	130,630
Key Management Personnel			
– Advances to executives		6,281,825	19,854,500
– Repayment of advances		13,944,567	12,457,487
Employee funds			
– Deposits against COIs	Employee Provident Fund	7,500,000	–
– Maturity of deposits against COIs	Employee Provident Fund	2,000,000	–
– Contribution paid	Employee Provident Fund	6,205,225	5,196,579
– Interest expense	Employee Provident Fund	690,206	675,691
– Contribution paid	Staff Gratuity Fund	2,876,915	25,636,982

Remuneration to Key management personal has been disclosed in note 37 to the financial statements

42. CAPITAL ADEQUACY

42.1 Scope of Application

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk.

The holding company has a wholly-owned subsidiary Saudi Pak Real Estate Company Limited (SPREL) and an associated company, Saudi Pak Leasing Company Limited (SPLCL). However as per the requirements of Basel III 1.3 (ii) the consolidated level capital adequacy ratio is measured without consolidating the assets and liabilities of SPREL as it is a non banking subsidiary. Other than SPREL and SPLCL the holding company has no 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 holding company does not indulge in any securitization activity that shields it from the risk inherent in securitization.

42.2 Capital Management

The objective of managing capital is to safeguard the holding company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the holding company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the holding company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of the holding company are as follows:

- To be an adequately capitalised institution, considering the requirements set by the regulators of the banking markets where the holding company operates;
- Maintain strong ratings and to protect the holding company against unexpected events;
- Availability of adequate capital at a reasonable cost so as to enable the holding company to operate adequately and provide reasonable value added for the shareholders and other stakeholders.

The holding company's regulatory capital analysed into two tiers

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles.

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2016. It includes reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent). Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years uptil 2018.

As of December 31, 2016 the holding company must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 10.65% respectively.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable.

Leverage ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. DFI's are required to maintain minimum leverage ratio of 3% and to disclose the same from December 31, 2015. At present, the leverage ratio is on parallel run till December 31, 2017. Based on the results of the parallel run period, the SBP intends to make any final adjustments to the definition and calibration of the leverage ratio with a view to set the leverage ratio requirements as a separate capital standard on December 31, 2018.

The Bank's position under Basel III's third capital standard is as under:

	2016 Rupees	2015 Rupees
Tier I Capital	9,914,230	8,035,866
Total Exposure	26,756,484	25,397,272
Leverage Ratio	37.05%	31.64%

42.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31

S.No		2016 Rs. 000	2015 Rs. 000
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,600,000
2	Balance in Share Premium Account	–	–
3	Reserve for issue of Bonus Shares	–	–
4	Discount on Issue of shares	–	–
5	General/ Statutory Reserves	1,159,890	1,064,668
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	–
7	Unappropriated/unremitted profits/ (losses)	2,160,686	1,715,039
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**	9,920,576	9,379,707
10	Total regulatory adjustments applied to CET1 (Note 42.3.1.1)	(6,346)	(1,343,841)
11	**Common Equity Tier 1**	9,914,230	8,035,866
	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 42.3.1.2)	–	–
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)**	9,914,230	8,035,866
	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	1,321,033	1,181,141
29	of which: Unrealized gains/losses on AFS	601,951	401,755
30	Foreign Exchange Translation Reserves	–	–
31	Undisclosed/Other Reserves (if any)	–	–
32	**T2 before regulatory adjustments**	1,922,984	1,582,896

		2016 Rs. 000	2015 Rs. 000
33	Total regulatory adjustment applied to T2 capital (Note 42.3.1.3)	–	–
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**	1,922,984	1,582,896
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	11,837,214	9,618,762
39	**Total Risk Weighted Assets (RWA) (Note 42.6)**	26,314,271	22,379,788
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	37.68%	35.91%
41	**Tier-1 capital to total RWA**	37.68%	35.91%
42	**Total capital to total RWA**	44.98%	42.98%
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%	6.00%
49	**Tier 1 minimum ratio**	7.50%	7.50%
50	**Total capital minimum ratio**	10.00%	10.00%
51	**Total Capital plus CCB* ratio**	10.65%	10.25%

*CCB: consisting of CET1 only

42.3.1 Regulatory Adjustments and Additional Information

		2016 Rs.000	2016 Amounts subject to Pre-Basel III treatment Rs.000	2015 Rs.000
42.3.1.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	–	–	–
2	All other intangibles (net of any associated deferred tax liability)	(6,346)	–	(6,182)
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)	–	–	–
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)
11	Deficit on account of revaluation from Company'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)	(6,346)	–	(1,343,841)

		2016		2015
		Rs.000	Rs.000	Rs.000
42.3.1.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–	–
24	Investment in own AT1 capital instruments	–	–	–
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–	–
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	–	–	–
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	–	–	–

			2016	2015
			Rs. 000	Rs. 000
42.3.1.3	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–		–
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)	–	–	–

		2016 Rs. 000	2015 Rs. 000
42.3.1.4	**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	–	–

42.4 Capital Structure Reconciliation

42.4.1 Step-I of Capital Structure Reconciliation

	2016 Balance sheet as in published financial Statement Rs.000	2016 Under regulatory scope of consolidated Rs.000
ASSETS		
Cash and balances with treasury banks	34,293	34,289
Balances with other banks	151,477	116,132
Lendings to financial institutions	340,000	340,000
Investments	11,061,364	11,349,103
Advances	8,256,519	8,256,263
Operating fixed assets	2,772,775	2,625,410
Deferred tax assets	–	–
Other assets	1,778,536	1,610,550
Development properties	129,962	–
TOTAL ASSETS	24,524,926	24,331,747
LIABILITIES AND EQUITY		
Bills payable	–	–
Borrowings	10,717,909	10,717,908
Deposits and other accounts	131,399	131,399
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	857,778	857,778
Other liabilities	258,136	238,722
TOTAL LIABILITIES	11,965,222	11,945,807
Share capital	6,600,000	6,600,000
Reserves	1,159,890	1,159,890
Unappropriated/ Unremitted profit	2,334,450	2,160,686
Minority Interest	–	–
Surplus on revaluation of assets	2,465,364	2,465,364
TOTAL EQUITY	12,559,704	12,385,940
TOTAL LIABILITIES AND EQUITY	24,524,926	24,331,747

		2016		
		Balance sheet published financial statements	Under regulatory scope of consolidation	Reference
		Rs.000	Rs.000	
42.4.2	**Step-II of Capital Structure Reconciliation**			
	ASSETS			
	Cash and balances with treasury banks	34,293	34,289	
	Balanced with other banks	151,477	116,132	
	Lending to financial institutions	340,000	340,000	
	Investments	11,061,364	11,349,103	
	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	8,256,519	8,256,263	
	shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	
	general provisions reflected in Tier 2 capital	–	–	
	Fixed Assets	2,772,775	2,625,410	
	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	1,778,536	1,610,550	
	of which: Goodwill	–	–	
	of which: Intangibles	6,348	6,348	(b)
	of which: Defined-benefit pension fund net assets	–	–	
	Development properties	129,962	–	
	TOTAL ASSETS	24,524,926	24,331,747	
	LIABILITIES AND EQUITY			
	Bills payable	–	–	
	Borrowings	10,717,909	10,717,908	
	Deposits and other accounts	131,399	131,399	
	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	857,778	857,778	
	of which: DTLs related to goodwill	–	–	
	of which: DTLs related to intangible assets	2	2	(c)
	of which: DTLs related to defined pension fund net assets	–	–	
	of which: other deferred tax liabilities	–	–	
	Other liabilities	258,136	238,722	
	TOTAL LIABILITIES	11,965,222	11,945,807	

	2016		
	Balance sheet published financial statements	Under regulatory scope of consolidation	Reference
	Rs.000	Rs.000	
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	1,159,890	1,159,890	
of which: portion eligible for inclusion in CET1(provide breakup)	1,159,890	1,159,890	(e)
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profits	2,334,450	2,160,686	(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	2,465,364	2,465,364	
of which: Revaluation reserves on Fixed Assets	1,693,632	1,693,632	(g)
of which: Unrealized Gains/Losses on AFS	771,732	771,732	
In case of Deficit on revaluation (deduction from CET1)	–	–	
TOTAL LIABILITIES AND EQUITY	24,524,926	24,331,747	

		2016	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
42.4.3	**Step- III of Capital Structure Reconciliation**		
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
	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	1,159,890	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated/unremitted profits/ (losses)	2,160,686	(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	9,920,576	
	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)	(6,346)	(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	–	
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)	(6,346)	
31	**Common Equity Tier 1**	9,914,230	
	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**	–	

42.4.3 Step- III of Capital Structure Reconciliation (Continued)

Additional Tier 1 Capital: regulatory adjustments

		2016 Component of regulatory capital reported by Company Rs. 000	2016 Source based on reference from step II
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)	9,914,230	
	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	1,321,033	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	601,951	
57	Foreign Exchange Translation Reserves	–	
58	Undisclosed/Other Reserves (if any)	–	
59	T2 before regulatory adjustments	1,922,984	
	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	1,922,984	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	11,837,214	

42.5 Main features of Regulatory Capital Instrument

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

42.6 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Credit Risk				
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	–	–	–	–
Sovereign	–	–	–	–
Public Sector entities	–	–	–	–
Banks	9,123	33,833	91,226	241,664
Corporate	713,967	785,443	7,139,672	5,610,306
Retail	605	739	6,048	5,281
Residential Mortgages	1,096	1,643	10,960	11,738
Past Due loans	84,689	164,195	846,890	1,172,825
Operating Fixed Assets	262,432	383,216	2,624,315	2,737,259
Other assets	659,665	1,006,911	6,596,650	7,192,221
	1,731,577	2,375,980	17,315,761	16,971,294
Portfolios subject to Internal Rating Based (IRB) Approach	–	–	–	–
Total- on balance sheet portfolio for credit risk	1,731,577	2,375,980	17,315,761	16,971,294
Off-Balance sheet				
Non-market related	273,474	57,395	2,734,737	409,967
Market related	–	–	–	–
	273,474	57,395	2,734,737	409,967
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	–	–	–	–
Under Internal models approach	–	–	–	–
Total- off balance sheet portfolio for credit risk	273,474	57,395	2,734,737	409,967
TOTAL CREDIT RISK	2,005,051	2,433,375	20,050,497	17,381,261
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	22,573	69,425	225,728	495,894
Equity position risk	384,241	368,697	3,842,407	2,633,552
Foreign Exchange risk	1,718	2,678	17,183	19,132
	408,532	440,800	4,085,318	3,148,578
Capital Requirement for portfolios subject to Internal Models Approach	–	–	–	–
TOTAL MARKET RISK	408,532	440,800	4,085,318	3,148,578
OPERATIONAL RISK				
Capital Requirement for operational risks	217,846	258,993	2,178,456	1,849,949
TOTAL OPERATIONAL RISK	217,846	258,993	2,178,456	1,849,949
TOTAL	2,631,429	3,133,168	26,314,271	22,379,788

	2016		2015	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	37.68%	6.00%	36.90%
Tier-1 capital to total RWA	7.50%	37.68%	7.50%	35.91%
Total capital to total RWA	10.00%	44.98%	10.00%	42.98%
Gross total capital to total RWA (including CCB)	10.65%	44.98%	10.25%	42.98%

43. 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. The Group has a small setup and comparatively less complex products. Risk management at the Group is its core competency and helps to mitigate the risk and produce consistently high returns for its shareholders. The Group's aim is to manage all major types of risk by applying methods that always meet best practices. The effective risk management at the Group 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 the Group are in-line with the Corporate Objectives, Mission Statement and Group-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 Group 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.

The Group's Board provides overall risk & capital management supervision. Risk strategy and risk appetite are defined based on the the Group'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.

43.1 Credit risk

Credit 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 the holding company with the most significant risk potential. In the holding company'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.

43.1.1 Segmental information

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

43.1.1.1 Segments by class of business

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	500,687,751	4.78	–	–	325,000,000	13.26
Paper and allied	496,725,163	4.75	–	–	–	–
Electrical goods	800,000,000	7.64	–	–	200,000,000	8.16
Dairy and poultry	1,038,562,322	9.92	–	–	–	–
Banaspati and allied	–	–	–	–	–	–
Sugar and allied products	317,634,473	3.03	–	–	225,480,000	9.20
Chemical and fertilizer	527,472,941	5.04	–	–	–	–
Energy, oil and gas	1,562,067,145	14.92	–	–	850,000,000	34.69
Construction	539,086,040	5.15	–	–	25,704,000	1.05
Hotels	477,030,294	4.56	–	–	–	–
Cement	203,899,745	1.95	–	–	–	–
Textile	1,359,979,671	12.99	–	–	790,000,000	32.24
Metal and allied products	627,647,033	6.00	–	–	–	–
Automobiles and allied	281,871,212	2.69	–	–	–	–
Transport/services and misc.	429,127,820	4.10	–	–	–	–
Telecommunication	–	–	–	–	–	–
Others	1,305,141,576	12.47	131,399,425	100.00	34,256,656	1.40
	10,466,933,186	100.00	131,399,425	100.00	2,450,440,656	100.00

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	603,499,999	6.88	–	–	–	–
Paper and allied	390,475,163	4.45	–	–	–	–
Electrical goods	500,000,000	5.70	–	–	–	–
Dairy and poultry	542,847,022	6.19	–	–	–	–
Banaspati and allied	–	–	–	–	–	–
Sugar and allied products	543,114,471	6.19	–	–	–	–
Chemical and fertilizer	145,331,381	1.66	–	–	–	–
Energy, oil and gas	1,414,767,780	16.12	–	–	100,000,000	17.83
Construction	668,086,041	7.61	–	–	25,884,766	4.62
Hotels	235,495,868	2.68	–	–	–	–
Cement	339,605,921	3.87	–	–	–	–
Textile	1,594,424,214	18.17	–	–	400,000,000	71.32
Metal and allied products	640,189,643	7.30	–	–	–	–
Automobiles and allied	284,420,947	3.24	–	–	–	–
Transport/services and misc.	12,918,383	0.15	–	–	–	–
Telecommunication	–	–	–	–	–	–
Others	859,018,584	9.79	7,000,000	100.00	34,966,892	6.23
	8,774,195,417	100.00	7,000,000	100.00	560,851,658	100.00

43.1.1.2 Segment by sector

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	10,466,933,186	100.00	131,399,425	100.00	2,450,440,656	100.00
	10,466,933,186	100.00	131,399,425	100.00	2,450,440,656	100.00

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	8,774,195,417	100.00	7,000,000	100.00	560,851,658	100.00
	8,774,195,417	100.00	7,000,000	100.00	560,851,658	100.00

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Financial institutions	100,687,751	100,687,751	103,499,999	103,499,999
Paper and allied	40,475,163	40,475,163	40,475,163	40,475,163
Electrical goods	–	–	–	–
Dairy and poultry	38,562,323	38,562,323	42,847,023	42,847,023
Banaspati and allied	–	–	–	–
Sugar and allied products	243,114,473	92,033,250	243,114,473	43,114,473
Chemical and fertilizer	27,472,941	14,972,941	28,747,941	14,972,941
Energy, oil and gas	280,028,751	222,528,752	165,028,752	165,028,752
Construction	205,752,708	205,752,708	664,086,041	161,375,908
Hotels	32,030,294	32,030,294	–	–
Cement	116,206,923	116,206,923	116,206,923	116,206,923
Textile	1,106,600,680	741,894,798	801,056,047	801,056,047
Metal and metal products	168,687,328	168,687,328	172,437,328	172,437,328
Automobiles and allied	281,871,212	281,871,212	281,871,212	281,871,212
Transport/services	12,461,152	12,461,152	12,918,383	12,918,383
Miscellaneous	142,250,000	142,250,000	143,385,741	143,385,741
	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Public/Government sector	–	–	–	–
Private sector	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893
	2,796,201,699	2,210,414,595	2,815,675,026	2,099,189,893

43.1.1.5 Geographical segment analysis

	2016			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	975,515,149	24,524,925,590	12,559,704,316	2,450,440,656
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	975,515,149	24,524,925,590	12,559,704,316	2,450,440,656

Total assets employed include intra group items of Rs. 500 million.

	2015			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	991,995,765	25,039,258,279	11,905,678,767	560,851,658
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	991,995,765	25,039,258,279	11,905,678,767	560,851,658

Total assets employed include intra group items of Rs. 500 million.

43.2 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 the Group which comprises organizational structure, risk identification, review of limits, risk monitoring, and risk reporting, etc. The Group's interest rate exposure is mitigated through the adoption of floating rate regime in assuming liabilities/building assets. The Group'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.

43.2.1 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 the Group 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 Group to Interest Rate Risk by using Duration GAP Analysis.

43.2.2 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 the Group's scenario foreign exchange risk is confined to asset side and most of the time is favorable.

	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	24,507,742,754	11,965,221,274	2,450,440,656	10,092,080,824
United States Dollar	17,182,836	–	–	17,182,836
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	24,524,925,590	11,965,221,274	2,450,440,656	10,109,263,660

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	25,020,126,501	13,133,579,512	560,851,658	11,325,695,331
United States Dollar	19,131,778	–	–	19,131,778
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	25,039,258,279	13,133,579,512	560,851,658	11,344,827,109

43.2.3 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.

The Group 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.

43.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			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	
	%	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees
Assets												
Cash and balances with treasury banks	–	34,292,665	–	–	–	–	–	–	–	–	–	34,292,665
Balances with other banks	4.00	151,477,516	99,946,680	–	–	–	–	–	–	–	–	51,530,836
Lending to financial institutions	5.80	340,000,000	340,000,000	–	–	–	–	–	–	–	–	–
Investments	11.02	11,061,364,020	67,500,000	297,045,600	30,213,809	359,752,400	1,615,248,000	3,566,320,000	1,337,393,750	1,556,301,500	–	2,231,588,961
Advances	8.17	8,256,518,591	210,270,564	3,488,959,682	4,347,655,828	170,379,500	4,248,900	–	–	34,748,614	–	255,503
Other assets	–	486,243,276	–	–	–	–	–	–	–	–	–	486,243,276
		20,329,896,068	717,717,244	3,786,005,282	4,377,869,637	530,131,900	1,619,496,900	3,566,320,000	1,337,393,750	1,591,050,114	–	2,803,911,241
Liabilities												
Borrowings from financial institutions	6.23	10,717,907,824	5,052,000,000	1,800,000,000	3,702,272,544	27,272,544	54,545,088	54,545,088	27,272,560	–	–	–
Deposits and other accounts	6.02	131,399,425	–	126,399,425	5,000,000	–	–	–	–	–	–	–
Other liabilities	–	122,453,432	–	–	–	–	–	–	–	–	–	122,453,432
		10,971,760,681	5,052,000,000	1,926,399,425	3,707,272,544	27,272,544	54,545,088	54,545,088	27,272,560	–	–	122,453,432
On-balance sheet gap		9,358,135,387	(4,334,282,756)	1,859,605,857	670,597,093	502,859,356	1,564,951,812	3,511,774,912	1,310,121,190	1,591,050,114	–	2,681,457,809
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total yield/interest risk sensitivity gap		9,358,135,387	(4,334,282,756)	1,859,605,857	670,597,093	502,859,356	1,564,951,812	3,511,774,912	1,310,121,190	1,591,050,114	–	2,681,457,809
Cumulative yield/interest risk sensitivity gap		–	(4,334,282,756)	(2,474,676,899)	(1,804,079,806)	(1,301,220,450)	263,731,362	3,775,506,274	5,085,627,464	6,676,677,578	6,676,677,578	–

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

	Effective yield/ interest rate	Exposed to Yield / Interest risk										
		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	Non-interest bearing financial instruments
	%	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
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	6,675,005,524	207,108,357	5,273,261,047	921,588,193	232,776,870	2,708,039	–	–	37,563,018	–	–
Other assets	–	1,017,874,734	–	–	–	–	–	–	–	–	–	1,017,874,734
		20,901,181,089	1,309,582,549	5,400,150,249	1,664,827,599	232,776,870	376,159,439	813,660,864	6,059,442,878	2,220,500,718	–	2,824,079,923
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)	205,504,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	–	2,633,622,851
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)	205,504,326	321,614,351	759,115,776	5,977,625,230	2,220,500,718	–	2,633,622,851
Cumulative yield/interest risk sensitivity gap		–	(4,405,417,451)	(2,305,267,202)	(3,424,712,147)	(3,219,207,821)	(2,897,593,470)	(2,138,477,694)	3,839,147,536	6,059,648,254	6,059,648,254	–

43.3 Liquidity risk

Liquidity risk reflects an entity's inability in raising funds 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.

43.3.1 Maturities of assets and liabilities

	Maturities									
	Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees	2016 Rupees
Assets										
Cash and balances with treasury banks	34,292,665	34,292,665	–	–	–	–	–	–	–	–
Balances with other banks	151,477,516	151,477,516	–	–	–	–	–	–	–	–
Lending to financial institutions	340,000,000	340,000,000	–	–	–	–	–	–	–	–
Investments	11,061,364,020	67,500,000	364,294,599	–	2,425,967,354	1,645,461,809	3,566,320,000	1,337,393,750	1,651,926,508	2,500,000
Advances	8,256,518,591	210,270,564	383,668,835	821,367,010	1,318,399,651	2,988,230,512	1,509,581,502	839,582,316	185,418,201	–
Operating fixed assets	2,772,774,625	9,464,498	18,928,996	28,393,494	56,786,988	113,573,975	113,573,975	368,393,180	353,443,477	1,710,216,042
Other Assets	1,778,535,679	232,540,353	191,222,613	149,850,846	1,204,921,867	–	–	–	–	–
Development properties	129,962,494	90,335,649	–	–	33,140,075	6,486,770	–	–	–	–
	24,524,925,590	1,135,881,245	958,115,043	999,611,350	5,039,215,935	4,753,753,066	5,189,475,477	2,545,369,246	2,190,788,186	1,712,716,042
Liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	10,717,907,824	5,052,000,000	1,925,000,000	1,114,772,544	439,772,544	1,004,545,088	529,545,088	652,272,560	–	–
Deposits and other accounts	131,399,425	–	126,399,425	5,000,000	–	–	–	–	–	–
Deferred tax liabilities	857,778,189	2,625,588	5,809,351	7,876,764	60,642,485	31,627,655	59,475,638	105,655,453	157,248,233	426,817,022
Other Liabilities	258,135,836	28,238,963	56,477,926	56,301,167	103,600,440	-	-	4,055,202	9,462,138	–
	11,965,221,274	5,082,864,551	2,113,686,702	1,183,950,475	604,015,469	1,036,172,743	589,020,726	761,983,215	166,710,371	426,817,022
Net assets	12,559,704,316	(3,946,983,306)	(1,155,571,659)	(184,339,125)	4,435,200,466	3,717,580,323	4,600,454,751	1,783,386,031	2,024,077,815	1,285,899,020
	–	–	–	–	–	–	–	–	–	–
Share capital	6,600,000,000	–	–	–	–	–	–	–	–	–
Reserves	1,159,890,064	–	–	–	–	–	–	–	–	–
Unappropriated profit	2,334,450,166	–	–	–	–	–	–	–	–	–
Surplus on revaluation of assets	2,465,364,086	–	–	–	–	–	–	–	–	–
	12,559,704,316	–	–	–	–	–	–	–	–	–

43.3 Liquidity risk (continued)

43.3.1 Maturities of assets and liabilities (continued)

	Total	Maturities								
		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
Assets										
Cash and balances with treasury banks	64,573,297	64,573,297	–	–	–	–	–	–	–	–
Balances with other banks	761,486,417	761,486,417	–	–	–	–	–	–	–	–
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	6,675,005,524	207,108,357	221,378,018	291,646,770	1,135,371,997	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
Other Assets	2,081,805,587	315,811,498	268,063,061	220,296,131	1,277,634,897	–	–	–	–	–
Development properties	188,253,771	–	–	–	94,126,885	94,126,886	–	–	–	–
	25,039,258,279	1,621,098,104	588,775,398	1,008,741,233	3,907,156,706	2,431,786,084	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	237,931,699	34,194,791	68,389,583	54,433,962	74,229,463	–	–	2,005,170	4,678,730	–
	13,133,579,512	4,756,513,083	3,140,344,459	1,135,661,382	1,745,411,758	842,364,590	717,364,590	359,461,822	224,227,485	212,230,343
Net assets	11,905,678,767	(3,135,414,979)	(2,551,569,061)	(126,920,149)	2,161,744,948	1,589,421,494	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 profit	1,878,479,988	–	–	–	–	–	–	–	–	–
Surplus on revaluation of assets	2,362,531,240	–	–	–	–	–	–	–	–	–
	11,905,678,767	–	–	–	–	–	–	–	–	–

43.4 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 Group's operational risk exposure, allocate capital against it and identify trends internally and externally that would help predicting it.

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

43.4.1 Operational Risk Disclosures- Basel III

The Group is in the process of development of Operational Risk Framework under the Standardized Approach to identify, measure, monitor and control risk across the Group. Under the Standardized Approach, Group'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 Group and to respond to the changing regulatory and business environment. The Group 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 Group 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 Group 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.

44. 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

45. GENERAL

45.1 Corresponding figures for the prior year have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances for the purpose of comparison. Significant rearrangements and reclassifications in the consolidated financial statements are as follows:

From	To	Rupees
Consolidated Statement of Financial Position:		
Other liabilities	Other assets	225,223,891

(Provision for taxation was included in other liabilities in 2015 consolidated financial statements which has now been netted off against advance tax paid)

Consolidated Statement of Financial Position:		
Development properties	Other assets	4,595,222

(Unadjusted mobilization advance was included in development properties in 2015 consolidated financial statements which has now been transferred to other assets)

Consolidated Profit and loss account		
Gain on sale of securities - net	Provision for diminution in the value of investments - net	64,716,965

(Provision for diminution in the value of investments was netted off against gain on sale of securities in 2015 consolidated financial statements)

45.2 Captions as prescribed by BSD circular No. 4 dated February 17, 2006 issued by SBP in respect of which there are no amounts, have been reproduced in these consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

45. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on 2 March, 2017 .

Chief Executive Director Director Chairman

Annexure - I

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a persons(s) during the year ended December 31, 2016.

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with NIC / CNIC No.)	Fathers' / Husband Name	Outstanding Principal	Liabilities at Make up	The Beginning of Other	The Year Total	Principal Written off	Make up Waied	Other financial Relief Principal	Total
1	Style Enterprises (Pvt) Ltd.	Mr. Jawwad Khurshid Ahmed 35200-4638410-7	Mr. Khurshid Ahmed	1.408	5.693	–	7.101	1.408	5.693	–	7.101
		Mr. Hammad Khurshid Ahmed 35202-1113721-3	Mr. Khurshid Ahmed								
		Mr. Aitzaz Khurshid Ahmed 35202-7630279-3	Mr. Khurshid Ahmed								
2	Ferro Alloys Pakistan Ltd.	Rana Mohammad Sarwar Khan 274-34-301781	AL-Haj Mohammad Khan	–	96.533	–	96.533	–	96.533	–	96.533
		Mr. Mohammad Saeed Khan 286-30-261991	Ch. Rehmat Ali khan								
		Mr. Mahboob Sarwar Khan 35202-0418937-7	Rana Mohammad Sarwar Khan								
		Mrs. Nasim Sarwar Khan 274-38-301782	W/o Rana Mohammad Sarwar Khan								
		Mr. Mohammad Akram Khan 34101-9854696-9	Mr. Ali Mohammad Khan								
		Mr. Mohammad Aslam 285-46-033713	Mr. Ali Buksh Khan								
		Mr. Maqsood Sarwar 35202-2599610-1	Rana Mohammad Sarwar Khan								
				1.408	102.226	–	103.634	1.408	102.226	–	103.634

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