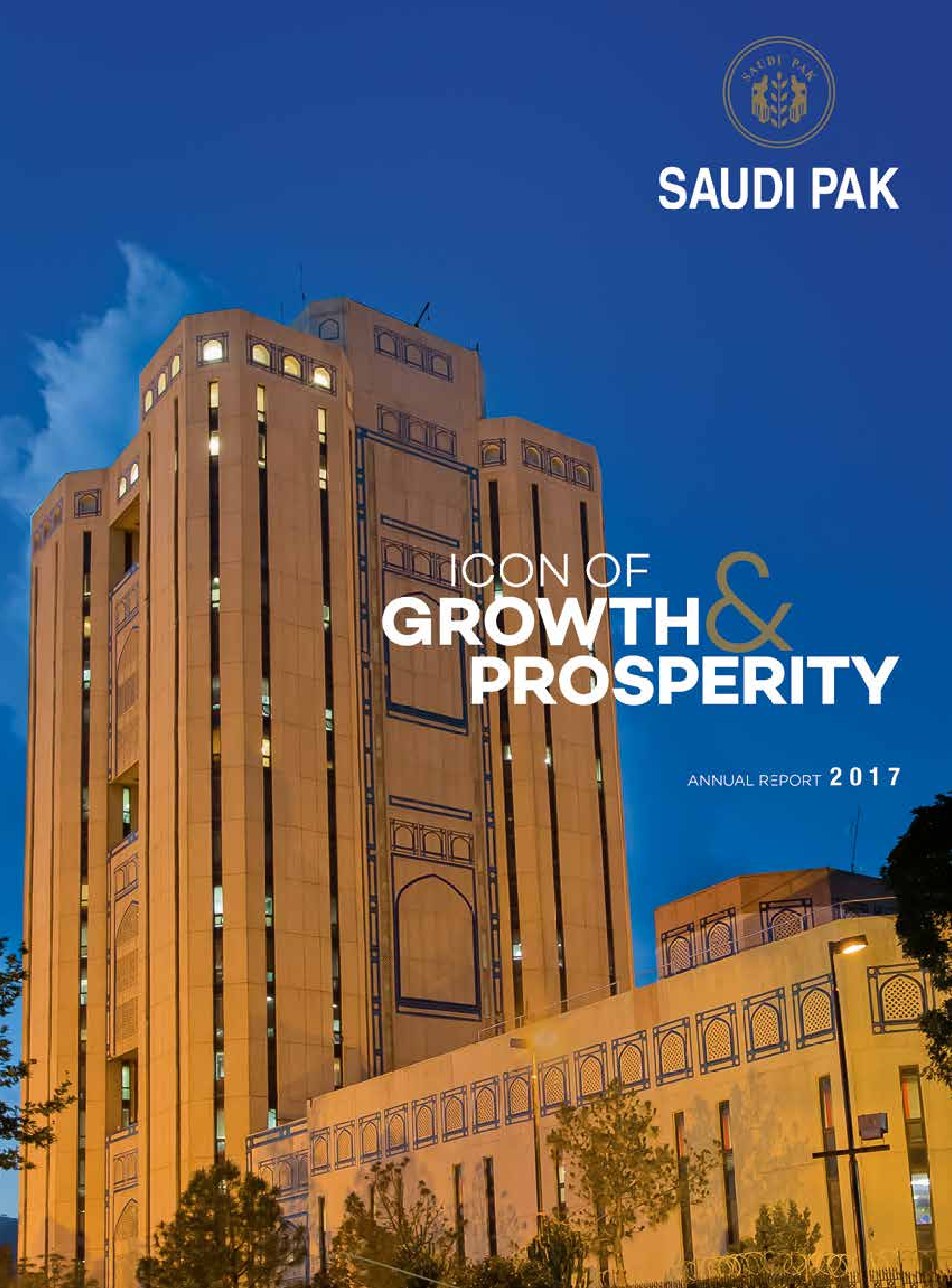
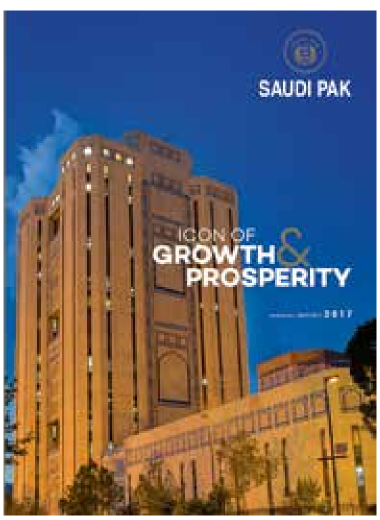


SAUDI PAK

ICON OF GROWTH & PROSPERITY

ANNUAL REPORT **2017**

COVER **STORY**



The truly exceptional are those that stand in a league of their own; whose excellent standards and unmatched commitment put them at the height of their game, and turn them into an icon that represents exceptionality. Saudi Pak believes in providing its stakeholders with the best possible value, and through dedicated focus, has worked its way to shine in its role, becoming synonymous with the tenets of growth and prosperity. This year's report spotlights the amazing attributes that put Saudi Pak at such an august standing in the business community, and reaffirms our faith in the values that we have set for our continued drive towards excellence.

KEY FINANCIAL **INDICATORS**

PROFIT BEFORE TAX
85.82 %

2017
860
2011-2016
Average
463

PROFIT AFTER TAX
84.78 %

2017
627
2011-2016
Average
339

RETURN ON AVERAGE ASSETS
65.31 %

2017
2.7
2011-2016
Average
1.6

RETURN ON AVERAGE EQUITY
59.83 %

2017
6.1
2011-2016
Average
3.8

SHAREHOLDERS' EQUITY
33.23 %

2017
10,632
2011-2016
Average
7,980

NET INTEREST MARGIN
21.16 %

2017
743
2011-2016
Average
613

TOTAL ASSETS
14.24 %

2017
22,167
2011-2016
Average
19,404

Amount in million Rs.

CONTENTS

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr. Mohammed W. Al-Harby
Chairman

Mr. Zafar Hasan*
Deputy Chairman

Mr. Musaad A. Al-Fakhri
Director

Dr. Shujat Ali
Director

Mr. Mohammed A. Al-Jarbou
Director

Mr. Qumar Sarwar Abbasi
Director

GM–CHIEF EXECUTIVE

Mr. Kamal Uddin Khan

COMPANY SECRETARY

Mr. Mohammad Nayeem Akhtar

CHIEF FINANCIAL OFFICER

Mr. Khawar Ashfaq

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Hassan Kaunain Nafees

**Mr. Zafar Hasan appointed in place of Mr. Khizar Hayat Gondal w.e.f. April 11, 2018*

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Mohammed W. Al-Harby
Chairman

Mr. Musaad A. Al-Fakhri
Member

Dr. Shujat Ali
Member

Mr. Mohammad Nayeem Akhtar
Secretary

RISK MANAGEMENT COMMITTEE

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

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.

CORPORATE OBJECTIVES

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

CORE VALUES

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

CORPORATE **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, 2017 paid up capital of the Company is Rs.6,600 million. It is held as under:

KINGDOM OF SAUDI ARABIA

50 percent

(Through Public Investment Fund)

GOVERNMENT OF ISLAMIC REPUBLIC OF PAKISTAN

50 percent

(Through State Bank of Pakistan)

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

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

BOARD OF
DIRECTORS

Mr. Mohammed W. Al-Harby

Chairman

General Manager (Rtd.)
Real Estate Development Fund

Kingdom of Saudi Arabia

Mr. Zafar Hasan

Deputy Chairman

Additional Finance Secretary, (EF)
Ministry of Finance

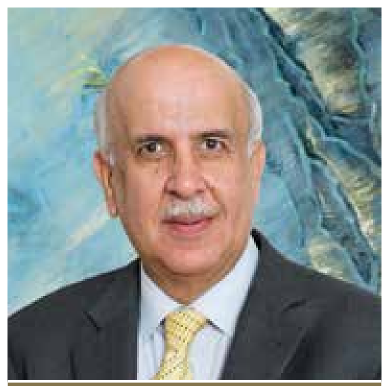
Government of Pakistan

Mr. Musaad. A. Al-Fakhri

Director

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

Kingdom of Saudi Arabia



Dr. Shujat Ali

Director

Former Secretary
Statistics Division

Government of Pakistan

Mr. Mohammed A.Al-Jarbou

Director

Financial Advisor
Public Investment Fund

Kingdom of Saudi Arabia

Mr. Qumar Sarwar Abbasi

Director

Joint Secretary, Special Assistant to
Finance Minister - Ministry of Finance

Government of Pakistan

MANAGEMENT

MR. KAMAL UDDIN KHAN

Chief Executive

Mr. Mohammad Nayeem Akhtar

Executive Vice President

Mr. Arshed Ahmed Khan

Executive Vice President

Mr. Yawar Khan Afridi

Executive Vice President

Sheikh Aftab Ahmad
Executive Vice President

Mr. Saeed Aziz Khan
Head of Treasury

Mr. Fateh Tariq
Executive Vice President

Mr. Kashif Suhail
Executive Vice President

Ms. Fozia Fakhar
Executive Vice President

Mr. Ali Imran
Senior Vice President

Mr. Muhammad Tanweer
Senior Vice President

Mr. Zafar Iqbal
Senior Vice President

Syed Safdar Abbas Zaidi
Senior Vice President

Ms. Hina Khalid
Senior Vice President

Mr. Irfan Karim
Senior Vice President

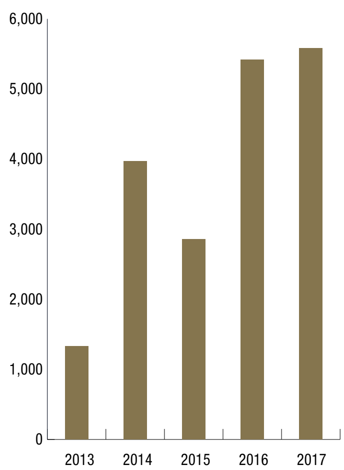
Mr. Khawar Ashfaq
Senior Vice President

OPERATIONAL
HIGHLIGHTS

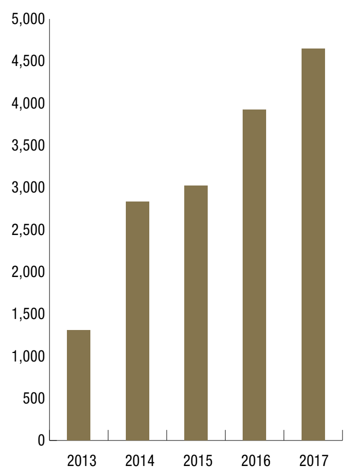
(Rs. in million)

	2013	2014	2015	2016	2017
Approval of Financing and Investment					
Long Term Finance/TFCs	1,200.0	3,150.0	2,705.0	3,950.0	4,060.0
Lease Finance	-	70.0	-	20.0	-
Equity Investment	250.0	-	-	330.0	250.0
Short Term Finance	382.7	550.4	450.0	970.0	619.5
Guarantees and Underwriting	-	1,150.0	-	350.0	830.0
Gross Approvals	1,832.7	4,920.4	3,155.0	5,620.0	5,759.5
Withdrawals	500.0	950.0	300.0	200.9	175.0
Net Approvals	1,332.7	3,970.4	2,855.0	5,419.1	5,584.5
Gross Cumulative Approvals	56,999.9	61,920.3	65,075.3	70,695.3	76,454.8
Cumulative Withdrawals	2,293.4	3,243.4	3,543.4	3,744.3	3,919.3
Net Cumulative Approvals	54,706.5	58,676.9	61,531.9	66,951.0	72,535.5
Disbursement of Funds					
Long Term Finance/TFCs	791.0	2,309.0	2,275.0	3,177.2	2,975.2
Lease Finance	-	70.0	-	-	20.0
Short Term Finance	267.6	452.5	750.0	744.5	845.0
Direct Equity & Underwriting Take-ups	250.0	-	-	-	807.0
Total Disbursements	1,308.6	2,831.5	3,025.0	3,921.7	4,647.2
Cumulative Disbursements	49,428.1	52,259.6	55,284.6	59,206.3	63,853.5
Recoveries					
Total Amount	2,902.4	2,316.6	3,079.0	3,115.9	3,994.3
Current Dues Collection Ratio (%)	92.40	90.83	88.02	90.70	91.82

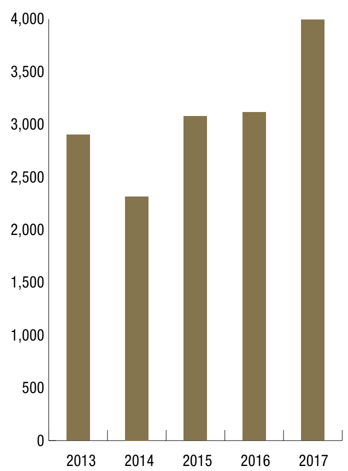
Approval of Financing & Investment (Net)



Disbursement of Funds



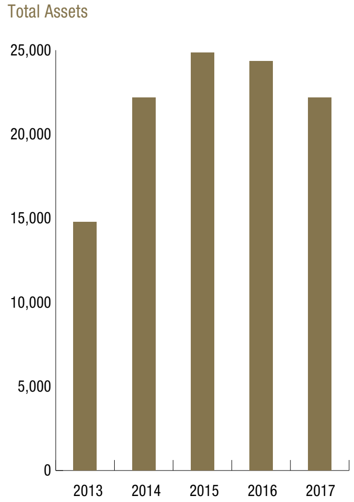
Recoveries

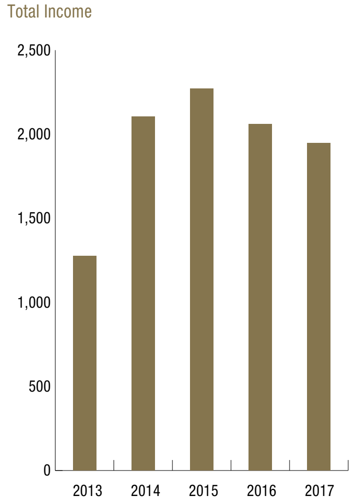


FINANCIAL **HIGHLIGHTS**

(Rs. in million)

	2013	2014	2015	2016	**2017**
Income Statement					
Total Income	1,277.1	2,105.2	2,272.4	2,059.8	1,947.6
Net Income	838.2	1,438.3	1,405.1	1,559.0	1,460.3
Profit before Tax	434.7	1,402.4	982.6	962.8	859.9
Profit after Tax	764.6	1,158.8	723.7	476.1	627.3
Balance Sheet at year end					
Total Shareholders' Equity	7,357.6	8,586.2	9,379.7	9,920.6	10,631.6
Total Assets	14,774.3	22,172.9	24,862.3	24,331.7	22,166.7
Selected Ratios					
Return on Average Equity(%)	11.0	14.5	8.1	4.9	6.1
Return on Average Assets(%)	5.0	6.3	3.1	1.9	2.7
Assets/Equity(times)	2.0	2.6	2.7	2.5	2.1



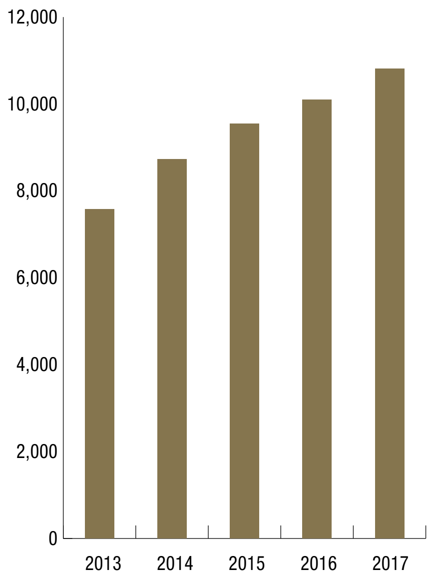


SUMMARY OF **CONSOLIDATED ACCOUNTS**

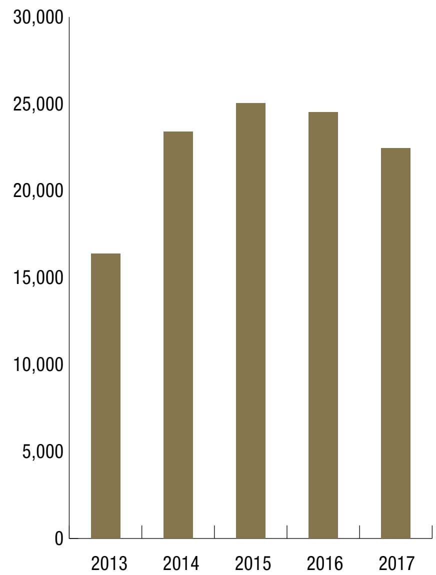
(Rs. in million)

	2013	2014	2015	2016	**2017**
Income Statement					
Total Income	1,665.4	2,223.2	2,302.4	2,096.3	1,991.3
Net Income	1,142.4	1,498.7	1,434.0	1,595.6	1,498.7
Profit before Tax	726.6	1,188.0	992.0	975.5	870.1
Profit after Tax	1,051.8	943.4	732.3	486.6	631.9
Balance Sheet at year end					
Total Shareholders' Equity	7,583.3	8,734.8	9,543.1	10,094.3	10,809.8
Total Assets	16,387.9	23,414.0	25,039.3	24,524.9	22,462.4

Total Shareholders' Equity



Total Assets



CHAIRMAN'S **MESSAGE**

On behalf of the Board of Directors, I would like to present the 36th 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, 2017. The share of profit/loss Saudi Pak Leasing Company Ltd (SPLC) being an associated company, was not accounted for in the Holding Company's consolidated financial statements for the year ended December 31, 2017 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 4th year in a row with GDP growing at 5.3 percent in FY2017 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, low 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 4.2 percent during FY 2017. SBP decreased the policy rate to a historically low level of 5.75 percent which is the lowest rate in last 45 years reflecting significantly improved macroeconomic conditions towards the end of FY 2017.

KSE-100 crossed a record high of 53,127 points while as at December 31, 2017 it was closed at 40,471 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 growth of 2.4 percent 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 expected increase in discount rate, 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 reduction in discount rate previously Net Interest Margin higher by 17.2 percent from the budgeted target largely cushioned by efficient management of resources and 2.4 percent increase in project finance business. Income from capital market operations was recorded at Rs. 350.42 million (Capital Gain: Rs. 131.20 million; Dividend Income: Rs. 219.22 million) as compared to Rs. 243.89 million booked last year. Similarly Company booked capital gains of Rs. 205.41 million from available gains in Govt. securities as against Rs. 317.14 million booked last year.

Company posted a pre-tax profit of Rs. 859.91 million i.e. 12.9 percent higher than the budgeted figure. After tax profit increased by 31.8 percent to Rs 627.32 million as all business segments out performed. This result was achieved despite prudent non cash impairment charge of Rs. 482.75 million made against diminution in the value of quoted stocks. Overall this is an extremely commendable achievement.

The shareholder's equity increased by 7.2 percent to Rs. 10,631.64 million as at December 31, 2017.

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 remains bright. GDP growth is expected to accelerate to 5.5 percent during FY 2018 based on better growth prospects in advanced and developing economies alike, a continued revival in world trade volumes, and continued improvement in the security and business environment. The main impetus for industry and services growth will be expanded CPEC infrastructure investments, other energy investments, and government development expenditure. Agriculture should expand by trend rates. Rising domestic demand fueled by economic expansion is expected to stoke inflation in FY2018. However, projection for 4.8 percent inflation could stand given continued central bank policy vigilance, a muted increase in global oil prices, and some expected easing of global food prices.

2018 being election year is likely to be more challenging with regards to economic and fiscal consolidation and economic growth. Saudi Pak shall continue to play its assigned role to contribute to the economic progress of the country with major focus on project financing in corporate, infrastructure and SME through a combination of prudent debt financing, equity investments and money market operations.

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 2017 کو اختتام پذیر سال پر سعودی پاک انڈسٹریل اینڈ ایگری کلچرل انویسٹمنٹ کمپنی لمیٹڈ 36 ویں پڑتال شدہ (audited) مالیاتی گوشوارے کے ساتھ ساتھ انضمام شدہ (consolidated) کھاتے بمع محاسب کے (auditor's) رپورٹ برائے ارکان اور ڈائریکٹرکی رپورٹ پیش کرنا چاہتا ہوں۔ سعودی پاک لیزنگ کمپنی لمیٹڈ (SPLC) جو ایک ساتھی کمپنی ہے اس کے نفع/نقصان کا اس کی مالک (Holding) کمپنی کی 31 دسمبر 2017 کو اختتام ہونے والے سال کی انضمام شدہ مالیاتی دستاویزات میں شامل نہیں کیا گیا ہے جس کے لیے سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) سے خصوصی استثنیٰ حاصل کیا جا چکا ہے۔

زیر جائزہ مدت کے دوران، پاکستان کی معیشت نے اپنی ترقی کی رفتار میں اضافہ مسلسل چوتھے سال بھی جاری رکھا اور سال 2107 میں مجموعی قومی پیداوار (GDP) کی نمو 5.3 فیصد رہی جو گذشتہ آٹھ سالوں میں بلند ترین ہے۔ عالمی اقتصادی نمو میں گراوٹ کے باوجود حکومت کی کلّی معیشت (macroeconomic) اور ڈھانچاتی اصلاحات کے پروگرام، تیل کی کم قیمتیں، امن و امان کی بہتر صورتحال اور منصوبہ بندی کے ساتھ چین پاکستان اقتصادی راہداری میں ڈھانچاتی سرمایہ کاری کے مجموعی اثرات کی وجہ سے پاکستان کی 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 2017 میں 4.2 فیصد ہوگئی۔ SBP نے پالیسی ریٹ کم کر کے 5.75 فیصد کر دیئے جو گذشتہ 45 سالوں کی تاریخ کی کم ترین سطح ہے اور 2017 کے اختتام کے قریب کلّی معیشت کی خاصی بہتر صورتحال کی عکاس ہے۔

31 دسمبر 2017 پر KSE-100 40,471 پوائنٹس پر تھا جس نے 53,127 پوائنٹس کی ریکارڈ بلند سطح کو عبور کیا۔ کم سودی شرح کے ماحول کے پس منظر میں قرضہ جات کی طلب بتدریج مستحکم ہو رہی ہے۔ تاہم، قرضوں کی قیمتوں اور منافعوں پر دباؤ کی وجہ سے کاروباری ماحول مسابقتی رہا کیونکہ بڑے تجارتی بینکوں نے گورنمنٹ کے ٹریژری (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 منظور شدہ 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 2.4 فیصد اضافے کی صورت میں نظر آیا۔ کم سودی نرخ کے ماحول کے پس منظر میں سرمایہ کی منڈی (stock exchange) کی صورتحال نے اپنا رخ زیادہ منقسمہ منافع (dividend) منافع دینے والے ملکیتی سرمائے (equities) کی جانب کر لیا ہے۔ افراطِ زر کی بلند تر ہوتی ہوئی توقعات اور رعائتی (discount) نرخ میں اضافے کی توقع کے سبب کمپنی نے گورنمنٹ کے تمسکات میں اپنی سرمایہ کاری کا حصہ خاصہ کم کر دیا ہے اور سرمایہ کی منڈی میں تجارتی مواقعوں سے بڑا فائدہ اٹھا کر سرمایہ میں اضافہ کیا۔ مجموعی طور پر یہ حکمتِ عملی بہت کامیاب ثابت ہوئی اور کمپنی کے لیے یہ ممکن ہوا کہ وہ اپنے طے شدہ منافع کے اہداف سے بڑھ کر منافع حاصل کر سکے۔

گذشتہ رعائتی (discount) نرخ بہت زیادہ کمی کے باوجود خالص مارک اپ منافع میں تخمینہ شدہ (budgeted) ہدف سے 17.2 فیصد بلند تر اضافہ ہوا جس کی بڑی وجہ وسائل کا بہتر انتظام تھا اور اس کے علاوہ منصوبوں کے کاروبار میں سرمایہ کاری میں 2.4 فیصد کا بھی اضافہ ہوا۔ سرمایہ کی منڈی کے آپریشن سے آمدنی گذشتہ سال کی درج شدہ آمدنی 243.89 ملین روپے کے مقابلے میں اس سال 350.42 ملین روپے (سرمایہ میں اضافہ: 131.20 ملین روپے؛ منقسمہ منافع کی آمدنی 219.22 ملین روپے) کا اندراج کیا۔ اسی طرح کمپنی نے حکومتی تمسکات سے گذشتہ سال کے درج شدہ سرمایہ میں اضافہ 317.14 ملین روپے کے مقابلے میں اس سال 205.41 ملین روپے اندراج کیا۔

کمپنی نے 859.91 ملین روپے کا قبل از محصول منافع ریکارڈ کیا جو تخمینہ شدہ ہدف سے 12.9 فیصد زیادہ ہے۔ کاروبار کے تمام شعبہ جات کی غیر معمولی کارکردگی کے سبب کمپنی کا بعد از محصول منافع 31.8 فیصد اضافے سے 627.32 ملین روپے ہوگیا۔ کوٹیڈ (quoted) اسٹاک کی قدر میں ہونے والے کمی سے محتاط نان کیش کے نقصان کے 482.75 ملین روپے کے چارجز کے باوجود یہ نتیجہ حاصل کیا جو انتہائی قابل تعریف ہے۔

31 دسمبر 2017 ء کو حصص یافتگان کے ملکیتی سرمائے (equity) میں 7.2 فیصد اضافہ ہوا جو بڑھ کر 10,631.64 ملین روپے ہوگیا۔

کمپنی کے مجموعی خطرے کے پروفائل (profile) میں غیر معمولی بہتری جس میں عملداری (operating) کے نتائج اور مالیاتی لچک شامل ہیں جسکی کریڈٹ ریٹنگ ایجنسی VIS-JCR نے بھی توثیق کی اور کمپنی کی طویل المدتی کریڈٹ درجہ بندی کو AA+ اور قلیل المدتی درجہ بندی کو A1+ مستحکم انداز کیساتھ برقرار رکھا۔

پاکستان کی معیشت کے مستقبل کے امکانات روشن ہیں۔ توقع ہے کہ سال 2018 میں مجموعی قومی پیداوار کی ترقی کی شرح کی رفتار بڑھ کر 5.5 فیصد ہو جائے گی جس کی بنیاد ترقی یافتہ اور ترقی پذیر، دونوں معیشتوں میں اچھی نمو کے یکساں مواقع، عالمی تجارت کے حجم کی جاری بحالی اور امن و امان اور کاروباری ماحول میں مسلسل بہتری ہیں۔ صنعتی اور خدمات کی ترقی کا اصل محرک CPEC کے توسیع شدہ ڈھانچہ میں سرمایہ کاری، دیگر توانائی میں سرمایہ کاری اور گورنمنٹ کے ترقیاتی اخراجات ہیں۔ زراعت میں بھی اسی رجحانی شرح سے توسیع ہونی چاہیے۔ سال 2018 میں معیشت کی توسیع سے بڑھتی ہوئی ملکی طلب افراطِ زر کو بڑھا دے گی۔ اگر مرکزی بینک کی یہ جاری پالیسی، بڑھتی ہوئی عالمی تیل قیمتیں اور متوقع فوڈ کی قیمتوں میں کمی کی وجہ سے متوقع افراطِ زر کا تخمینہ 4.8 فیصد پر برقرار رہے گا۔

2018 الیکشن کا سال ہونے کی وجہ سے معیشت کے حوالے سے امکان ہے کہ مالیاتی استحکام اور معاشی ترقی کے حوالے سے زیادہ مشکلات پیش آئیں گی۔ سعودی پاک، قرضہ جات کی سرمایہ کاری، اداروں کے ملکیتی سرمائے میں سرمایہ کاری اور زر (money) منڈی کے آپریشن کے ایک محتاط ملاپ کے ذریعے ملک کی معاشی ترقی میں اپنا تفویض شدہ کردار ادا کرتی رہے جس کی بنیاد اداروں کے منصوبوں میں سرمایہ کار، ڈھانچاتی اور SME ہوں گی۔

آخر میں میں اپنی اور بورڈ کی جانب سے مشترکہ منصوبے (joint venture) کے شراکت داروں، سعودی عرب کی شاہی حکومت اور پاکستانی حکومت کی غیر متزلزل حمایت پر مخلصانہ شکر گزاری کا اظہار کرتا ہوں اور بینک دولت پاکستان اور ساتھ ہی ساتھ سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی پیشہ ورانہ راہ نمائی کیلئے ان کا شکر گزار 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،

چیرمین

DIRECTORS' REPORT

ECONOMIC OVERVIEW

Growth continued to accelerate in Pakistan during FY2016-17 (July-June) to 5.3 percent, somewhat below the government's target of 5.7 percent as industrial sector growth was slower than expected. Economic fundamentals remained strong across a wide range of relevant indicators such as real GDP growth, containment of inflation, low policy rate, fiscal consolidation, and increase in development spending. Vibrant activity was witnessed in construction and services, and there was a recovery in agricultural production with a return of normal monsoon rains. In the first half of FY2018, activity has continued to expand, driven by robust domestic demand supported by strong credit growth and investment.

Better weather and input use improved yields for major crops, boosting agriculture growth to 3.5 percent. Growth in manufacturing strengthened markedly to 5.3 percent on strong upturns in steel, sugar, electronics, and automobiles, solid growth in pharmaceuticals and cement, but only slight expansion in the large textile and garment industry. Overall industrial growth slowed slightly to 5.0 percent though, as construction growth eased to 9.0 percent. Strong wholesale and retail, trade finance, insurance, and general government services edged up growth in services to 6.0 percent.

GDP growth was around 4.0 percent in 2013-14 and has gradually increased during the last four years to reach 5.3 percent in 2016-17, which is the highest in 10 years. On the other hand the current account deficit during July-Apr, FY17 reached $7.247 billion (2.38 percent of GDP) as compared to $2.378 billion (0.85 percent of GDP), thus widening by 204.8 percent.

Stronger domestic demand and reviving global prices for oil and other commodities pushed inflation higher to average 4.2 percent in FY2017 from only 2.9 percent a year earlier, the lowest rate in the past decade. Food inflation increased to average 3.8 percent despite improved supply as global prices strengthened, while nonfood inflation rose to 4.4 percent. Categories contributing to inflation were housing, education, perishable fruits, meat, medicine, and fuel. Core inflation, leaving aside food and energy, rose by 1 percentage point to average 5.2 percent in FY2017.

The policy interest rate remained at the lowest level in decades (5.75 percent till December 2017). This was particularly helpful for private sector credit expansion, however after SBP increased 25 basis points during Jan 2018 it reached to 6.00 percent. The Credit to Private Sector witnessed the level of Rs. 457 billion as compared to Rs. 297 billion during same period last year i.e. growth of 54 percent. This credit expansion largely relating to CPEC projects is instrumental in bolstering further growth in the manufacturing sector. The increase was notable in working capital and fixed investment, especially in food processing, construction, and consumer finance but in other sectors as well. Credit to public sector enterprises more than doubled to Rs.355 billion, reflecting their weak financial position and the need for continued reform.

The current account deficit widened to $12.1 billion, equal to 4.0 percent of GDP in FY2017 from 1.7 percent a year earlier. Imports rose sharply, especially in the final months, to grow by 17.5 percent, with just over half of the increase related to petroleum, machinery, and transport equipment. A sharp rise in global oil prices was the major cause of 26 percent higher petroleum bill, while imports of machinery and equipment increased by about 20 percent, following 40 percent expansion a year earlier, in part to support the CPEC. Exports declined by 1.4 percent, slowing the 8.8 percent fall in FY2016 as all major export categories suffered lower earnings. While the trade deficit was the main factor widening the current account deficit, worker remittances, the major cushion to Pakistan's traditionally large trade deficit, widened it further with a 3 percent decline.

The year 2017 proved to be an eventful year for Pakistan Stock Exchange. KSE-100 index opened the year at 47,807 points and achieved its highest ever level of 52,876 points in May 2017 i.e. a rise of 5,069 points or 10.6 percent in about five months. Subsequently owing mainly to political factors correction set in. At the yearend KSE-100 index was at 40, 471 points i.e. at a discount of 18 percent from its opening level and 31 percent from its highest ever level achieved in May 2017.

Net Foreign Direct Investment (FDI) inflows rose 14.8 percent to US$ 1.6 billion during July- March FY2017, against US$ 1.4 billion same period last year. In October, 2016 foreign currency reserves hit all time high at $ 24.03 billion, of which net reserves with SBP were $18.93 billion and scheduled banks $ 5.10 billion. However, with the current account deficit widening and not being fully offset by financial inflows, the country's total liquid FX reserves as of March 2017, declined to US$ 21.57 billion.

During FY2018, GDP growth is expected to accelerate to 5.5 percent. The GDP growth assumption is primarily based on better growth prospects in advanced and developing economies alike, a continued revival in world trade volumes, and continued improvement in the security and business environment. The main impetus for industry and services growth will be expanded CPEC infrastructure investments, other energy investments, and government development expenditure. Agriculture should expand by trend rates. There are downside risks. Growth has improved, but the government needs to address fiscal and external sector vulnerabilities that have reappeared with the wider current account deficit, falling foreign exchange reserves, rising debt obligations, and consequently greater external financing needs.. Still, possible loss of momentum for making policy decisions may hamper growth prospects. Rising domestic demand fueled by economic expansion is expected to stoke inflation in FY2018. However, projection for 4.8 percent inflation could stand given continued central bank policy vigilance, a muted increase in global oil prices, and some expected easing of global food prices.

2018 being election year is likely to be more challenging with regards to economic and fiscal consolidation and economic growth. Saudi Pak shall continue to play its assigned role to contribute to the economic progress of the country with major focus on project financing in corporate, infrastructure and SME through a combination of prudent debt financing, equity investments and money market operations.

OPERATIONAL REVIEW

CORPORATE FINANCE

During the year Pakistan's economic conditions improved on the back of growing investment in China Pakistan Economic Corridor (CPEC) & Public Sector Development Projects, substantial rise in GDP alongside subdued inflation. Favorable SBP fiscal and monetary policies, high infrastructure spending, improved security conditions, and reduced taxes significantly contributed to the growth momentum.

Despite competitive pricing pressure from other financial institutions, Saudi Pak also benefitted from congenial economic environment by soliciting quality business in line with the company's risk and reward standards. Corporate Finance Division maintained focus on the company's core business of project financing and extended credit primarily in oil & gas, food, electronics, textile, paper & board and financial sectors. The company also took the initiative of extending financial assistance to SMEs in line with SBP's patronage of this sector. Total approvals for the period under review (2017) amounted to Rs. 5,430 million whereas total disbursements amounted to Rs. 4,647 million registering increase of 7.62 percent and 18.49 percent respectively over the previous year.

During 2018, Saudi Pak intends to further mobilize commercially viable business transactions for maintaining 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-size businesses for, and not limited to, green field projects, BMR & expansion and working capital financing while optimally utilizing various re-finance schemes offered by the SBP.

CREDIT ADMINISTRATION

The Credit Administration Division (CAD) and its Offices at Karachi and Lahore have been entrusted with credit disbursements and monitoring till the maturity for all types of financing facilities extended by Saudi Pak. Major function of CAD in addition to other monitoring activities is to continuously monitor Saudi Pak financing with a view to ensuring timely re-payments of credit facilities. Concerted efforts were made to achieve assigned recovery targets which produced excellent results.

During 2017 aggregate recoveries of Rs. 3,828 million were affected as against recovery of Rs. 3, 040 million in 2016 i.e. an increase of 26 percent. Overall recovery ratio against amount due in respect of CAD portfolio during the year stood at 95.60 percent as against 93.73 percent during 2016.

During 2018 Credit Administration Division intends to further improve its service quality, compliance level and staff capacity thereby enhancing its contribution to achievement of Saudi Pak's overall business objectives.

SPECIAL ASSET MANAGEMENT

The Special Asset Management Division has been entrusted with the task of Balance Sheet cleansing and curtailment of NPLs.

During 2017, SAMD concerted efforts for NPL cleansing materialized in respect of eight cases. Consequently, SAMD contributed Rs. 201 million to Saudi Pak profit through cash recovery and settlements of NPLs.

Going forward SAMD plans to gear itself for further improvement in its process/efficiency and is hopeful for further write backs and cleansing of balance sheet through decrees execution and striking off negotiated deals.

CAPITAL MARKET OPERATIONS

2017 was a volatile year for the Capital Market. During the first half KSE-100 Index surpassed the psychological barrier of 50,000 setting new high of 53,127 points. The upbeat performance was attributed to positive economic growth, low interest rate environment along with formal inclusion in the MSCI Emerging Market Index.

Notwithstanding positive fundamentals, increased political instability in the country and changing geo-political scenario created uncertainty leading to negative sentiments at Stock Market. Foreign investors became net sellers of stocks resulting in outflow of US$ 487 million in FY2017. In light of these factors KSE-100 Index witnessed drop of 23.82percent on year-end from its ever-high.

Despite volatile performance of Stock Market during 2017 Portfolio Management Division realized gross income of Rs. 347 million as against gross income of Rs. 295 million realized in 2016. However, on the back of extraordinary decline in the stock market necessary impairments were booked. Even after recording non cash impairments of Rs. 326 million, net return on quoted stocks was negative 2 percent only as against negative return of 15.34 percent posted by KSE-100 Index companies.

TREASURY OPERATIONS

Treasury Division during 2017 further reduced the quantum and duration of its PIB portfolio, capitalizing on the view that inflation and interest rates have bottomed out for the time being. Despite the change in the interest rate scenario in 2017, Treasury Division managed to book income of Rs. 422 million comprising Rs. 209 million of realized capital gains and spread income of Rs. 213 million.

In the likely scenario of rates rising further during 2018 due to inflationary and other pressures, Treasury Division shall be on the lookout for suitable opportunities to augment its income. As a precautionary measure Treasury Division has also started building a modest portfolio of floating rate instruments which is largely immune to adverse interest rate moves.

HUMAN RESOURCE DEVELOPMENT

Saudi Pak maintained a pragmatic and balanced approach towards talent management by not only promoting talented employees from within, but also by bringing in the necessary skills via external lateral hires ensuring that company retains the talent it needs to succeed. Internships were provided to the budding talent across the country in line with the Company's goal of corporate social responsibility towards youth development, also creating a potential talent pool for future hiring.

HR also assisted in reviewing management committee frameworks, systems and processes and refining of the work-structures and job designs in line with the strategic divisional goals, for improving employee productivity and operational efficiency.

Employees' engagements activities were carried out to both, promote work-life balance as well as reinforce Saudi Pak's image as a workplace where employees feel appreciated and engaged and aspire to build their careers.

During 2018, the Human Resources team will continue to focus on introducing HR best practices aimed at uplifting HR service delivery; strengthening of the talent pipeline while promoting gender equality and building a progressive work environment in line with the highest standards of excellence, professionalism and integrity.

INFORMATION TECHNOLOGY

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

During 2017 several initiatives were taken by Information Technology Division to improve the IT infrastructure by adopting evolving technologies along with successful deployment of core business solutions for the company.

Following the State Bank of Pakistan guidelines Security Controls have been upgraded to avoid potential impact of Cyber Attacks and any incident involving data theft or critical system failures, In this regard, assessment and testing of the IT Infrastructure that includes Network, Connectivity, Servers and systems of Saudi Pak has been conducted by independent consultant for minimizing risk of possible Cyber Attacks.

RISK MANAGEMENT FRAMEWORK

Saudi Pak is exposed to various risks in the normal course of business, effective management of which is vital to maintaining financial viability and attaining business objectives. In this regard, Saudi Pak has put in place a robust risk management framework, under the overall purview of the Board of Directors and its dedicated Risk Management Committee.

Risk Management Division (RMD) serves as a second line of defense, providing independent risk assessment, regular risk reporting to management-level committees and the Risk Management Committee of the Board, and recommendations for further refinement of the risk management framework, including risk policy.

Internal Audit Division, a function independent of the business and the RMD functions, serves as a third-line of defense by independently carrying out internal audits in line with its approved roles and responsibilities, and having direct reporting to the Audit Committee of the Board.

On an overall enterprise level, risks are assessed by the RMD through capital adequacy review and stress testing. Saudi Pak's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, providing ample cushion to absorb unexpected losses. Stress testing exercises carried out by RMD also revealed that Saudi Pak had a solid and resilient capital and liquidity position even under stress.



INTERNAL AUDIT

The Internal Audit Division (IAD) in Saudi Pak operates with the aim to provide an independent, objective assurance and advisory services to the Management designed to add value and improve operations of the company, dedicated to providing assistance to the Board (through Audit Committee) and Management towards effectively and efficiently accomplishing its objectives by bringing in a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the year 2017, IAD reviewed its policy; formulated the related charters; adopted a risk based audit approach; successfully worked on its assignments; highlighted control weaknesses identified during its reviews at the appropriate forum, i.e., the Audit Committee which were adequately addressed by the Management. With the goal of providing consistent quality audit related services, the IAD continuously pursues the overall capacity building of the Division.

SETTLEMENT

Independent Settlement of market transactions plays a key role in strengthening control environment. Settlement Division of Saudi Pak implements Company's objective of execution of Money Market transactions and management of inter-bank payment system in a segregated environment within Operations Group. In addition, operational efficiencies are being enhanced consistently to achieve optimization in line with the emerging standards. As a result, year 2017 reflected efficiency gains both in terms of amounts and turnaround time of Settlement.

Settlement Division also provided a vital support in renewals and documentation of credit lines from commercial banks. Sustainable liquidity lines at competitive rates are of core importance to meet business growth. During 2017, draw down and renewals of long term and short term finances amounted to Rs 4,900 million.

Saudi Pak is member institution of Real Time Gross Settlement System (RTGS) of State Bank of Pakistan. In this respect, Settlement Division also provides necessary coordination in implementing infrastructure and technology innovation. Saudi Pak RTGS Desk actively participates in inter-bank market and benefits from cooperation of both the regulator and the counter-parts.

FUTURE OUTLOOK

On the back of successful implantation of its revival strategy Saudi Pak is now in a position to vigorously pursue emerging economic opportunities in the country. During 2018, focused efforts shall be made towards availing business proposals having acceptable risk and reward relationships.

Acquisition of enabling technologies and requisite human skills through trainings and fresh hiring will continue to remain a priority.

CORPORATE SOCIAL RESPONSIBILITY

As a fully committed corporate citizen of the country Saudi Pak is well aware of its social responsibilities. In this regard Saudi Pak has already adopted "Corporate Voluntary Guidelines 2013" issued by the Securities and Exchange Commission of Pakistan. During 2017 Saudi Pak made substantial donation to a welfare organization working for socio economic empowerment of women living in the rural and urban slums of the country

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.

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, 2017, except as disclosed in the financial statements.

j) The value of investment of Provident Fund as at December 31, 2017 according to their audited financial statement is approximately Rs.65.50 million (2016: Rs.62.00 million).

AUDITORS

The Auditors, M/s A. F. Ferguson & Company, Chartered Accountants, have completed their assignment for the year ended December 31, 2017 and also indicated their willingness to continue in office as Auditors. The Board on the proposal of the Audit Committe, recommends the appointment of M/s A. F. Ferguson and Company, Chartered Accountants as Auditors for the year 2018.

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	05	05
Mr. Musaad A. Al-Fakhri	05	05
Dr. Shujat Ali	05	05
Mr. Mohammed A. Al-Jarbou	05	05
Mr. Qumar Sarwar Abbasi	05	04

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. Khizar Hayat Gondal	02	02
Mr. Mohammed A. Al-Jarbou	02	02
Mr. Qumar Sarwar Abbasi	02	01

During the year, four 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	04	04
Dr. Shujat Ali	04	04
Mr. Musaad A. Al-Fakhri	04	04
Mr. Qumar Sarwar Abbasi	04	03

During the year, one meeting 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	01	01
Mr. Khizar Hayat Gondal	01	01
Mr. Musaad A. Al-Fakhri	01	01
Dr. Shujat Ali	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 (SPR), a wholly owned subsidiary of Saudi Pak was established with prime objective of real estate development. SPR is the only Company licensed by State Bank of Pakistan. It has wide scope of activities including development of residential projects as well as investment in commercial projects.

2017 proved to be the year of turnaround of the Company with above par operational as well as financial performance. The year is highlighted by excellent return from core business of real estate development.

The improved financial health of the Company enabled it to reward shareholder(s). The Company for the first time since its formation distributed cash dividend. During 2017, the Company posted net profit of Rs. 29.58 million. The net equity as at December 31, 2017 stands at Rs. 678.15 million with breakup value of Rs. 13.56 per share.

II. Saudi Pak Leasing Company Limited

Saudi Pak Leasing Company Limited is an associated concern of Saudi Pak Industrial and Agricultural Investment Company Limited.

The Company is listed on the Pakistan Stock Exchange and its main business is leasing of assets. Like most other leasing companies in Pakistan it also suffered losses in the financial crisis of 2008. The Company's license to carry out the business of leasing expired in 2010 and renewal is pending with Securities and Exchange Commission of Pakistan. Efforts for its revival or sell-off to a potential buyer are continuing.

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.

A major portion of the building is rented out to several national and multinational companies including financial institutions, telecommunication companies, technology based companies, hospital service oriented concerns etc. Despite stressed business environment, the building occupancy was achieved up to 100 percent during 2017 translating into revenue of Rs.316 million as compared to Rs.290 million in the year 2016.

Building Management Division is consistently striving to bring improvements in overall building services, comfort level, safe working environment and easy access to the Building. Additionally, following modifications/ improvement works are underway.

- Replacement of three Elevators at High Rise Area.
- Installation of a new Diesel Engine Driven Fire Pump for emergency supply of water for Firefighting.

Proposal for approval from Capitol Development Authority has also been initiated for installation of two additional observatory lifts and emergency exit stairs at outer side of High Rise Building.

FINANCIAL RESULTS – 2017

Company maintained its strategy as per the approved business plan. Focus remained on core project finance business which witnessed growth of 2.4 percent 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 expected increase in discount rate, 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 historically low interest rate environment and pressure on loan pricing company managed to report a healthy Net Interest Margin figure of Rs. 743.05 million due to efficient management of resources.

Optimal trading strategy for Capital Markets allowed the company to book income of Rs. 350.42 million (Capital Gain: Rs. 131.20 million; Dividend Income: Rs. 219.22 million) as compared to Rs. 243.89 million booked last year, with annualized return of 15.3 percent. At the same time Company booked capital gains of Rs. 205.41 million from available gains in Govt. securities.

For the period ending December 31, 2017, the company posted a pre-tax profit of Rs. 859.91 million i.e. 12.9 percent higher than the budgeted figure. After tax profit increased by 31.8 percent to Rs 627.32 million as all business segments out performed. This result was achieved despite prudent impairment charge (non cash) of Rs. 482.75 million made against diminution in the value of quoted stocks which is an extremely commendable achievement.

The shareholders equity increased by 7.2 percent to Rs 10,631.64 million as at December 31, 2017.

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

	2017 Rupees	2016 Rupees
Un-appropriated profit brought forward	2,160,685,872	1,715,039,059
Profit after tax for the year	627,317,812	476,112,627
Surplus on revaluation of fixed assets	82,747,606	69,469,190
Other comprehensive income related to equity	999,498	(4,712,479)
Profit available for appropriations	**2,871,750,788**	**2,255,908,397**
Appropriations:		
Transfer to reserve funds	125,463,562	95,222,525
Transfer to general reserve	-	-
Total appropriations	125,463,562	95,222,525
Un-appropriated profit	**2,746,287,226**	**2,160,685,872**

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

Chairman

Islamabad
March 29, 2018

مالیاتی نتائج–2017

کمپنی نے منظور شدہ کاروباری منصوبہ بندی کے مطابق اپنی حکمت عملی کو جاری رکھا۔ منصوبوں کی سرمایہ کاری کے بنیادی کاروبار پر اپنی تمام تر توجہ مرکوز رکھی جس نے کمرشل بینکوں سے بڑھتی ہوئی مسابقت کے باوجود 2.4 فیصد ترقی کی۔ سرمایہ کی منڈی کی صورتحال نے اپنی ترجیحات تبدیل کر کے، کم سودی شرح کے ماحول میں زیادہ منقسمہ منافع (dividend) دینے والی ملکیتی سرمایہ (equities) میں سرمایہ کاری کی۔ افراطِ زر کی بلند تر توقعات اور ڈسکاؤنٹ نرخ میں متوقع اضافے کے پیش نظر کمپنی نے اپنی گورنمنٹ کے تمسکات میں سرمایہ کاری کم کر دی اور سرمایہ کی منڈی میں تجارتی مواقعوں سے 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۔ تاریخی طور پر کم سودی نرخ کے ماحول میں اور قرضہ کی قیمتوں پر دباؤ کے باوجود کمپنی نے وسائل کے بہتر انتظام کی وجہ سے 743.05 ملین روپے کا خالص مارک اپ مارجن دکھانے کے قابل ہوسکی۔ سرمایہ کار منڈی کے لیے موزوں تجارتی حکمتِ عملی سے کمپنی کے لیے یہ ممکن ہوا کہ وہ 31350.42 ملین روپے (سرمایہ میں اضافہ 131.20 ملین روپے اور منقسمہ آمدنی 219.22 ملین روپے) کی آمدنی دکھا سکے جبکہ گذشتہ سال 243.89 ملین روپے کے ساتھ سالانہ آمدنی 15.3 فیصد کمی اور اسی دوران کمپنی نے گورنمنٹ کے دستیاب تمسکات سے 205.41 ملین روپے کا کیپیٹل میں اضافہ کیا۔

31 دسمبر 2017 کو اختتام پذیر سال میں کمپنی نے قبل از محصول منافع 859.91 ملین روپے یعنی تخمینہ شدہ اعداوشمار سے 2.9 فیصد زیادہ۔ منافع بعد از محصول میں 31.8 فیصد اضافے سے بڑھ کر 627.32 ملین روپے ہوگیا کیونکہ تمام کاروباری شعبہ جات نے غیر معمولی کارکردگی دکھائی۔ یہ نتیجہ 482.75 ملین روپے کے محتاط نقصان کے خرچہ (نان کیش) جو کوٹیڈ اسٹاک کی قدر میں کمی کے برخلاف ہو جو نہائت قابل تعریف کامیابی ہے۔

31 دسمبر 2017 پر حصص کنندگان کا ملکیتی سرمایہ 7.2 فیصد اضافے سے بڑھ کر 10,631.64 ملین روپے ہوگیا۔

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

	2017	2016
غیر مختص شدہ منافع آگے لایا گیا	2,160,685,872	1,715,039,059
سال کا منافع بعد از محصول	627,317,812	476,112,627
غیر منقولہ اثاثہ جات کی دوبارہ قدر پیمائی کے بعد زائد	82,747,606	69,469,190
ملکیتی سرمایہ سے متعلق دیگر مجموعی آمدنی	999,498	(4,712,479)
مختصات (appropriations) کے لیے دستیاب منافع	2,871,750,78	2,255,908,397
مختصات (appropriations)		
محفوظ ذخائر میں منتقلی	125,463,562	95,222,525
محفوظ ذخائر میں منتقلی	-	-
کل مختصات (appropriations)	125,463,562	95,222,525
غیر مختص شدہ منافع	2,746,287,226	2,160,685,872

اعتراف

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 اور بورڈ آف ڈائریکٹرز کے لیے

چیرمین

اسلام آباد: مارچ 29, 2018

ڈائریکٹرز رپورٹ

معاشی جائزہ

سال2016-17 (جون-جولائی) کے دوران، ترقی کی رفتار میں اضافہ جاری رہتے ہوئے 5.3 فیصد رہی جو گورنمنٹ کے 5.7 فیصد کے ہدف سے کچھ کم ہے کیونکہ صنعتی شعبے میں ترقی کی متوقع رفتار کم رہی۔ وسیع البنیاد متعلقہ اشارے مثلاً حقیقی مجموعی قومی آمدنی، افراط زر کو قابو میں رکھنا، کم پالیسی نرخ، مالیاتی استحکام اور ترقیاتی اخراجات میں تیزی پر محیط معیشت کے اساسی نکات مستحکم رہے۔ تعمیرات اور خدمات میں پرجوش سرگرمیاں دیکھی گئیں اور معمول کی مون سون بارشوں کی واپسی سے زرعی پیداوار کی بحالی ہوئی۔ مالی سال 2017-18 کے پہلے نصف میں توسیع کی سرگرمی جاری رہی جس کا محرک قرضہ اور سرمایہ کاری میں اضافے سے ملکی طلب میں غیر معمولی اضافہ ہوا۔

بہتر موسم اور خام مال کے استعمال سے بڑی فصلوں کی پیداوار میں بہتری آئی جس نے زرعی ترقی کو 3.5 فیصد تک بڑھادیا۔ اسٹیل، شکر، الیکٹرونکس، آٹوموبائل کی کارکردگی کے پلٹنے سے اور دواسازی اور سیمنٹ میں زبردست نمو جبکہ بڑے ٹیکسٹائل اور گارمنٹ کی صنعت میں نسبتاً معمولی ترقی سے صنعتی پیداوار نمایاں طور پر مستحکم ہوکر 5.3 فیصد ہوئی۔ گوکہ تعمیرات کی ترقی 9.0 فیصد رہی لیکن مجموعی صنعتی ترقی گھٹ کر 5.0 فیصد رہ گئی۔ مستحکم ہول سیل اور ریٹل، ٹریڈ فنانس، بیمہ سازی اور عام گورنمنٹ کی خدمات بڑھاوے نے خدمات کی نمو و 6.0 فیصد کردیا۔

سال2013-14 میں مجموعی قومی پیداوار میں اضافے کی شرح 4.0 فیصد تھی جو گذشتہ چار سالوں میں رفتہ رفتہ بڑھ کر سال2016-17 میں 5.3 فیصد ہوگئی جو 10 سالوں میں بلند ترین ہے۔ دوسری جانب سال 2017 کے جولائی تا اپریل میں جاری کھاتے کا خسارہ 7.247 ارب امریکی ڈالر (مجموعی قومی پیداوار کا 2.38 فیصد) پہنچ گیا جبکہ گذشتہ سال اسی مدت میں یہ 2.378 ارب امریکی ڈالر (مجموعی قومی پیداوار کا 0.85 فیصد) تھا اور اس طرح سے جاری کھاتے کا خسارہ بڑھ کر 204.8 فیصد ہوگیا.

مستحکم ملکی طلب اور عالمی تیل اور دیگر اجناس کی بڑھتی ہوئی قیمتوں نے سال 2017 میں افراط زر کو اوسط 4.2 فیصد پہنچادیا جبکہ پچھلے سال میں یہ 2.9 فیصد تھا جو پچھلی دہائی کم ترین شرح تھی۔ عالمی قیمتوں میں استحکام سے فراہمی کی بہتر صورتحال کے باوجود خوراک کی افراط زر بڑھ کر اوسطاً 3.8 فیصد ہوگیا جبکہ خوراک کے علاوہ اس کی شرح بڑھ کر 4.4 فیصد ہوگئی۔ افراط زر میں حصہ ڈالنے والی کیٹیگریز میں ہاؤسنگ، تعلیم، زود پذیر پھل، گوشت، دوا اور ایندھن شامل ہیں۔ سال 2017 میں، فوڈ اور توانائی کو علیحدہ کرکے، بنیادی افراط زر 1 فیصد پوائنٹ بڑھ کر اوسط 5.2 فیصد ہوگیا۔

پالیسی نرخ دہائیوں میں کم ترین سطح پر ہے (دسمبر 2017 تک 5.75 فیصد)۔ یہ خاص طور پر نجی سیکٹر کو قرضہ کی توسیع میں مددگار رہا، تاہم جنوری 2018 میں SBP کے 25 basis points کے اضافے سے یہ بڑھ کر 6.00 فیصد پہنچ گیا۔ نجی شعبے کو قرضے کی فراہمی گذشتہ سال کی اسی مدت کی 297 ارب روپے کے مقابلے میں 457 ارب روپے کی سطح تک پہنچ گئی یعنی 54 فیصد اضافہ۔ یہ قرضہ جات میں توسیع CPEC منصوبوں میں آلات سے متعلق ہے جو صنعتی پیداواری سیکٹر میں مزید ترقی میں معاونت کررہی ہے۔ یہ اضافہ دیگر سیکٹرز کے علاوہ نمایاں طور پر ورکنگ کیپیٹل، فکسڈ سرمایہ کاری، خاص طور پر فوڈ پراسسنگ، تعمیرات اور کنزیومر فنانس میں تھیں۔ پبلک سیکٹر اداروں کو قرضہ کی فراہمی دگنی ہوکر 355 ارب روپے ہوگئیں جو ان کی کمزور مالی صورتحال کی عکاس ہے اور مسلسل اصلاحات کی ضرورت ہے۔

جاری کھاتے کا خسارہ گذشتہ سال کے 1.7 فیصد کے مقابلے میں سال 2017 میں بڑھ کی 12.1 ارب امریکی ڈالر ہوگیا جو مجموعی قومی پیداوار کا 4.0 فیصد کے مساوی ہے۔ خاص طور سال کے آخری مہینے میں درآمدت میں تیزی سے (17.5) فیصد اضافہ ہوا اور اس اضافے کا نصف سے کچھ زیادہ اضافہ پیٹرولیم، مشینوں اور نقل و حمل کے آلات سے متعلق ہے۔ تیل کی عالمی قیمتوں میں تیزی سے اضافہ پیٹرولیم بل میں 26 فیصد اضافے کا باعث بنا، جبکہ مشینوں اور آلات میں اضافہ 20 فیصد ہوا، جو سال پہلے کی 40 فیصد توسیع کے بعد، جو جزوی طور پر CPEC کی معاونت میں تھا۔ برآمدات میں 1.4 فیصد کمی ہوئی، جبکہ سال 2016 میں 8.8 فیصد کمی ہوئی ہیں کیونکہ تمام اہم برآمدات کی کیٹیگریز کو کم آمدنی کا سامنا ہوا۔ جبکہ جاری کھاتے کے خسارے کو بڑھانے کا اصل عنصر تجارتی خسارہ تھا، سمندر پار تارکین وطن کی ترسیل زر جو کہ روائتی طور پر بڑے تجارتی خسارہ کے لیے سہارا ہے جس میں 3 فیصد کی کمی کی وجہ سے مزید بڑھ گیا۔

پاکستان اسٹاک ایکسچینج کے لیے سال 2017 ایک واقعات سے بھرپور سال رہا۔ KSE100-انڈیکس نے سال کا آغاز 47,807 پوائنٹس سے کیا اور مئی 2017 میں 52,876 کی بلند ترین سطح پر پہنچا یعنی تقریباً پانچ ماہ 5,069 پوائنٹس یا 10.6 فیصد کا اضافہ ہوا۔ بعدازاں بنیادی طور پر سیاسی عوامل کی وجہ اسے واپس لانے کے لیے درستگی ہوئی۔ سال کے آخر میں KSE100-انڈیکس 47140, پوائنٹس تھا یعنی آغاز کی سطح سے ڈسکاؤنٹ 18 فیصد اور مئی 2017 کی بلند ترین سطح سے 31 فیصد تھا۔

مالی سال 2017 جولائی-مارچ کے دوران خالص غیر ملکی براہ راست سرمایہ کاری (FDI) کا بہاؤ میں 14.8 فیصد اضافے سے 1.6 ارب امریکی ڈالر ہوگئی جبکہ گذشتہ سال اسی مدت میں اس کی مالیت 1.4 ارب امریکی ڈالر تھی۔ اکتوبر 2016 میں غیر ملکی زرمبادلہ کے ذخائر تاریخی طور پر 24.03 ارب امریکی ڈالر کی بلند ترین سطح پر پہنچے، اس میں سے SBP کے پاس خالص ذخائر 18.93 ارب امریکی ڈالر اور شیڈیولڈ بینکوں کے پاس 5.10 ارب امریکی ڈالر تھے۔ تاہم، جاری کھاتے کا بڑھتے ہوئے خسارہ میں ہونے والی کمی کو مالیاتی اندرونی ترسیل پورا نہیں کر رہی، اس لیے ملک کے کل سیال (liquid) غیر ملکی زرمبادلہ کے ذخائر مارچ 2017 میں گھٹ کر 21.57 ارب امریکی ڈالر رہ گئے۔

توقع ہے کہ سال 2018 کے دوران مجموعی قومی پیداوار کی رفتار بڑھ کر 5.5 فیصد ہوگی۔ مجموعی قومی پیداوار میں اضافہ کا مفروضہ بنیادی طور پر ترقی یافتہ اور ترقی پذیر معیشتوں میں یکساں بہتر ترقی کے امکانات، عالمی تجارت کے حجم کی مسلسل بحالی اور امن و امان اور کاروبار کے ماحول میں بہتری پر مبنی ہے۔ صنعت اور خدمات کی ترقی کا بنیادی محرک CPEC کے توسیع شدہ ڈھانچاتی سرمایہ کاری، دیگر توانائی میں سرمایہ کاری اور گورنمنٹ کے ترقیاتی اخراجات ہوں گے۔ زراعت میں توسیع رجحانی شرح پر ہونی چاہیے۔ منفی خطرہ بھی موجود ہے۔ نمو میں اضافہ ہوا ہے، لیکن گورنمنٹ کو مالیاتی اور بیرونی سیکٹر میں موجود کمزوریوں کو درست کرنے کی ضرورت ہے جو وسیع تر کھاتے کا خسارے، گھٹتے ہوئے زرمبادلہ کے ذخائر، بڑھتے ہوئے قرضوں کی ادائیگیوں کی ذمہ داریاں اور نتیجتاً بڑھتی ہوئی بیرونی سرمایہ کی ضروریات کی شکل میں دوبارہ ظاہر ہوگئے ہیں۔ اب بھی، پالیسی سازی کی رفتار میں ہونے والی ممکنہ ہونے والے کمی ترقی کے امکانات میں رکاوٹ ہوگی۔ معیشت میں ہونے والی ترقی سے بڑھتی ہوئی ملکی طلب میں سے توقع ہے کہ سال 2018 میں افراط زر میں اضافہ کرے گی۔ تاہم، مرکزی بینک کی پالیسی کی نگرانی، تیل کی عالمی بڑھتی ہوئی قیمتیں اور متوقع فوڈ کی نرم عالمی قیمتوں کی بنیاد پر افراط زر کا تخمینہ 4.8 فیصد پر رہے گا۔

2018 الیکشن کا سال ہونے کی وجہ سے معیشت کے حوالے سے امکان ہے کہ مالیاتی استحکام اور معاشی ترقی کے حوالے سے زیادہ مشکلات پیش آئیں گی۔ سعودی پاک، قرضہ جات کی سرمایہ کاری، اداروں کے ملکیتی سرمائے میں سرمایہ کاری اور زرمنڈی (money market) کے آپریشن کے ایک محتاط ملاپ کے ذریعے ملک کی معاشی ترقی میں اپنا تفویض شدہ کردار ادا کرتی رہے گی۔

STATISTICAL INFORMATION

(Rs. in million)

	2013	2014	2015	2016	2017
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	1,200.0	3,150.0	2,705.0	3,950.0	4,060.0
Lease Finance	-	70.0	-	20.0	-
Short Term Finance	382.7	550.4	450.0	970.0	619.5
Direct Equity/Investement/Placement	250.0	-	-	330.0	250.0
Gross Funded (a)	1,832.7	3,770.4	3,155.0	5,270.0	4,929.5
Withdrawals (b)	500.0	450.0	300.0	200.9	75.0
Net Funded (c)	1,332.7	3,320.4	2,855.0	5,069.1	4,854.5
Non-Funded:					
Underwriting of Shares	-	300.0	-	-	730.0
Guarantees	-	850.0	-	350.0	100.0
Gross Non-Funded (d)	-	1,150.0	-	350.0	830.0
Withdrawals (e)	-	500.0	-	-	100.0
Net Non-Funded (f)	-	650.0	-	350.0	730.0
Gross (Funded & Non-Funded) (a+d)	1,832.7	4,920.4	3,155.0	5,620.0	5,759.5
Withdrawals (b+e)	500.0	950.0	300.0	200.9	175.0
Net (Funded & Non-Funded) (c+f)	1,332.7	3,970.4	2,855.0	5,419.1	5,584.5

Net-Financing and Investment Approved: Cumulative as on December 31, 2017

	(Rs. in million)	As Percentage of Funded	As Percentage of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	42,215.2	60.93	55.22
Lease Finance	1,945.8	2.81	2.54
Short Term Finance	18,439.2	26.61	24.12
Direct Equity/Investement/Placement	6,684.2	9.65	8.74
Gross Funded (a)	69,284.4	100.00	90.62
Withdrawals (b)	3,108.6		
Net Funded (c)	66,175.8		
		As Percentage of Non-Funded	
Non-Funded:			
Underwriting of Shares	3,846.0	53.64	5.03
Guarantees	3,324.4	46.36	4.35
Gross Non-Funded (d)	7,170.4	100.00	9.38
Withdrawals (e)	810.7		
Net Non-Funded (f)	6,359.7		
Gross Cumulative (Funded & Non-Funded) (a+d)	76,454.8		100.00
Cumulative Withdrawals (b+e)	3,919.3		
Net Cumulative (Funded & Non-Funded) (c+f)	72,535.5		

(Rs. in million)

	2013	2014	2015	2016	2017	Since Inception to December 31, 2017
Disbursement: By Type of Assistance						
Long Term Finance/TFCs	791.0	2,309.0	2,275.0	3,177.2	2,975.2	37,602.5
Lease Finance	–	70.0	–	–	20.0	1,833.3
Short Term Finance	267.6	452.5	750.0	744.5	845.0	17,139.3
Direct Equity/Investment/Placement	250.0	–	–	–	330.0	2,407.4
Investment in Associated Company	–	–	–	–	–	4,030.6
Share taken up against underwriting	–	–	–	–	477.0	840.4
Total	**1,308.6**	**2,831.5**	**3,025.0**	**3,921.7**	**4,647.2**	**63,853.5**

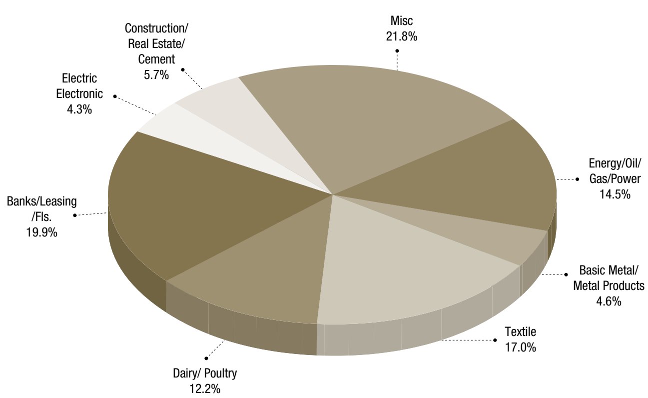
Net Financing and Investment Approved*: Sector Exposure

	2017			Since Inception to December 31, 2017		
Sector	No.	Amount	%	No.	Amount	%
Financial Services	6	995.0	20.50	175	11,541.5	17.44
Power/Oil & Gas	2	920.0	18.95	74	8,353.3	12.62
Manufacturing	7	1,944.5	40.05	583	37,826.9	57.16
Services	4	995.0	20.50	71	8,454.1	12.78
Total	**19**	**4,854.5**	**100.00**	**903**	**66,175.8**	**100.00**

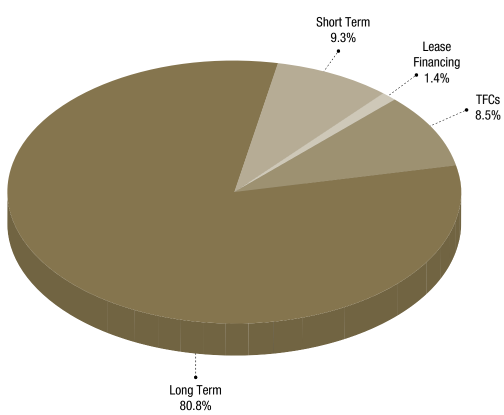
*Excluding underwriting and guarantees

Position as on December 31, 2017

Sector Wise Exposure



Mode Wise Exposure



STATEMENT OF COMPLIANCE WITH CODE OF **CORPORATE GOVERNANCE**

The statement is being presented to comply with the Code of Corporate Governance framed by the Securities and Exchange Commission of Pakistan, 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, 2017 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. No causal vacancy occurred on the Board during the year ended December 31, 2017.

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. All six directors have obtained relevant training.

10. On retirement of CFO in August 2017 the interim charge was assigned to Mr. Khawar Ashfaq, SVP Finance by the management with the endorsements of the Board till the appointment of the full time CFO including his remuneration and terms and conditions of employment with the approval of the Board.

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

Islamabad:
March 29, 2018

Chairman

STATEMENT ON
INTERNAL CONTROLS

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.

The Company has made efforts during the year 2017 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 of the risk exposure, the control activities are being closely and regularly 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. During the year, some observations and weaknesses were identified which were accordingly reported by the Internal Audit Function along with the suitable recommendations. Subsequently, the Management took necessary steps to rectify such observations. 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.

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 of the Company has adopted an internationally accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan (SBP). 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. Saudi Pak submitted Annual Assessment Report on ICFR to SBP for the year ended December 31, 2016, endorsed by the Audit Committee of the Board, on March 28, 2017. Annual Assessment Report on ICFR for the year ended December 31, 2017 is to be submitted to SBP at the latest by March 31, 2018 as per OSED Circular No. 01 dated February 07, 2014.

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

For and on behalf of the
Board of Directors

Islamabad:
March 29, 2018

Chairman

A·F·FERGUSON&Co.

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, 2017 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 tthat 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 qompany'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 lo 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, 2017.

Afferguson + Co.

Chartered Accountants
Islamabad: March 29, 2018
Engagement partner: S. Haider Abbas

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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SAUDI PAK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

STANDALONE

pwc

A·F·FERGUSON&Co.

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, 2017 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 responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion;

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 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 (XVIII of 1980).

Emphasis of Matter

We draw attention to note 20.4 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.

Affergusont co.

Chartered Accountants
Islamabad: March 29, 2018
Engagement partner: S. Haider Abbas

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Cash and balances with treasury banks	7	40,303,180	34,289,134
Balances with other banks	8	123,073,428	116,131,516
Lendings to financial institutions	9	–	340,000,000
Investments	10	9,468,147,212	11,349,103,494
Advances	11	8,457,894,406	8,256,263,088
Operating fixed assets	12	2,518,447,287	2,625,410,263
Deferred tax assets	16	–	–
Other assets	13	1,558,819,473	1,610,549,972
		22,166,684,986	24,331,747,467
LIABILITIES			
Bills payable		–	–
Borrowings	14	9,076,845,649	10,717,907,824
Deposits and other accounts	15	7,500,000	131,399,425
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	16	651,353,904	857,778,189
Other liabilities	17	225,559,300	238,722,007
		9,961,258,853	11,945,807,445
NET ASSETS		12,205,426,133	12,385,940,022
REPRESENTED BY			
Share capital	18	6,600,000,000	6,600,000,000
Reserve fund		926,690,686	801,227,124
General reserve		358,662,940	358,662,940
Unappropriated profit		2,746,287,226	2,160,685,872
		10,631,640,852	9,920,575,936
Surplus on revaluation of assets - net of tax	19	1,573,785,281	2,465,364,086
		12,205,426,133	12,385,940,022
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, 2017

	Note	2017 Rupees	2016 Rupees
Mark-up / return / interest earned	21	1,230,375,491	1,334,803,137
Mark-up / return / interest expensed	22	487,320,631	500,787,199
Net mark-up / interest income		743,054,860	834,015,938
(Reversals)/ Provision against non-performing loans and advances - net	11.3.1	(84,269,333)	112,632,951
Provision for diminution in the value of investments - net	23	322,874,872	154,449,144
Bad debts written off directly		–	–
		238,605,539	267,082,095
Net mark-up / interest income after provisions		504,449,321	566,933,843
Non mark-up / interest income			
Fee, commission and brokerage income		32,353,740	13,998,496
Dividend income		219,218,714	124,633,826
Gain/ (loss) from dealing in foreign currencies		818,933	(4,210)
Gain on sale of securities - net	24	336,618,315	436,402,149
Unrealized (loss)/ gain on revaluation of investments classified as held for trading		(3,371,084)	3,608,666
Other income	25	131,607,907	146,392,289
Total non mark-up / interest income		717,246,525	725,031,216
Non mark-up / interest expenses			
Administrative expenses	26	361,785,071	344,482,391
Other (reversals) / provisions	27	–	(15,368,898)
Other charges	28	–	–
Total non-markup / interest expenses		361,785,071	329,113,493
Extraordinary / unusual items		–	–
Profit before taxation		859,910,775	962,851,566
Taxation - current		288,424,434	251,860,519
- prior years'		43,895,747	69,763,310
- deferred		(99,727,218)	165,115,110
	29	232,592,963	486,738,939
Profit after taxation		627,317,812	476,112,627
Unappropriated profit brought forward		2,160,685,872	1,715,039,059
Profit available for appropriation		2,788,003,684	2,191,151,686
Basic earning per share	30	0.950	0.721

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, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	627,317,812	476,112,627
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement loss of defined benefit plan	(1,768,515)	(3,769,149)
Related deferred tax impact on remeasurement loss	530,555	1,130,745
Remeasurement loss of defined benefit plan - net of tax	(1,237,960)	(2,638,404)
Imapct of prior year deferred tax	2,237,458	(2,074,075)
	999,498	(4,712,479)
Comprehensive income - transferred to statement of changes in equity	628,317,310	471,400,148
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale securities	(912,760,255)	(14,173,116)
Related deferred tax impact	100,035,012	4,251,935
	(812,725,243)	(9,921,181)
Reversal of deferred tax liability - prior year	–	182,019,682
	(812,725,243)	172,098,501
Total comprehensive income for the year	(184,407,933)	643,498,649

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, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		859,910,775	962,851,566
Less: dividend income		(219,218,714)	(124,633,826)
		640,692,061	838,217,740
Adjustments:			
Depreciation / amortization		137,002,582	136,440,286
Provision against non-performing advances		(84,269,333)	112,632,951
Provision for diminution in the value of investments		322,874,872	154,449,144
Other (reversals) / provisions		–	(15,368,898)
Loss on disposal of property and equipment		12,601,472	407,754
Gain on disposal of non banking assets		–	(29,234,973)
Provision for gratuity		5,052,794	4,006,460
Provision for compensated absences		2,576,945	3,018,458
Unrealized loss/ (gain) on revaluation investments classified as held for trading		3,371,084	(3,608,666)
		399,210,416	362,742,516
		1,039,902,477	1,200,960,256
(Increase) / decrease in operating assets			
Lendings to financial institutions		340,000,000	(160,000,000)
Advances		(117,361,985)	(1,693,941,636)
Other assets		100,408,152	198,886,547
		323,046,167	(1,655,055,089)
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(1,641,062,175)	(1,292,545,088)
Deposits		(123,899,425)	124,399,425
Other liabilities		(12,712,024)	7,468,815
		(1,777,673,624)	(1,160,676,848)
Net cash flow from operating activities		(414,724,980)	(1,614,771,681)
Payment to defined benefit plan		(9,848,935)	(3,960,625)
Income tax paid		(342,140,936)	(432,656,262)
Excise duty paid		–	(40,562,000)
		(351,989,871)	(477,178,887)
Net cash flow from operating activities		(766,714,851)	(2,091,950,568)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in available-for-sale securities - net		932,831,310	977,239,167
Investment in held-for-trading securities		52,051,666	(63,640,333)
Investment in held-to-maturity securities		(342,932,905)	274,525,196
Dividend received		177,582,724	117,383,826
Investment in operating fixed assets		(43,622,797)	(23,446,092)
Sale proceeds from disposal of property and equipment		3,760,811	2,931,587
Sale proceeds from disposal of non banking assets		–	134,500,000
Net cash generated from investing activities		779,670,809	1,419,493,351
CASH FLOW FROM FINANCING ACTIVITIES		–	–
Increase/ (decrease) in cash and cash equivalents		12,955,958	(672,457,217)
Cash and cash equivalents at beginning of the year		150,420,650	822,877,867
Cash and cash equivalents at end of the year	31	163,376,608	150,420,650

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, 2017

	Share capital	Reserve fund*	General reserve Rupees	Unappropriated profit	Total
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 January 1, 2017	6,600,000,000	801,227,124	358,662,940	2,160,685,872	9,920,575,936
Total comprehensive income for the year ended December 31, 2017					
Net profit for the year ended December 31, 2017	–	–	–	627,317,812	627,317,812
Other comprehensive income related to equity	–	–	–	999,498	999,498
Transfer to reserve fund	–	125,463,562	–	(125,463,562)	–
Transferred from surplus on revaluation of operating fixed assets - net	–	–	–	82,747,606	82,747,606
Balance as at December 31, 2017	6,600,000,000	926,690,686	358,662,940	2,746,287,226	10,631,640,852

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

Chief Executive | Director | Director | Chairman

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 to 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 Company is a Development Financial Institution (DFI) and principally engaged in investment 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 repealed 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 repealed Companies Ordinance 1984, provisions of and directives issued under the repealed 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 repealed 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.

3.3 The Companies Act, 2017 was enacted on May 30, 2017 and the Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 of 2017 dated October 04, 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 12	Disclosure of interests in other entities (Amendments)	January 1, 2017
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 7	Statement of cashflows (Amendments)	January 1, 2017

b) Following standards has been issued by the International Accounting Standards Board (IASB), which is 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 early 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 (Amendments)	January 1, 2018
IFRS 9	Financial Instruments	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 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 equals 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 6.3)
ii) Provision against investments (note 6.3), advances (note 6.4) and other assets
iii) Valuation and impairment of available for sale securities - note 6.3(b)
iv) Valuation and useful life of operating fixed assets - note 6.6
v) Taxation - note 6.9
vi) Present value of staff retirement benefits - note 6.10

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

6.2 Sale and repurchase agreements

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

6.3 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) 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.

Investments in other unquoted securities are valued at cost less impairment losses, if any.

(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.

6.4 Advances

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

6.5 Net investment in finance lease

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

6.6 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.

6.7 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. 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.These assets are depreciated as per Company's policy.

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 substantively 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.

- 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. 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.

- 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 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	2017 Rupees	2016 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		265,251	238,060
With State Bank of Pakistan in			
Local currency current accounts	7.1	40,037,929	34,051,074
		40,303,180	34,289,134

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

	Note	2017 Rupees	2016 Rupees
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		3,631,571	16,184,836
On deposit accounts			
– local currency (profit and loss savings account)	8.1	103,299,978	82,763,844
– foreign currency	8.2	16,141,879	17,182,836
		123,073,428	116,131,516

8.1 These deposit accounts carry markup at the rates ranging from 3.75% to 4.00% per annum (2016: 3.75% to 4.00% per annum).

8.2 These deposit accounts carry interest at the rate of 0.25% per annum (2016: 0.25% per annum).

	Note	2017 Rupees	2016 Rupees
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreements lendings (reverse repo)	9.1	–	340,000,000
		–	340,000,000

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

	2017 Rupees	2016 Rupees
9.2 Particulars of lendings		
In local currency	–	340,000,000
	–	340,000,000

9.3 Securities held as collateral against lendings to financial institutions

		2017			2016		
	Note	Held by the company	Further as collateral Rupees	Total	Held by the company	Further as collateral Rupees	Total
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, 2017 is Nil (2016: Rs. 343,901,500).

10. INVESTMENTS

10.1 Investment by types:

	Note	2017 Held by the company	2017 Given as collateral	2017 Total	2016 Held by the company	2016 Given as collateral	2016 Total
			Rupees			Rupees	
Held for trading securities (HFT)							
Quoted shares		15,197,333	–	15,197,333	63,640,333	–	63,640,333
Available for sale securities (AFS)							
Pakistan Investment Bonds (PIBs)		987,827,349	–	987,827,349	2,679,664,033	5,269,482,367	7,949,146,400
Market Treasury Bills		2,624,726,264	1,929,936,155	4,554,662,419	296,933,100	–	296,933,100
Quoted shares		3,064,581,661	–	3,064,581,661	1,623,809,439	–	1,623,809,439
Term Finance Certificates (TFCs)		106,497,841	–	106,497,841	106,511,641	–	106,511,641
Un-quoted securities		786,333,048	–	786,333,048	456,333,048	–	456,333,048
	10.2	7,569,966,163	1,929,936,155	9,499,902,318	5,163,251,261	5,269,482,367	10,432,733,628
Held to maturity securities (HTM)							
Term Finance Certificates (TFCs)		874,522,831	–	874,522,831	531,589,926	–	531,589,926
Subsidiaries							
Saudi Pak Real Estate Company Limited	10.1.1	500,000,000	–	500,000,000	500,000,000	–	500,000,000
Investment in associates							
Saudi Pak Leasing Company Limited							
- Investment in shares		243,467,574	–	243,467,574	243,467,574	–	243,467,574
- Investment in preference shares		333,208,501	–	333,208,501	333,208,501	–	333,208,501
		576,676,075	–	576,676,075	576,676,075	–	576,676,075
Investment at cost		9,536,362,402	1,929,936,155	11,466,298,557	6,835,157,595	5,269,482,367	12,104,639,962
Provision for diminution in value of investments	10.2.1	(1,936,881,548)	–	(1,936,881,548)	(1,614,006,676)	–	(1,614,006,676)
Investments (net of provisions)		7,599,480,854	1,929,936,155	9,529,417,009	5,221,150,919	5,269,482,367	10,490,633,286
(Deficit)/ surplus on revaluation of AFS securities	19	(57,898,713)	–	(57,898,713)	854,861,542	–	854,861,542
(Deficit)/ surplus on revaluation of HFT securities	10.7	(3,371,084)	–	(3,371,084)	3,608,666	–	3,608,666
Total investments		7,538,211,057	1,929,936,155	9,468,147,212	6,079,621,127	5,269,482,367	11,349,103,494

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. 13.56(2016: Rs. 13.48) per share on the basis of latest available audited financial statements.

		Note	2017 Rupees	2016 Rupees
10.2	**Investment by segments**			
	Federal Government securities	10.2.3		
	- Pakistan Investment Bonds (PIBs)		987,827,349	7,949,146,400
	- Market Treasury Bills		4,554,662,419	296,933,100
			5,542,489,768	8,246,079,500
	Fully paid up ordinary shares			
	- Listed securities	10.3	3,323,246,568	1,930,917,346
	- Unquoted securities	10.4	1,286,333,048	956,333,048
			4,609,579,616	2,887,250,394
	Term Finance Certificates (TFCs)	10.5		
	- Listed TFCs		208,803,984	208,817,784
	- Unlisted TFCs		772,216,688	429,283,783
			981,020,672	638,101,567
	Other investments			
	Investment in preference shares		333,208,501	333,208,501
	Total investment at cost		11,466,298,557	12,104,639,962
	Provision for diminution in value of investments	10.2.1	(1,936,881,548)	(1,614,006,676)
	Investments (net of provisions)		9,529,417,009	10,490,633,286
	(Deficit)/ surplus on revaluation of available for sale securities (AFS)		(57,898,713)	854,861,542
	(Deficit)/ surplus on revaluation of held for trading securities (HFT)	10.7	(3,371,084)	3,608,666
	Total investments at market value		9,468,147,212	11,349,103,494
10.2.1	**Particulars of provision for diminution in value of investments**			
	Opening balance		1,614,006,676	1,459,557,532
	Charge for the year		482,749,904	180,477,222
	Reversals for the year		(159,875,032)	(26,028,078)
			322,874,872	154,449,144
	Closing balance	10.2.2	1,936,881,548	1,614,006,676
10.2.2	**Particulars of provision in respect of type and segments**			
	Available for sale (AFS) securities			
	Impairment on quoted securities		620,677,019	137,927,115
	Un-quoted securities		273,833,040	358,208,040
	Term Finance Certificates (TFCs)		77,105,520	77,105,520
	Held to maturity (HTM) securities			
	Term Finance Certificates (TFCs)		388,589,894	464,089,926
	Associate			
	Fully paid ordinary shares		243,467,574	243,467,574
	Preference shares		333,208,501	333,208,501
			1,936,881,548	1,614,006,676

10.2.3 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal payment	Rate	Coupon payment
Pakistan Investment Bonds	July 2019	On maturity	11.50%	semi-annually
Market Treasury Bills	February 2018 to March 2018	On maturity	5.98% - 5.99%	at maturity

10.3 Investment in fully paid up ordinary shares-listed

Number of ordinary share 2017	Number of ordinary share 2016	Average cost Per share Rupees	Name of companies	2017 Rupees	2016 Rupees
Available for sale securities (Quoted)					
1,000,000	500,000	70.98	Adamjee Insurance Company Limited	70,975,035	29,740,906
3,346,506	3,346,506	35.00	Agritech Limited	117,127,705	117,127,705
2,000,000	500,000	21.24	Askari Bank Limited	42,485,274	11,853,735
–	500,000	–	Bank Al-Falah Limited	–	16,556,770
42,751,675	–	12.17	Bank of Punjab Limited	520,085,880	–
283,000	300,000	194.95	Bestway Cement Company Limited	55,170,368	58,484,490
400,000	250,000	132.04	Cherat Cement limited	52,814,303	21,459,800
500,000	500,000	21.23	Crescent Textile	10,613,613	10,613,613
750,000	500,000	123.81	Dawood Hercules	92,860,675	63,020,676
150,000	100,000	334.82	Engro Corporation Limited	50,222,691	28,499,033
1,000,000	1,000,000	60.25	Engro Fertilizer Limited	60,246,542	66,303,329
600,000	250,000	112.95	Engro Foods Limited	67,767,112	36,762,086
1,000,000	1,000,000	31.92	Fatima Fertilizer Company Limited	31,920,017	31,920,017
2,000,000	1,500,000	33.05	Fauji Cement Company Limited	66,099,392	52,355,722
2,000,000	1,000,000	90.32	Fauji Fertilizer Company Limited	180,637,433	91,571,141
1,398,500	1,500,000	41.48	Fauji Fertilizer Bin Qasim Limited	58,011,223	55,496,315
500,000	–	115.57	Fecto Cement Limited	57,784,830	–
5,600,000	5,000,000	11.66	Golden Arrow Selected Stocks Fund Limited	65,323,206	56,531,513
–	250,000	–	Hascol Petroleum Limited	–	82,932,257
1,500,000	1,000,000	113.04	The Hub Power Company Limited	169,558,255	99,594,817
7,765,963	7,765,963	4.15	Japan Power Generation Limited	32,213,214	32,213,214
1,000,000	500,000	43.99	Kohinoor Energy Limited	43,985,184	22,477,250
450,000	500,000	20.18	Kohinoor Mills Limited	9,080,734	10,089,705
1,000,000	1,000,000	23.82	Kohinoor Spinning Mills Limited	23,821,380	23,821,380
2,925,000	1,500,000	73.87	Kott Addu Power Company Limited	216,084,258	113,250,026
300,000	100,000	233.84	MCB Bank Limited	70,151,983	23,211,223
2,000,000	500,000	63.62	National Bank of Pakistan	127,244,415	36,434,634
3,000,000	2,500,000	43.05	Nishat Chunian Power Limited	129,164,962	100,429,772
1,000,000	500,000	56.86	Nishat (Chunian) Limited	56,856,936	19,371,328
2,000,000	2,000,000	45.58	Nishat Power Limited	91,155,803	91,155,803
–	200,000	–	Oil & Gas Development Company Limited	–	31,404,069
3,500,000	2,000,000	23.61	Pakistan International Bulk Terminal Limited	82,633,905	61,262,602
503,400	–	385.04	Pakistan State Oil Limited	193,830,339	–
2,000,000	1,000,000	16.09	Pakistan Telecommunication Company Limited	32,178,000	17,171,838
–	250,000	–	Pakistan Petroleum Limited	–	40,197,324
–	1,500,000	–	Pak Elektron Limited	–	100,580,065
1,006,500	–	38.22	PICIC Growth Fund Limited	38,473,211	–
2,005,000	–	16.58	PICIC Investment Fund Limited	33,234,031	–
100,000	100,000	44.22	Security Papers Limited	4,421,702	4,421,702
10,000,000	–	1.88	Silkbank Limited	18,766,570	–
500,000	–	18.25	Soneri Bank Limited	9,126,458	–
2,000,000	1,500,000	21.06	Standard Chartered Bank (Pakistan) Limited	42,122,254	29,133,913
1,000,000	–	40.33	Sui Southeren Gas Limited	40,332,769	–
				3,064,581,662	1,687,449,773

Number of ordinary share 2017	2016	Average cost Per share Rupees	Name of companies	2017 Rupees	2016 Rupees
Held for trading securities (HFT)					
125,000	–	121.58	Sui Northern Gas Limited	15,197,333	–
Investment in associates					
15,835,403	15,835,403	15.37	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
				3,323,246,568	1,930,917,346

10.4 Investment in fully paid up shares – unquoted

	2017 Number of Shares	2017 Total paid up Value	2016 Number of Shares	2016 Total paid up Value	Name of chief Executive / Status
Unquoted securities					
Ali Paper Board Industries Limited	571,000	5,710,000	571,000	5,710,000	Under Liquidation
Saudi Pak Kalabagh Livestock Company Limited	1,000,000	10,000,000	1,000,000	10,000,000	Under Liquidation
Bela Chemical Industries Limited	650,000	6,500,000	650,000	6,500,000	Under Liquidation
Fruit Sap Limited	400,000	4,000,000	400,000	4,000,000	Under Liquidation
Taurus Securities Limited	1,125,000	11,250,000	1,125,000	11,250,000	Syed Zain Hussain
Pakistan Textile City Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. M Hanif Kasbati
Alhamra Hills Private Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. Habib Ahmed
Pak Kuwait Takaful Company	4,000,000	40,000,000	4,000,000	40,000,000	Mr. Aziz Kapadia
Al Hamra Avenue Private Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. Habib Ahmed
Pace Barka Properties Limited	16,875,000	168,750,000	16,875,000	168,750,000	Ms. Asma Taseer
Innovative Investment Bank Limited	3,762,304	37,623,048	3,762,304	37,623,048	Under Liquidation
Trust Investment Bank Limited	2,000,000	20,000,000	2,000,000	20,000,000	Mr Ahsan Rafique
Pakistan Gas Port Consortium Limited	33,000,000	330,000,000	–	–	Mr. Fasih Uddin Ahmed
ISE Towers - REIT Management Company Limited	3,034,603	2,500,000	3,034,603	2,500,000	Mian Ayaz Afzal
		786,333,048		456,333,048	
Subsidiary					
Saudi Pak Real Estate Limited	50,000,000	500,000,000	50,000,000	500,000,000	Ms. Parveen A-Malik
		1,286,333,048		956,333,048	

10.5 Investment in term finance certificates – listed

Number of certificate 2017 Rupees	2016 Rupees	Company's name	Redeemable value per certificate Rupees	2017 Rupees	2016 Rupees
Listed					
44,149	44,149	Azgard Nine Limited	2,801	136,614,140	136,614,140
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
6,000	6,000	Summit Bank Limited	4,802	29,392,321	29,406,121
Book value as on December 31				208,803,984	208,817,784

These carry return at the rates ranging from 7.66% to 9.68% (2016: 7.66% to 9.31%) per annum and having maturity period till 2021.

Number of certificate 2017 Rupees	2016 Rupees	Company's name	Redeemable value per certificate Rupees	2017 Rupees	2016 Rupees
Unlisted					
18,000	18,000	Amtex Limited (Sukuk)	3,750	67,500,000	67,500,000
		(Chief Executive: Mr. Khurram Iftikhar)			
10,000	10,000	B.R.R Guardian Modaraba	1,824	–	18,238,132
		(Chief Executive: Mr. Ayaz Dawood)			
7,263	7,263	Agritech Limited	5,000	57,257,340	57,257,340
		(Chief Executive: Mr. Faisal Muzammil)			
50,000	50,000	Agritech Limited	5,000	229,026,411	229,026,411
		(Chief Executive: Mr. Faisal Muzammil)			
60,000	–	Silk Bank Limited	5,000	300,000,000	–
		(Chief Executive: Mr. Azmat Tarin)			
18,000	–	U Microfinance Bank Limited	5,000	90,000,000	–
		(Chief Executive: Syed Umer Viqar)			
30,000	30,000	Sitara Peroxide Limited	948	28,432,937	57,261,900
		(Chief Executive: Mr. Imran Ghafoor)			
Book value as on December 31				772,216,688	429,283,783
				981,020,672	638,101,567

These carry return at the rates ranging from 6.25% to 9.64% (2016: 6.24% to 11%) per annum and having maturity period till 2025.

10.5.1 Investment in term finance certificates (TFCs) includes Rs. 533.195 million (2016: Rs. 608.695 million) which has been placed under non-performing status as detailed below:-

	2017		
	Classified investment	Specific provision required	Specific provision held
		Rupees	
Category of classification of TFCs			
Substandard	–	–	–
Doubtful	–	–	–
Loss	533,195,414	465,695,414	465,695,414
	533,195,414	465,695,414	465,695,414

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

10.6 Quality of available for sale securities

	Note	2017 Rating	2017 Market value Rupees	2016 Rating	2016 Market value Rupees
Market Treasury Bills	10.6.1	unrated	4,554,573,399	unrated	297,045,600
Pakistan Investment Bonds	10.6.1	unrated	1,073,817,001	unrated	8,435,015,650
Fully paid up ordinary shares	10.6.2				
Adamjee Insurance Company Limited		A+	51,970,000	AA+	37,070,000
Agritech Limited		unrated	16,297,484	unrated	133,793,301
Askari Bank Limited		AA+/A-1+	38,620,000	AA+/A-1+	12,475,000
Bank Alfalah Limited		–	–	AA/A-1+	18,980,000
Bank of Punjab Limited		AA/A1+	352,273,803	–	–
Bestway Cement Company Limited		AA-/A1+	39,240,780	AA-	82,773,000
Cherat Cement		A/A1	44,364,000	A/A-1	43,510,000
Crescent Textile Mills Limited		unrated	14,925,000	unrated	13,749,993
Dawood Hercules		AA	83,910,000	AA-/A-1+	72,165,000
Engro Corporation Limited		AA/A1+	41,212,500	–	–
Engro Fertilizer Limited		AA-/A1+	67,720,000	AA-/A1+	67,980,000
Engro Foods		unrated	48,186,000	unrated	47,985,000
Fauji Cement Company Limited		unrated	50,020,000	unrated	67,620,000
Fatima Fertilizer Company Limited		A-/A2	30,880,000	AA-/A1+	36,890,000
Fauji Fertilizer Bin Qasim Limited		unrated	49,702,690	unrated	76,815,000
Fauji Fertilizer Company Limited		AA/A1+	158,220,000	AA/A1+	104,370,000
Fecto Cement Limited		unrated	24,975,000	–	–
Golden Arrow Selected Stocks Fund Limited		4 Star/ 4 Star	51,464,000	4 Star/ 4 Star	69,450,000
Hascol Petroleum Limited		–	–	A+/A-1	84,380,000
Hub Power Company Limited		AA+/A1+	136,500,000	AA+/A1+	123,480,000
Japan Power Generation Limited		unrated	14,755,330	unrated	71,917,691
Kohinoor Energy Limited		AA+/A1+	40,500,000	AA/A1+	21,500,000
Kohinoor Mills Limited		unrated	15,295,500	unrated	20,250,000
Kohinoor Spinning Mills Limited		unrated	3,160,000	unrated	24,911,558
Kot Addu Power Company Limited		AA+/A-1+	157,657,500	AA+/A1+	118,200,000
MCB Bank Limited		AAA/A1+	63,696,000	AAA/A1+	23,782,000
National Bank of Pakistan		AAA/A1+	97,120,000	AAA/A1+	37,445,000
Nishat Power Limited		A+/A1	68,000,000	A+/A1	128,180,000
Nishat (Chunian) Limited		unrated	45,770,000	unrated	31,215,000
Nishat Chunian Power Limited		unrated	98,730,000	unrated	138,700,000
Oil and Gas Development Company Limited		–	–	AAA/A1+	33,070,000
Pakistan International Bulk Terminal Limited		unrated	52,325,000	unrated	65,980,000
Pakistan State Oil Limited		AA/A1+	147,551,574	–	–
Pakistan Telecommunication Company Limited		unrated	26,100,000	unrated	17,180,000
Pakistan Petroleum Limited		–	–	unrated	47,045,000
Pak Elektron Limited		–	–	A+/A1	71,280,000
PICIC Growth Fund Limited		unrated	28,534,275	–	–
PICIC Investment Fund Limited		unrated	26,766,750	–	–
Silkbank Limited		A-/A-2	15,800,000	–	–
Soneri Bank Limited		AA-/A1+	6,700,000	–	–
Standard Chartered Bank (Pakistan) Limited		AAA/A1+	47,700,000	AAA/A1+	37,875,000
Security Papers Limited		unrated	12,208,000	unrated	9,864,000
Sui Southeren Gas Limited		A+/A1	30,490,000	–	–
			2,299,341,186		1,991,881,543

	2017		2016	
	Rating	Marekt value Rupees	Rating	Market value Rupees
Term Finance Certificates				
Summit Bank Ltd	A-	30,156,432	A-	30,213,809
		7,957,888,018		10,754,156,602

10.6.1 These are Government of Pakistan guaranteed securities.

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

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

		Note	2017 Rupees	2016 Rupees
10.7	**Unrealized (loss)/ gain on revaluation of investments classified as held for trading**			
	Fully paid up ordinary shares of listed companies		(3,371,084)	3,608,666
11.	**ADVANCES**			
	In Pakistan		10,426,876,922	10,303,964,877
	Net investment in finance lease	11.2.1	157,162,746	162,712,806
	Advances – gross	11.1	10,584,039,668	10,466,677,683
	Provision for non-performing advances	11.3.1	(2,126,145,262)	(2,210,414,595)
	Advances – net of provision		8,457,894,406	8,256,263,088
11.1	**Particulars of advances - gross**			
11.1.1	In local currency		10,546,811,880	10,429,449,895
	In foreign currencies		37,227,788	37,227,788
			10,584,039,668	10,466,677,683
11.1.2	Long term advances (over one year)	11.1.3	9,472,155,894	9,269,226,792
	Short term advances (upto one year)	11.1.4	1,068,553,877	1,158,073,877
	Staff advances (long term)	11.4	43,329,897	39,377,014
			10,584,039,668	10,466,677,683

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% (2016: 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 8.67% to 9.17% (2016: 6.75% to 9.12%) per annum. These are secured by pledge of quoted shares, stocks and charge on receivable etc.

	Note	2017 Rupees	2016 Rupees
11.2 Net investment in finance lease			
Minimum lease payments receivables		231,485,870	235,864,646
Less: Unearned finance income		(74,323,124)	(73,151,840)
Present value of minimum lease payments	11.2.1	157,162,746	162,712,806
Less: Provision for potential lease losses		(139,055,744)	(139,055,744)
Net investment in lease		18,107,002	23,657,062

11.2.1 Net investment in finance lease

	2017		
	Not later than one year	Later than one and less than five year	Total
		Rupees	
Minimum lease payments receivable	220,066,002	11,419,868	231,485,870
Less: Unearned finance income	(73,519,700)	(803,424)	(74,323,124)
Present value of minimum lease payments	146,546,302	10,616,444	157,162,746

	2016		
	Not later than one year	Later than one and less than five year	Total
		Rupees	
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

11.3 Advances include Rs. 2,592,936,886 (2016: Rs. 2,796,201,699) which have been placed under non-performing status as detailed below:-

	2017		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	–	–	–
Doubtful	76,667,165	38,333,583	38,333,583
Loss	2,516,269,721	2,087,811,679	2,087,811,679
	2,592,936,886	2,126,145,262	2,126,145,262

	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

		Note	2017 Rupees	2016 Rupees
11.3.1	**Particulars of provisions against non-performing advances**			
	Opening balance		2,210,414,595	2,099,189,893
	Charge for the year		92,829,063	196,940,492
	Reversals		(177,098,396)	(84,307,541)
			(84,269,333)	112,632,951
	Amounts written off	11.3.2	–	(1,408,249)
	Closing balance		2,126,145,262	2,210,414,595

11.3.1.1 The net FSV benefit already availed has been increased by Rs. 82.524 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. 82.524 million (2016: Rs. 73.199 million) and Rs. 57.767 million (2016: Rs. 50.506 million) respectively. Further, at December 31, 2017, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 299.921 million (December 31, 2016: Rs. 238.694 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.

		2017 Rupees	2016 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, 2017 is given at Annexure I.

		Note	2017 Rupees	2016 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		39,377,014	40,581,722
	Loans granted during the year		18,798,623	14,306,681
	Repayments during the year		(14,845,740)	(15,511,389)
	Closing balance		43,329,897	39,377,014
12.	**OPERATING FIXED ASSETS**			
	Property and equipment	12.1	2,495,604,628	2,624,315,126
	Intangible assets	12.2	699,171	1,095,137
	Capital work-in-progress	12.5	22,143,488	–
			2,518,447,287	2,625,410,263

12.1 Property and equipment

	2017									
	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	–	41,724,000	1,330,776,000	1.50
Building - Islamabad	884,101,000	240,901	–	884,341,901	35,350,021	35,370,696	–	70,720,717	813,621,184	4
Building	24,440,000	–	–	24,440,000	977,597	977,597	–	1,955,194	22,484,806	4
Building - ISE towers, Islamabad	34,145,000	–	–	34,145,000	389,250	389,250	–	778,500	33,366,500	1.14
Heating and air conditioning	133,111,746	245,100	686,466	132,670,380	20,049,679	19,794,805	180,191	39,664,293	93,006,087	15
Elevators	60,820,000	537,680	18,267,504	43,090,176	9,122,996	9,136,432	5,480,244	12,779,184	30,310,992	15
Electrical fittings	146,930,001	794,439	–	147,724,440	22,574,967	22,024,408	–	44,599,375	103,125,065	15
Fire fighting equipment	2,780,446	5,750,200	44,837	8,485,809	412,194	957,634	11,763	1,358,065	7,127,744	15
Leasehold improvement	7,457,980	–	–	7,457,980	6,369,407	193,305	–	6,562,712	895,268	15
Motor vehicles	91,228,068	7,369,778	5,420,874	93,176,972	45,759,545	16,395,039	2,385,228	59,769,356	33,407,616	20
Furniture, fixture and fittings	14,907,543	2,078,932	146,586	16,839,889	14,154,426	452,460	146,560	14,460,326	2,379,563	20
Office equipment	45,325,155	3,245,962	–	48,571,117	36,830,982	4,685,400	–	41,516,382	7,054,735	33.33
Telephone installation	1,093,321	55,695	–	1,149,016	538,921	144,741	–	683,662	465,354	15
Electrical appliances	7,182,883	934,174	34,000	8,083,057	3,948,900	888,607	33,998	4,803,509	3,279,548	15
Loose tools	1,232,731	–	–	1,232,731	1,180,449	9,360	–	1,189,809	42,922	15
Miscellaneous	804,769	–	–	804,769	800,241	2,697	–	802,938	1,831	15
Security systems	8,778,027	–	–	8,778,027	1,290,089	1,316,645	–	2,606,734	6,171,293	15
	2,844,926,790	21,252,861	24,600,267	2,841,579,384	220,611,664	133,601,076	8,237,984	345,974,756	2,495,604,628	

	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	1.50
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. 86,537,542 (2016: Rs. 61,556,315).

12.2 Intangible assets

	2017									
	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing	Opening balance	For the balance	Disposals year	Closing balance	Net book value	Rate %
	Rupees									
Software and others	14,698,341	226,448	–	14,924,789	13,603,204	622,414	–	14,225,618	699,171	33.33

	2016									
	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing	Opening balance	For the balance	Disposals year	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. 12,972,267 (2016: Rs. 12,552,173).

12.3 Details of disposal of operating fixed assets

Particular of assets	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Fire fighting equipment						
Fire extinguisher DCP 6 kg (6 No.)	35,952	9,432	26,520	11,997	Auction	Zeeshan Ashraf
Wheel chair	8,885	2,331	6,554	500	Auction	Zeeshan Ashraf
	44,837	11,763	33,074	12,497		
Electrical appliances						
Orient 1 ton Split (2 No.)	34,000	33,998	2	4,000	Auction	Zeeshan Ashraf
Heating and air-conditioning						
Daikool Airconditioner Model DSW 1.5T (4 No.)	454,204	119,224	334,980	8,000	Auction	Zeeshan Ashraf
Daikool Airconditioner (2 No.)	232,262	60,967	171,295	4,000	Auction	Zeeshan Ashraf
	686,466	180,191	506,275	12,000		
Elevators						
Gold star (2 No.)	18,267,504	5,480,244	12,787,260	666,668	As per policy	Jeewajee Pvt Ltd
Furniture and fixture						
Furniture	146,586	146,560	26	30,000	Auction	Zeeshan Ashraf
Vehicles						
Suzuki cultus CZ-132	1,064,390	425,756	638,634	638,634	As per policy	Zafar Iqbal
Honda city AU-451	1,792,180	1,403,874	388,306	388,306	As per policy	Muhammad Tanweer
Honda civic VTI orial ACC-241	2,564,304	555,598	2,008,706	2,008,706	As per policy	Sheikh Aftab Ahmed
	5,420,874	2,385,228	3,035,646	3,035,646		
	24,600,267	8,237,984	16,362,283	3,760,811		

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

	Note	2017 Rupees	2016 Rupees
Rental income	25.1	111,134,113	111,083,855
Administrative expenses	26	23,089,377	22,577,339
		134,223,490	133,661,194

12.5 Capital work-in-progress

This represents advance paid to supplier for acquisition of elevators.

		Note	2017 Rupees	2016 Rupees
13.	**OTHER ASSETS**			
	Income / mark-up accrued in local currency	13.1	224,383,608	478,993,276
	Advances, deposits, advance rent and other prepayments		167,639,941	13,438,425
	Advance taxation (payments less provision)		880,568,481	870,747,726
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	13.2	245,671,722	248,450,814
	Dividend receivable		48,885,990	7,250,000
	Others		15,000,000	15,000,000
			1,660,967,637	1,712,698,136
	Provision against other assets	13.3	(102,148,164)	(102,148,164)
			1,558,819,473	1,610,549,972

13.1 This balance is net of interest in suspense account amounting to Rs. 1,072,656,913 (2016: Rs. 1,116,142,590).

		Note	2017 Rupees	2016 Rupees
13.2	**Non-banking assets acquired in satisfaction of claims**			
	Opening balance		248,450,814	356,494,933
	Disposals		–	(105,265,027)
	Depreciation		(2,779,092)	(2,779,092)
	Closing balance		245,671,722	248,450,814
13.3	**Provision against other assets**			
	Opening balance		102,148,164	117,517,062
	Reversal during the year		–	(15,368,898)
	Closing balance		102,148,164	102,148,164
14.	**BORROWINGS**			
	In Pakistan			
	Secured - Local currency			
	Borrowings from State Bank of Pakistan - long term financing facility (LTFF)	14.1	71,767,799	190,907,824
	Repurchase agreement borrowings	14.2	1,930,077,850	5,052,000,000
	Against book debts/receivables	14.3	4,975,000,000	3,875,000,000
	Morabaha finance	14.4	2,100,000,000	1,600,000,000
			9,076,845,649	10,717,907,824

14.1 These represent facilities obtained against State Bank Refinance schemes under LTFF. The mark up is charged at rate of 2.00% per annum (2016: 8.40% per annum). These facilities will mature during May 2018 to August 2024 (2016: June 2017 to June 2020).

14.2 These facilities are secured against government securities (T-Bills/ PIBs). These carry markup rates ranging from 5.83% to 5.95% (2016: 5.95% to 6.10%) per annum and will mature in January 2018 (2016: January 2017).

14.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 10,400 million (2016: Rs. 7,333.333 million). The mark up is charged at varying rates ranging from 6.29% to 6.61% per annum (2016: 6.19% to 6.55% per annum). These facilities will mature during May 2018 to December 2021 (2016: March 2017 to December 2021).

14.4 This represents morabaha finance arranged from an Islamic Bank. These carry markup rates ranging from 6.31% to 6.36% (2016: 6.21% to 6.25%) per annum. These will mature in February 2018 to June 2018 (2016: March 2017 to April 2017).

15. DEPOSITS AND OTHER ACCOUNTS

This represents certificate of investments issued to various institutions which carried mark up rate of 6.15% per annum (2016: 6.00% to 6.20% per annum) and is repayable in March 2018 (2016: February 2017 to May 2017). Deposits include Rs. 7,500,000 (2016: 12,500,000) due to related parties.

	Note	2017 Rupees	2016 Rupees
16. DEFERRED TAX LIABILITIES			
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		12,834,791	16,045,427
Surplus on revaluation of operating fixed assets		692,047,761	725,842,144
Non banking assets acquired in satisfaction of claims		–	1,788,585
Net investment in leases		33,656,734	37,440,794
Dividend receivable		6,939,149	–
		745,478,435	781,116,950
Deferred tax debits arising due to following deductible temporary differences:			
Actuarial loss on defined benefit plan		(3,898,758)	(1,130,745)
(Deficit)/ Surplus on revaluation of securities- HFT		(505,663)	541,300
(Deficit)/ Surplus on revaluation of securities- AFS		(16,905,885)	83,129,127
Provision for non banking assets acquired in satisfaction of claims		(4,523,839)	(4,523,839)
Impairment loss on available for sale quoted securities		(68,290,386)	(1,354,604)
		(94,124,531)	76,661,239
		651,353,904	857,778,189
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		49,074,344	56,831,445
Accrued expenses		36,895,339	34,120,276
Advance rental income	17.1	93,739,647	102,751,234
Payable to defined benefit plan	33.2	6,821,309	7,775,610
Provision for compensated absences	35	6,245,350	5,741,732
Directors' remuneration		3,205,008	3,145,485
Others		29,578,303	28,356,225
		225,559,300	238,722,007

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

2017	2016		2017	2016
Number of Share			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:

2017	2016		2017	2016
Number of Share			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	2017 Rupees	2016 Rupees
19. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets			
Surplus on revaluation		2,306,825,871	2,419,473,818
Related deferred tax		(692,047,762)	(725,842,147)
	19.1	1,614,778,109	1,693,631,671
Available for sale securities			
(Deficit) / surplus on revaluation		(57,898,713)	854,861,542
Related deferred tax		16,905,885	(83,129,127)
	19.2	(40,992,828)	771,732,415
		1,573,785,281	2,465,364,086
19.1 Surplus on revaluation of operating fixed assets			
Opening balance		2,419,473,818	2,519,850,128
Surplus realized on disposal of operating fixed - transferred to unappropriated profit		(12,980,143)	(675,922)
Transfer to unappropriated profit in respect of incremental depreciation charge during the year		(99,667,804)	(99,700,388)
Closing balance		2,306,825,871	2,419,473,818
Less: Related deferred tax liability on revaluation surplus			
Opening balance		(725,842,147)	(756,952,802)
Deferred tax on surplus recognised during the year		–	–
Deferred tax effect of surplus realized on disposal of fixed assets		3,894,044	203,535
Deferred tax on incremental depreciation transferred to unconsolidated profit and loss account		29,900,341	30,907,120
Closing balance		(692,047,762)	(725,842,147)
		1,614,778,109	1,693,631,671

		2017 Rupees	2016 Rupees
19.2	**(Deficit)/ Surplus on revaluation of available for sale securities**		
	Quoted securities	(144,563,456)	368,072,104
	Government securities	85,900,632	485,981,750
	Term Finance Certificates (TFCs)	764,111	807,688
		(57,898,713)	854,861,542
	Less: related deferred tax liability	16,905,885	(83,129,127)
	Surplus on revaluation of AFS securities - net of tax	(40,992,828)	771,732,415
20.	**CONTINGENCIES AND COMMITMENTS**		
20.1	**Direct credit substitutes**		
	Letter of comfort / guarantee	118,770,000	340,000,000
20.2	**Non disbursed commitment for term and working capital finance**	2,433,480,000	2,078,289,000
20.3	**Commitments for the acquisition of operating fixed assets**	21,560,060	6,447,656

20.4 Tax contingencies

The Company has filed income tax returns for and up to tax year 2017 (year ended December 31, 2016). 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 related to matters discussed below. 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.

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, 2010, 2012, 2013 and 2014 are under litigation before Islamabad High Court. Total outstanding demands in respect of tax years under litigation amounts to Rs 591.05 million. The Appellate Tribunal Inland Revenue Islamabad did not accept the Company's grounds of appeal in respect of tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. The Company has filed tax reference before the Islamabad High Court. Reference for the years 2004 to 2006 and 2008 to 2010 has been admitted for hearing.

For tax year 2012, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. The Company filed appeal before Commissioner Inland Revenue-Appeals (CIR-Appeals). CIR-Appeals upheld certain actions of the assessing officer and remanded back other issues to assessing officer. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of issues decided against the Company. ATIR decided in favor on the Company on certain expenses but decided against the Company on issue of non-performing loans. In this regard the Company filed reference before Islamabad High Court. The Additional Commissioner Inland Revenue passed an appeal effect order creating revised income tax demand of Rs. 68.4 million out of which the Company has paid Rs 16.8 million under protest. The Company has obtained stay from Appellate Tribunal Inland Revenue against the disputed demand.

For tax year 2013, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded back certain issues. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of issues decided against the Company. ATIR decided in favor on the Company on certain expenses but decided against the Company on issue of non-performing loans. In this regard the Company filed reference before Islamabad High Court and the Company has obtained stay thereagainst. No appeal effect has been received by the Company yet thus the outstanding demand at this stage is Nil.

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 back certain issues to assessing officer. The Officer Inland Revenue passed an appeal effect order creating demand of Rs 85.4 million. The Company has paid Rs. 62.5 million under protest. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR). ATIR remanded back certain issues to assessing officer but decided against the Company on issue of non-performing loans. In this regard the Company filed reference before Islamabad High Court and the Company obtained stay thereagainst. The Company has not received any new appeal effect order yet thus the outstanding demand at this stage is Nil.

ii) For tax year 2015, certain items were disallowed by Additional Commissioner Inland Revenue back. 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.

20.5 Other contingencies

(a) 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% suspended 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 in 2014. 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.

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

During 2014, the Company invited bids for the sale of a Farm House at Gadap Town and three other plots at DHA Karachi. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only three 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 properties, which was rejected. He felt aggrieved and filed the subject damages suit against the Company in the Sindh High Court in 2014. The suit is being contested by the Company vigorously. It is expected that suit will be dismissed after due process of law.

	Note	2017 Rupees	2016 Rupees
21. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		623,622,611	579,092,931
On investments in:			
Available for sale securities		552,623,256	735,465,075
Held to maturity securities		47,658,866	4,340,551
		600,282,122	739,805,626
On lendings to financial institutions		3,881,725	6,179,222
On deposit accounts		2,589,033	9,725,358
		1,230,375,491	1,334,803,137
22. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	22.1	8,786,799	3,564,612
Securities purchased under repurchase agreements		133,065,017	150,412,081
Other short term borrowings		136,465,161	161,387,483
Long term finance for export oriented projects from SBP		10,804,578	19,234,745
Long term borrowings		196,164,966	163,551,795
Brokerage fee		2,034,110	2,636,483
		487,320,631	500,787,199

22.1 This includes an amount of Rs. 739,948 (2016: Rs. 690,206) on account of mark-up / interest on deposits of related parties.

	Note	2017 Rupees	2016 Rupees
23. PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS - NET			
(Reversal)/ provision against term finance certificates (TFCs)		(75,500,032)	113,571,248
(Reversal)/ provision against unquoted investment		(84,375,000)	66,905,974
Impairment loss/ (reversal) on quoted securities		482,749,904	(26,028,078)
		322,874,872	154,449,144
24. GAIN ON SALE OF SECURITIES-NET			
Federal government securities			
Pakistan Investment Bonds		205,413,779	317,144,451
Shares - listed		131,204,536	119,257,698
		336,618,315	436,402,149
25. OTHER INCOME			
Rent on property - net	25.1	142,676,257	115,478,377
Net loss on disposal of operating fixed assets		(12,601,472)	(407,754)
Gain on disposal of non banking assets		–	29,234,973
Others	25.2	1,533,122	2,086,693
		131,607,907	146,392,289

		Note	2017 Rupees	2016 Rupees
25.1	**Rent on property - net**			
	Rental income		314,028,047	290,378,512
	Less: Operating expenses			
	Salaries, allowances and employee benefits	26.1	20,945,162	13,440,146
	Traveling and conveyance		240,702	23,000
	Medical		327,171	398,993
	Janitorial services		8,568,655	7,513,501
	Security services		20,805,152	20,831,729
	Insurance		1,152,901	1,662,867
	Postage, telegraph, telegram and telephone		42,838	58,398
	Printing and stationery		252,079	356,063
	Utilities		(663,475)	5,301,313
	Consultancy and professional charges		198,000	50,000
	Repairs and maintenance		5,491,079	11,009,433
	Rent, rates and taxes		2,122,652	2,464,397
	Depreciation	12.4	111,134,113	111,083,855
	Staff Training		29,000	–
	Office general expenses		705,761	706,440
			171,351,790	174,900,135
			142,676,257	115,478,377

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

		Note	2017 Rupees	2016 Rupees
26.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and employee benefits	26.1	207,070,710	192,853,569
	Non-executive directors' fees, allowances and other expenses		3,205,008	3,145,485
	Traveling and conveyance	26.2	27,891,563	27,349,418
	Vehicle running expenses		4,172,290	3,005,388
	Utilities		12,836,750	16,908,428
	Advertisement and publicity		1,933,951	2,631,066
	Postage, telegram, telephone and telex		7,404,779	6,974,151
	Printing, stationery and periodical		4,302,148	4,375,798
	Legal and professional charges		8,422,394	15,759,451
	Consultancy, custodial and rating services		17,034,889	11,818,283
	Auditor's remuneration	26.3	1,400,000	1,100,000
	Repair and maintenance		8,809,371	7,138,878
	Office and general expenses		26,713,114	21,430,694
	Bank charges		289,485	552,518
	Professional training		1,798,101	1,588,737
	Insurance		2,132,049	1,994,096
	Depreciation- fixed assets	12.4	23,089,377	22,577,339
	Depreciation- non banking assets	13.2	2,779,092	2,779,092
	Donations	26.4	500,000	500,000
			361,785,071	344,482,391

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

- Rs. 6.371 million (2016: Rs. 5.432 million) on account of employee provident fund expense;
- Rs. 5.052 million (2016: Rs. 4.006 million) on account of gratuity expense; and
- Rs. 2.577 million (2016: Rs. 3.018 million) on account of compensated absences expense.

26.2 This includes Rs. 16.928 million (2016: Rs. 19.740 million) in respect of travel costs paid to directors of the Company for attending Board / Board's committee meetings.

	2017 Rupees	2016 Rupees
26.3 Auditors' remuneration		
Audit fee	815,000	620,000
Half yearly review	455,000	350,000
Review of statement of compliance	30,000	30,000
Out of pocket expenses	100,000	100,000
	1,400,000	1,100,000

26.4 These represent donations given to Behbud Association of Pakistan for renovation work of building. 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**

Penalties imposed by State Bank of Pakistan are charged under this head. There was no such penalty during the year.

	Note	2017 Rupees	2016 Rupees
29. TAXATION			
For the year			
Current		288,424,434	251,860,519
Deferred		(99,727,218)	122,920,495
		188,697,216	374,781,014
For the prior year(s)			
Current		43,895,747	69,763,310
Deferred		–	42,194,615
	29.1	232,592,963	486,738,939

	2017 Rupees	2016 Rupees
29.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	859,910,775	962,851,566
Tax rate	30%	31%
Tax on accounting profit	257,973,233	298,483,985
Tax effect on income subject to lower rate of taxation	(17,707,019)	(119,650,067)
Impact of change in tax rate for prior year	–	193,023,536
Tax effect of prior years	43,895,747	69,763,310
Reversal of deferred tax asset for prior year	(1,788,585)	42,194,615
Permanent differences		
on reveral of provision against investment	(47,962,510)	–
expenses not claimable against rental income	(7,411,550)	(1,587,623)
Others	5,593,647	4,511,183
	232,592,963	486,738,939

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, 2017 the said levy has been extended to tax year 2017 also.

29.3 For tax related contingencies, refer to note 20.4.

		Note	2017 Rupees	2016 Rupees
30.	**BASIC EARNING PER SHARE**			
	Profit for the year - Rupees		627,317,812	476,112,627
	Weighted average number of ordinary shares - Number		660,000,000	660,000,000
	Basic earning per share - Rupees		0.950	0.721
31.	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks		40,303,180	34,289,134
	Balance with other banks		123,073,428	116,131,516
			163,376,608	150,420,650

		Note	2017 Number	2016 Number
32.	**STAFF STRENGTH**			
	Permanent		72	74
	Temporary/on contractual basis		5	3
	Company's own staff strength at the end of the year		77	77
	Outsourced	32.1	92	91
	Total staff strength		169	168

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, 2017 using the Projected unit cedit method. Detail of the defined benefit plan are:

		2017 Rupees	2016 Rupees
33.2	**The amounts recognized in the unconsolidated statement of financial position are as follows:**		
	Present value of defined benefit obligation	37,696,001	30,778,159
	Fair value of plan assets	(30,874,692)	(23,002,550)
	Net liability	6,821,309	7,775,609
33.3	**The amounts recognized in the unconsolidated profit and loss account are as follows:**		
	Current service cost	4,454,227	3,826,236
	Net interest expense	598,567	180,224
		5,052,794	4,006,460

		2017 Rupees	2016 Rupees
33.4	**The amounts recognized in other comprehensive income**		
	Actuarial loss due to:		
	Experience adjustment	1,866,424	2,850,937
	Investment return	(152,087)	1,095,246
	Actuariual gain due to change in financial assumptions	54,178	(177,034)
		1,768,515	3,769,149
33.5	**Actual return on plan assets**	2,076,533	1,102,905
33.6	**Movement in the net defined benefit liability**		
	Opening balance	7,775,609	2,090,658
	Current service cost	4,454,227	3,826,236
	Net interest expense	598,567	180,224
	Benefits payable to outgoing members	(1,980,000)	(5,365,410)
	Amount received by the Company from the Fund	1,980,000	10,473,909
	Actual contribution by employer	(7,775,609)	(7,199,157)
	Actuarial losses	1,768,515	3,769,149
	Closing balance	6,821,309	7,775,609
33.7	**Changes in the present value of defined benefit obligation**		
	Opening defined benefit obligation	30,778,159	27,265,055
	Current service cost	4,454,227	3,826,236
	Interest expense	2,523,013	2,378,375
	Actuarial loss	1,920,602	2,673,903
	Benefits payable	(1,980,000)	(5,365,410)
	Closing defined benefit obligation	37,696,001	30,778,159
33.8	**Changes in the fair value of plan assets**		
	Opening fair value of plan assets	23,002,550	25,174,397
	Interest income	1,924,446	2,198,151
	Contributions by employer	7,775,609	7,199,157
	Actual amount paid by the Fund to the Company	(1,980,000)	(10,473,909)
	Benefits payable	–	–
	Actuarial loss	152,087	(1,095,246)

The Company expects to contribute Rs 5,576,622 to its defined benefit plan in 2018.

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.

		2017 Rupees	2016 Rupees
33.9	**Break-up of category of assets**		
	Term deposit receipts	29,945,019	22,859,550
	Cash and cash equivalents	929,673	143,000
		30,874,692	23,002,550

33.10 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2016 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows.

Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

33.11 Gratuity expense for the year ended December 31, 2018 is expected to be Rs. 5.576 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	
	0.5 % increase	0.5 % increase
	Effect in Rupees	
Discount rate	36,686,346	38,769,811
Salary	38,876,537	36,576,841

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, 2017 were Rs. 76,046,377 (2016: Rs. 69,234,816) 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	2017 Unaudited	2016 Audited
Size of the Fund		76,046,395	69,234,834
Cost of investments		65,500,000	62,000,000
Fair value of investments	34.2	65,500,000	62,000,000
Percentage of investments		86%	90%

34.2 Breakup of investments

Break-up of category of assets

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Term deposit receipts	33,000,000	50	33,000,000	53
Certificates of investment	32,500,000	50	29,000,000	47
	65,500,000	100	62,000,000	100

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

	2017 Rupees	2016 Rupees
35. Provision for compensated absences		
Opening balance	5,741,732	4,593,242
Charge for the year	2,576,944	3,018,458
Payment during the year	(2,073,326)	(1,869,968)
Closing balance	6,245,350	5,741,732

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees					
Fees	–	–	3,205,008	3,145,485	–	–
Managerial remuneration	12,000,000	12,000,000	–	–	43,836,486	33,337,251
Contribution to defined contribution plan	1,200,000	1,200,000	–	–	4,386,065	3,346,264
Charge for defined benefit plan	1,009,057	981,741	–	–	7,812,034	6,869,708
Rent and house maintenance	6,360,000	6,360,000	–	–	26,301,892	20,002,351
Utilities	1,200,000	1,200,000	–	–	4,383,649	3,333,725
Medical	408,000	408,000	–	–	7,305,659	5,575,758
Bonus and others	9,786,438	9,714,168	–	–	30,649,837	26,545,330
	31,963,495	31,863,909	3,205,008	3,145,485	124,675,622	99,010,387
Number of persons	1	1	6	6	49	39

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 6.4

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

	2017			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial assets:				
Held for trading				
Quoted securities	11,826,249	–	–	11,826,249
Available for sale securities				
Market Treasury Bills	–	4,554,573,400	–	4,554,573,400
Pakistan Investment Bonds	–	1,073,817,000	–	1,073,817,000
Fully paid ordinary shares / units	2,299,341,186	–	–	2,299,341,186
Term Finance Certificates	–	30,156,432	–	30,156,432
	2,311,167,435	5,658,546,832	–	7,969,714,267
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	–	–	147,598,620	147,598,620
	–	–	1,528,186,740	1,528,186,740

	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	3,299,341,186	–	–	3,299,341,186
Term Finance Certificates	–	30,213,809	–	30,213,809
	3,366,590,185	8,749,220,258	–	12,115,810,443
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

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:

	2017			
	Corporate Finance Rupees	Trading and sales Rupees	Building rental Services Rupees	Total Rupees
Total income	689,207,566	1,114,205,071	315,561,169	2,118,973,806
Total expenses	164,732,117	922,979,124	171,351,790	1,259,063,031
Net income	524,475,449	191,225,947	144,209,379	859,910,775
Segment Assets (gross)	12,114,829,315	11,858,823,111	2,358,207,534	26,331,859,960
Segment Non Performing Loans	2,592,936,886	–	–	2,592,936,886
Segment Provision Required	2,526,884,856	1,638,290,118	–	4,165,174,974
Segment Liabilities	4,689,587,224	4,474,228,960	797,442,668	9,961,258,853
Segment Return on net Assets (ROA) (%)	10.71	3.33	9.24	7.05
Segment Cost of funds (%)	4.06	6.70	–	5.36

	2016			
	Corporate Finance 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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.27 % (2016: 4.98 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 92.65% (2016: 92.09%) 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	2017 Rupees	2016 Rupees
<u>Outstanding balances at year end</u>			
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	401,960	278,280
– Rent received in advance	Saudi Pak Real Estate Company Limited	1,004,900	845,585
– Rent payable for generator	Saudi Pak Leasing Company Ltd	–	30,000
Key management personnel			
– Advances to executives		36,250,784	29,959,095
Employee funds			
– Deposits against COIs	Employee funds	7,500,000	12,500,000
– Interest payable	Employee funds	17,692	54,357
– Contribution payable	Staff gratuity fund	6,821,309	7,775,609
<u>Transactions during the year</u>			
Subsidiary / Associated companies			
– Rent received	Saudi Pak Leasing Company Limited	610,169	559,020
– Rent paid for generator	Saudi Pak Leasing Company Limited	328,402	137,535
– Rent received	Saudi Pak Real Estate Company Limited	4,632,342	4,010,571
– Dividend Received	Saudi Pak Real Estate Company Limited	25,000,000	–
– Electricity bill received	Saudi Pak Real Estate Company Limited	343,289	348,925
Key Management Personnel			
– Advances to executives		16,510,800	6,281,825
– Repayment of advances		12,060,406	13,944,567
Employee funds			
– Deposits against COIs	Employee Provident Fund	–	7,500,000
– Maturity of deposits against COIs	Employee Provident Fund	5,000,000	2,000,000
– Contribution paid	Employee Provident Fund	6,371,216	5,719,626
– Interest expense	Employee Provident Fund	739,948	690,206
– Contribution paid	Staff Gratuity Fund	7,775,609	2,090,657

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, 2017. 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, 2017 the Company must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 11.275% 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 Company's position under Basel III's third capital standard is as under:

	2017 Rupees	2016 Rupees
Tier I Capital	10,624,574	9,914,230
Total Exposure	24,740,495	26,756,484
Leverage Ratio	42.94%	37.05%

		2017 Rs. 000	2016 Rs. 000
41.3	**CAPITAL ADEQUACY RETURN AS OF DECEMBER 31**		
S.No	**Common Equity Tier 1 capital (CET1): Instruments and reserves**		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,600,000
2	Balance in Share Premium Account	–	–
3	Reserve for issue of Bonus Shares	–	–
4	Discount on Issue of shares	–	–
5	General/ Statutory Reserves	1,285,354	1,159,890
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	–
7	Unappropriated/unremitted profits/ (losses)	2,746,287	2,160,686
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**	10,631,641	9,920,576
10	Total regulatory adjustments applied to CET1 (Note 41.3.1.1)	(7,066)	(6,346)
11	**Common Equity Tier 1**	10,624,575	9,914,230
	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)**	10,624,575	9,914,230
	Tier 2 Capital		

		2017 Rs. 000	2016 Rs. 000
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	1,437,153	1,321,033
29	of which: Unrealized gains/losses on AFS	(36,484)	601,951
30	Foreign Exchange Translation Reserves	–	–
31	Undisclosed/Other Reserves (if any)	–	–
32	**T2 before regulatory adjustments**	1,400,669	1,922,984
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**	1,400,669	1,922,984
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	12,025,244	11,837,214
39	**Total Risk Weighted Assets (RWA) (Note 41.6)**	26,991,770	26,314,272
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	39.36%	37.68%
41	**Tier-1 capital to total RWA**	39.36%	37.68%
42	**Total capital to total RWA**	44.55%	44.98%
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**	11.275%	10.65%

***CCB: consisting of CET1 only**

41.3.1 Regulatory Adjustments and Additional Information

		2017 Rs.000	2017 Amounts subject to Pre-Basel III treatment Rs.000	2016 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)	(7,066)	–	(6,346)
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	–	–	–
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)	(7,066)	–	(6,346)

		2017		2016
		Rs.000	Amounts subject to Pre-Basel III treatment 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)	–	–	–
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)	–	–	–

41.3.1.4 Additional Information

		2017 Rs. 000	2016 Rs. 000
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	–	–
(i)	of which: deferred tax assets	–	–
(ii)	of which: Defined-benefit pension fund net assets	–	–
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	–	–
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	–	–
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	–	–
39	Significant investments in the common stock of financial entities	–	–
40	Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	–	–
42	Cap on inclusion of provisions in Tier 2 under standardized approach	–	–
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

41.4 **Capital Structure Reconciliation**

	2017 Balance sheet as in published financial statements Rs. 000	2016 Under regulatory scope of consolidation Rs. 000
41.4.1 Step-I of Capital Structure Reconciliation		
ASSETS		
Cash and balances with treasury banks	40,303	40,303
Balances with other banks	123,073	123,073
Lendings to financial institutions	–	–
Investments	9,468,147	9,468,147
Advances	8,457,894	8,457,894
Operating fixed assets	2,518,447	2,518,447
Deferred tax assets	–	–
Other assets	1,558,819	1,558,819
TOTAL ASSETS	22,166,685	22,166,685
LIABILITIES AND EQUITY		
Bills payable	–	–
Borrowings	9,076,846	9,076,846
Deposits and other accounts	7,500	7,500
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	651,354	651,354
Other liabilities	225,559	225,559
TOTAL LIABILITIES	9,961,259	9,961,259
Share capital	6,600,000	6,600,000
Reserves	1,285,354	1,285,354
Unappropriated/ Unremitted profit	2,746,287	2,746,287
Minority Interest	–	–
Surplus on revaluation of assets	1,573,785	1,573,785
TOTAL EQUITY	12,205,426	12,205,426
TOTAL LIABILITIES AND EQUITY	22,166,685	22,166,685

41.4.2 **Step-II of Capital Structure Reconciliation**

	2017		
	Balance sheet published financial statements	Under regulatory scope of consolidation	Reference
	Rs.000	Rs.000	
ASSETS			
Cash and balances with treasury banks	40,303	40,303	
Balanced with other banks	123,073	123,073	
Lending to financial institutions	–	–	
Investments	9,468,147	9,468,147	
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	8,457,894	8,457,894	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	(a)
general provisions reflected in Tier 2 capital	–	–	
Fixed Assets	2,518,447	2,518,447	
Deferred Tax Assets	–	–	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	–	–	
of which: DTAs arising from temporary differences exceeding regulatory threshold	–	–	
Other assets	1,558,819	1,558,819	
of which: Goodwill	–	–	
of which: Intangibles	7,068	7,068	(b)
of which: Defined-benefit pension fund net assets	–	–	
TOTAL ASSETS	22,166,683	22,166,683	
LIABILITIES AND EQUITY			
Bills payable	–	–	
Borrowings	9,076,846	9,076,846	
Deposits and other accounts	7,500	7,500	
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	651,354	651,354	
of which: DTLs related to goodwill	–	–	
of which: DTLs related to intangible assets	–	2	(c)
of which: DTLs related to defined pension fund net assets	–	–	
of which: other deferred tax liabilities	–	–	
Other liabilities	225,559	225,559	
TOTAL LIABILITIES	9,961,259	9,961,259	

	2017 Balance sheet published financial statements Rs.000	2017 Under regulatory scope of consolidation Rs.000	Reference
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	1,285,354	1,285,354	
of which: portion eligible for inclusion in CET1(provide breakup)	1,285,354	1,285,354	(e)
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profits	2,746,287	2,746,287	(f)
Minority Interest	–	–	
of which: portion eligible for inclusion in CET1	–	–	
of which: portion eligible for inclusion in AT1	–	–	
of which: portion eligible for inclusion in Tier 2	–	–	
Surplus on revaluation of assets	1,573,785	1,573,785	
of which: Revaluation reserves on Fixed Assets	1,614,778	1,614,778	(g)
of which: Unrealized Gains/Losses on AFS	(40,993)	(40,993)	
In case of Deficit on revaluation (deduction from CET1)	–	–	
TOTAL LIABILITIES AND EQUITY	22,166,685	22,166,685	

41.4.3 Step- III of Capital Structure Reconciliation

		2017 Component of regulatory capital reported by Company Rs. 000	2017 Source based on reference from step II
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	(d)
2	Balance in Share Premium Account	–	
3	Reserve for issue of Bonus Shares	–	
4	General/ Statutory Reserves	1,285,354	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated/unremitted profits/ (losses)	2,746,287	(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)	–	

		2017	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
8	**CET 1 before Regulatory Adjustments**	10,631,641	
	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)	(7,066)	(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)	(7,066)	
31	**Common Equity Tier 1**	10,624,574	
	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)

		2017 Component of regulatory capital reported by Company Rs. 000	2017 Source based on reference from step II
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
39	Investment in own AT1 capital instruments	–	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	–	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	–	
46	Additional Tier 1 capital	–	
47	**Additional Tier 1 capital recognized for capital adequacy**	–	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	10,624,574	
	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	1,437,153	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	(36,484)	
57	Foreign Exchange Translation Reserves	–	
58	Undisclosed/Other Reserves (if any)	–	
59	**T2 before regulatory adjustments**	1,400,669	
	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 i nsurance 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	1,400,669	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	12,025,243	

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		repealed 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	
	2017 Rs. 000	2016 Rs. 000	2017 Rs. 000	2016 Rs. 000
CREDIT RISK				
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	–	–	–	–
Sovereign	–	–	–	–
Public Sector entities	–	–	–	–
Banks	2,461	9,123	24,615	91,226
Corporate	743,077	713,967	7,430,774	7,139,672
Retail	640	605	6,401	6,048
Residential Mortgages	1,218	1,096	12,178	10,960
Past Due loans	55,162	84,689	551,625	846,890
Operating Fixed Assets	251,775	262,432	2,517,748	2,624,315
Other assets	731,636	659,665	7,316,359	6,596,650
	1,785,969	1,731,577	17,859,700	17,315,761
Portfolios subject to Internal Rating Based (IRB) Approach	–	–	–	–
Total- on balance sheet portfolio for credit risk	1,785,969	1,731,577	17,859,700	17,315,761
Off-Balance sheet				
Non-market related	200,300	273,474	2,003,003	2,734,737
Market related	–	–	–	–
	200,300	273,474	2,003,003	2,734,737
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	–	–	–	–
Under Internal models approach	–	–	–	–
Total- off balance sheet portfolio for credit risk	200,300	273,474	2,003,003	2,734,737
TOTAL CREDIT RISK	1,986,269	2,005,051	19,862,703	20,050,498
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	11,386	22,573	113,864	225,728
Equity position risk	462,233	384,241	4,622,335	3,842,407
Foreign Exchange risk	1,614	1,718	16,142	17,183
	475,233	408,532	4,752,341	4,085,318
Capital Requirement for portfolios subject to Internal Models Approach	–	–	–	–
TOTAL MARKET RISK	475,233	408,532	4,752,341	4,085,318
OPERATIONAL RISK				
Capital Requirement for operational risks	237,673	217,846	2,376,726	2,178,456
TOTAL OPERATIONAL RISK	237,673	217,846	2,376,726	2,178,456
TOTAL	2,699,175	2,631,429	26,991,770	26,314,272

	2017		2016	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	39.36%	6.00%	37.68%
Tier-1 capital to total RWA	7.50%	39.36%	7.50%	37.68%
Total capital to total RWA	10.00%	44.55%	10.00%	44.98%
Gross total capital to total RWA (including CCB)	11.275%	44.55%	10.65%	44.98%

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

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	395,990,147	3.74	–	–	805,000,000	31.28
Paper and allied	464,986,423	4.39	–	–	–	–
Electrical goods	500,000,000	4.72	–	–	–	–
Dairy and poultry	1,416,666,666	13.38	–	–	–	–
Sugar and allied products	453,114,473	4.28	–	–	35,480,000	1.38
Chemical and fertilizer	20,472,941	0.19	–	–	–	–
Energy, oil and gas	1,687,021,364	15.94	–	–	573,000,000	22.26
Construction	472,419,373	4.46	–	–	100,000,000	3.89
Hotels	432,030,294	4.08	–	–	–	–
Cement	188,193,569	1.78	–	–	820,000,000	31.86
Textile	1,652,682,820	15.61	–	–	218,770,000	8.50
Metal and allied products	536,627,747	5.07	–	–	–	–
Automobiles and allied	249,278,212	2.36	–	–	–	–
Transport/services and misc.	12,461,152	0.12	–	–	–	–
Others	2,102,094,487	19.86	7,500,000	100.00	21,560,060	0.84
	10,584,039,668	100.00	7,500,000	100.00	2,573,810,060	100.00

	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	–	–	–	–
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	–	–	–	–
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

42.1.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	10,584,039,668	100.00	7,500,000	100.00	2,573,810,060	100.00
	10,584,039,668	100.00	7,500,000	100.00	2,573,810,060	100.00

	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

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

	2017		2016	
	Classified advances Rupees	Specific provisions held Rupees	Classified advances Rupees	Specific provisions held Rupees
Financial institutions	91,000,000	91,000,000	100,687,751	100,687,751
Paper and allied	33,736,423	33,736,423	40,475,163	40,475,163
Dairy and poultry	–	–	38,562,323	38,562,323
Sugar and allied products	243,114,473	92,033,250	243,114,473	92,033,250
Chemical and fertilizer	20,472,941	14,972,941	27,472,941	14,972,941
Energy, oil and gas	241,695,917	203,362,335	280,028,751	222,528,752
Construction	205,752,708	205,752,708	205,752,708	205,752,708
Hotels	32,030,294	32,030,294	32,030,294	32,030,294
Cement	116,206,923	116,206,923	116,206,923	116,206,923
Textile	1,092,029,389	820,152,570	1,106,600,680	741,894,798
Metal and metal products	112,908,454	112,908,454	168,687,328	168,687,328
Automobiles and allied	249,278,212	249,278,212	281,871,212	281,871,212
Transport/services	12,461,152	12,461,152	12,461,152	12,461,152
Miscellaneous	142,250,000	142,250,000	142,250,000	142,250,000
	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Public/Government sector	–	–	–	–
Private sector	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595
	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595

42.1.1.5 Geographical segment analysis

	2017			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	859,910,775	22,166,684,986	12,205,426,133	2,573,810,060
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	859,910,775	22,166,684,986	12,205,426,133	2,573,810,060

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

	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.

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 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.

	2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	22,150,543,107	9,961,258,853	2,573,810,060	9,615,474,194
United States Dollar	16,141,879	–	–	16,141,879
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	22,166,684,986	9,961,258,853	2,573,810,060	9,631,616,073

	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

42.2.2 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.

42.2.3 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.

42.2.4 Mismatch of interest rate sensitive assets and liabilities - 2017

	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	
	%	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees
Assets												
Cash and balances with treasury banks	–	40,303,180	–	–	–	–	–	–	–	–	–	40,303,180
Balances with other banks	3.75	123,073,428	119,441,857	-	–	–	–	–	–	–	–	3,631,571
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	7.08	9,468,147,212	95,950,937	4,554,603,400	420,108,532	–	1,073,817,000	–	–	–	–	3,323,667,343
Advances	8.72	8,457,894,406	355,781,501	2,632,474,392	5,301,308,848	125,656,348	5,214,800	–	–	37,458,517	–	–
Other assets	–	273,269,598	–	–	–	–	–	–	–	–	–	273,269,598
		18,362,687,824	571,174,295	7,187,077,792	5,721,417,380	125,656,348	1,079,031,800	–	–	37,458,517	–	3,640,871,692
Liabilities												
Borrowings from financial institutions	6.24	9,076,845,649	1,930,077,850	850,000,000	6,227,760,300	5,520,599	11,041,200	11,041,200	22,082,400	19,322,100	–	–
Deposits and other accounts	6.15	7,500,000	–	7,500,000	–	–	–	–	–	–	–	–
Other liabilities	–	118,752,994	–	–	–	–	–	–	–	–	–	118,752,994
		9,203,098,643	1,930,077,850	857,500,000	6,227,760,300	5,520,599	11,041,200	11,041,200	22,082,400	19,322,100	–	118,752,994
On-balance sheet gap		9,159,589,181	(1,358,903,555)	6,329,577,792	(506,342,920)	120,135,749	1,067,990,600	(11,041,200)	(22,082,400)	18,136,417	–	3,522,118,698
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total yield/interest risk sensitivity gap		9,159,589,181	(1,358,903,555)	6,329,577,792	(506,342,920)	120,135,749	1,067,990,600	(11,041,200)	(22,082,400)	18,136,417	–	3,522,118,698
Cumulative yield/interest risk sensitivity gap		–	(1,358,903,555)	4,970,674,237	4,464,331,317	4,584,467,066	5,652,457,666	5,641,416,466	5,619,334,066	5,637,470,483	5,637,470,483	–

42.2.4 Mismatch of interest rate sensitive assets and liabilities - 2016

	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	–

42.3 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 - 2017

	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
	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees
Assets										
Cash and balances with treasury banks	40,303,180	40,303,180	–	–	–	–	–	–	–	–
Balances with other banks	123,073,428	123,073,428	–	–	–	–	–	–	–	–
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	9,468,147,212	69,393,000	4,570,179,649	6,277,077	2,342,344,478	1,077,663,000	96,000	22,629,000	879,565,008	500,000,000
Advances	8,457,894,406	469,848,564	204,543,375	266,168,102	1,299,297,113	3,284,667,195	1,704,744,140	620,152,929	608,472,988	–
Operating fixed assets	2,518,447,287	8,349,332	16,698,664	47,191,485	50,095,993	100,191,986	100,191,986	195,439,810	329,813,998	1,670,474,033
Other Assets	1,558,819,473	123,862,070	145,651,026	166,838,251	1,122,468,126	–	–	–	–	–
	22,166,684,986	834,829,574	4,937,072,714	486,474,915	4,814,205,710	4,462,522,181	1,805,032,126	838,221,739	1,817,851,994	2,170,474,033
Liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	9,076,845,649	1,930,077,850	850,000,000	3,152,760,300	680,520,599	1,011,041,200	911,041,200	522,082,400	19,322,100	–
Deposits and other accounts	7,500,000	–	7,500,000	–	–	–	–	–	–	–
Deferred tax liabilities	651,353,904	2,550,157	4,581,298	5,426,405	2,238,969	4,893,113	5,417,440	74,373,384	153,009,415	398,863,723
Other Liabilities	225,559,300	25,886,777	51,773,555	53,123,160	81,709,149	–	–	3,919,998	9,146,661	–
	9,961,258,853	1,958,514,784	913,854,853	3,211,309,865	764,468,717	1,015,934,313	916,458,640	600,375,782	181,478,176	398,863,723
Net assets	12,205,426,133	(1,123,685,210)	4,023,217,861	(2,724,834,950)	4,049,736,993	3,446,587,868	888,573,486	237,845,957	1,636,373,818	1,771,610,310
	–	–	–	–	–	–	–	–	–	–
Share capital	6,600,000,000	–	–	–	–	–	–	–	–	–
Reserves	1,285,353,626	–	–	–	–	–	–	–	–	–
Unappropriated profit	2,746,287,226	–	–	–	–	–	–	–	–	–
Surplus on revaluation of assets	1,573,785,281	–	–	–	–	–	–	–	–	–
	12,205,426,133	–	–	–	–	–	–	–	–	–

42.3.1 Maturities of assets and liabilities - 2016

	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
	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	–	–	–	–	–	–	–	–	–

42.3.2 LCR Disclosure

		Total unweighted value (average) 2017 Rupees	Total unweighted value (average) 2016 Rupees
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		4,547,727
CASH OUTFLOWS			
2	Retail deposits and deposits from small business cusmtomers of which:	–	–
2.1	stable deposit	–	–
2.2	Less stable deposit	–	–
3	Unsecured wholesale funding of which:	7,500	3,000
3.1	Operational deposits (all counterparties)	–	–
3.2	Non-operational deposits (all counterparties)	–	–
3.3	Unsecured debt	7,500	3,000
4	Secured wholesale funding	–	3,400,000
5	Additional requirements of which:	2,552,250	255,225
5.1	Outflows related to derivative exposures and other collateral requirements	–	–
5.2	Outflows related to loss of funding on debt products	–	–
5.3	Credit and Liquidity facilities	2,552,250	255,225
6	Other contractual funding obligations	–	–
7	Other contingent funding obligations	–	–
8	TOTAL CASH OUTFLOWS	2,559,750	3,658,225
CASH INFLOWS			
9	Secured lending	–	–
10	Inflows from fully performing exposures	279,590	139,795
11	Other Cash inflows	–	–
12	TOTAL CASH INLFOWS	279,590	139,795
TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		4,547,727
22	TOTAL NET CASH OUTFLOWS		3,518,430
23	LIQUIDITY COVERAGE RATIO		129.25%

42.3.3 NSFR Disclosure

		2017				
		Unweighted value by residual maturity				
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted Value
		Rupees	Rupees	Rupees	Rupees	Rupees
ASF Item						
1	Capital:					
2	Regulatory capital	12,035,301	–	–	–	12,035,301
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	–	–	–	–
7	Wholesale funding:					
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	–	–	–	–
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in othercategories	–	–	5,712,578	4,029,154	6,885,443
13	Total ASF					18,920,744
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					281,420
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities:	–	–	–	–	152,073
17	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions	–	–	–	–	–
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	–	–	–
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	108,507	70,530
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	–	–	–	95,933	81,543
22	Other assets:					14,299,066
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					–
25	NSFR derivative assets					–
26	NSFR derivative liabilities before deduction of variation margin posted					–
27	All other assets not included in the above categories		–	–	16,170,477	14,299,066
28	Off-balance sheet items		–	2,573,810	–	128,691
29	Total RSF					14,861,249
30	Net Stable Funding Ratio (%)					127.32%

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 in 2017 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 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 29 March 2018.

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, 2017.

(Rupees in million)

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with NIC / CNIC No.)	Fathers' / Husband Name	Outstanding Liabilities at the Beginning the Year				Principal Written off	Mark up Waived (Note)	Other financial Relief Provided	Total
				Principal	Mark up	Other	Total				
1	Saudi Pak Kalabagh Live stock Company Limited	Malik Allahyar Khan (Late) 240-360707-52 Malik Muhammad Asad Khan 61101-4796079-1 Malik Muzzaffar Khan (Late) Malik Azam Khan (Late)	Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan	52.847	38.541	–	91.388	–	38.541	–	38.541
				52.847	38.541	–	91.388	–	38.541	–	38.541

Note: Represents suspended mark up written-off during the year.

SAUDI PAK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CONSOLIDATED

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, 2017 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, 2017 and the results of their operations for the year then ended.

Emphasis of Matter

We draw attention to note 21. 5 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.

Affergusontco.

Chartered Accountants
Islamabad: March 29, 2018
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
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Cash and balances with treasury banks	7	40,327,154	34,292,665
Balances with other banks	8	285,287,037	151,477,516
Lendings to financial institutions	9	–	340,000,000
Investments	10	9,133,899,147	11,061,364,020
Advances	11	8,458,110,408	8,256,518,591
Operating fixed assets	12	2,678,094,296	2,772,774,625
Deferred tax assets	17	–	–
Other assets	13	1,620,498,197	1,778,535,679
Development properties	14	246,160,698	129,962,494
		22,462,376,937	24,524,925,590
LIABILITIES			
Bills payable		–	–
Borrowings	15	9,176,845,649	10,717,907,824
Deposits and other accounts	16	7,500,000	131,399,425
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	17	651,353,904	857,778,189
Other liabilities	18	243,099,227	258,135,836
		10,078,798,780	11,965,221,274
NET ASSETS		12,383,578,157	12,559,704,316
REPRESENTED BY			
Share capital	19	6,600,000,000	6,600,000,000
Reserve fund		926,690,686	801,227,124
General reserve		358,662,940	358,662,940
Unappropriated profit		2,924,439,250	2,334,450,166
		10,809,792,876	10,094,340,230
Surplus on revaluation of assets - net of tax	20	1,573,785,281	2,465,364,086
		12,383,578,157	12,559,704,316
CONTINGENCIES AND COMMITMENTS	21		

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

Chief Executive	Director	Director	Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
Mark-up / return / interest earned	22	1,245,295,806	1,337,143,373
Mark-up / return / interest expensed	23	492,569,289	500,787,199
Net mark-up / interest income		752,726,517	836,356,174
(Reversals)/ provision against non-performing loans and advances - net	11.3.1	(84,269,333)	112,632,951
Provision for diminution in the value of investments - net	24	322,874,872	154,449,144
Bad debts written off directly		–	–
		238,605,539	267,082,095
Net mark-up / interest income after provisions		514,120,978	569,274,079
Non mark-up / interest income			
Fee, commission and brokerage income		32,353,740	13,998,496
Dividend income		194,218,714	124,633,826
Gain/ (loss) from dealing in foreign currencies		818,933	(4,210)
Gain on sale of securities - net	25	339,610,086	436,402,149
Unrealized (loss)/ gain on revaluation of investments classified as held for trading		(2,297,181)	4,612,754
Other income	26	181,291,642	179,557,966
Total non mark-up / interest income		745,995,934	759,200,981
Non mark-up / interest expenses			
Administrative expenses	27	389,974,235	370,348,655
Other (reversals) / provisions	28	–	(17,388,744)
Other charges	29	–	–
Total non-markup / interest expenses		389,974,235	352,959,911
Extraordinary / unusual items		–	–
Profit before taxation		870,142,677	975,515,149
Taxation - current		294,074,924	254,013,328
- prior years'		43,895,747	69,763,310
- deferred		(99,727,218)	165,115,110
	30	238,243,453	488,891,748
Profit after taxation		631,899,224	486,623,401
Unappropriated profit brought forward		2,334,450,166	1,878,479,988
Profit available for appropriation		2,966,349,390	2,365,103,389
Attributable to:			
Equity holders of the Company		631,899,224	486,623,401
Basic earning per share	31	0.957	0.737

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 COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	631,899,224	486,623,401
Other comprehensive income		
Items that will not be reclassified to consolidated profit and loss account		
Remeasurement loss of defined benefit plan	(1,962,197)	(3,956,558)
Related deferred tax impact on remeasurement loss	530,555	1,130,745
Remeasurement loss of defined benefit plan - net of tax	(1,431,642)	(2,825,813)
Impact of prior year deferred tax	2,237,458	(2,074,075)
	805,816	(4,899,888)
Comprehensive income - transferred to consolidated statement of changes in equity	632,705,040	481,723,513
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale securities	(912,760,255)	(14,173,116)
Related deferred tax impact	100,035,012	4,251,935
	(812,725,243)	(9,921,181)
Reversal of deferred tax liability - prior year	–	182,019,682
	(812,725,243)	172,098,501
Total comprehensive income for the year	(180,020,203)	653,822,014

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, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		870,142,677	975,515,149
Less: dividend income		(194,218,714)	(124,633,826)
		675,923,963	850,881,323
Adjustments:			
Depreciation / amortization		139,145,329	139,386,533
Provision against non-performing advances - net		(84,269,333)	112,632,951
Provision for diminution in the value of investments		322,874,872	154,449,144
Other (reversals) / provisions		–	(17,388,744)
Loss on disposal of property and equipment		12,601,472	399,755
Gain on disposal of non banking assets		–	(29,234,973)
Provision for gratuity		5,636,028	4,536,452
Provision for compensated absences		2,576,945	3,018,458
Unrealized loss/ (gain) on revaluation investments classified as held for trading		2,297,181	(4,612,754)
		400,862,494	363,186,822
		1,076,786,457	1,214,068,145
Decrease/ (increase) in operating assets			
Lendings to financial institutions		340,000,000	(160,000,000)
Development properties		(116,171,632)	58,323,268
Advances		(117,322,484)	(1,694,146,018)
Other assets		210,122,846	370,211,667
		316,628,730	(1,425,611,083)
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(1,541,062,175)	(1,292,545,088)
Deposits		(123,899,425)	124,399,425
Other liabilities		(14,555,206)	13,439,553
		(1,679,516,806)	(1,154,706,110)
Net cash flow from operating activities		(286,101,619)	(1,366,249,048)
Payment to defined benefit plan		(10,656,572)	(4,746,885)
Income tax paid		(351,199,137)	(433,561,772)
Excise duty paid		–	(40,562,000)
		(361,855,709)	(478,870,657)
Net cash from operating activities		(647,957,328)	(1,845,119,705)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in available-for-sale securities - net		932,831,310	977,239,167
Investment in held-for-trading securities		111,935,245	(209,640,333)
Investment in held-to-maturity securities		(355,233,989)	209,268,758
Dividend received		152,582,724	117,383,826
Investment in operating fixed assets		(58,074,763)	(26,897,737)
Sale proceeds from disposal of property and equipment		3,760,811	2,976,491
Sale proceeds from disposal of non banking assets		–	134,500,000
Net cash generated from investing activities		787,801,338	1,204,830,172
CASH FLOW FROM FINANCING ACTIVITIES		–	–
(Decrease) / increase in cash and cash equivalents		139,844,010	(640,289,533)
Cash and cash equivalents at beginning of the year		185,770,181	826,059,714
Cash and cash equivalents at end of the year	32	325,614,191	185,770,181

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, 2017

	Share capital	Reserve fund	General reserve	Unappropriated profit	Total
			Rupees		
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 January 1, 2017	6,600,000,000	801,227,124	358,662,940	2,334,450,166	10,094,340,230
Total comprehensive income for the year ended December 31, 2017					
Net profit for the year ended December 31, 2017	–	–	–	631,899,224	631,899,224
Other comprehensive income related to equity	–	–	–	805,816	805,816
Transfer to reserve fund	–	125,463,562	–	(125,463,562)	–
Transferred from surplus on revaluation of operating fixed assets - net	–	–	–	82,747,606	82,747,606
Balance as at December 31, 2017	6,600,000,000	926,690,686	358,662,940	2,924,439,250	10,809,792,876

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

Chief Executive Director Director Chairman

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 to 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 holding Company is a Development Financial Institution (DFI) and principally engaged in investment 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 (the subsidiary company).

Saudi Pak Real Estate Limited, (the subsidiary company)

The subsidiary company was incorporated in Pakistan as an unlisted public limited company on November 14, 2006 under the repealed Companies Ordinance, 1984. The principal place of business of the company is Pakistan. The principal business of the subsidiary company 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 the subsidiary company 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 repealed 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 repealed Companies Ordinance 1984, provisions of and directives issued under the repealed 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 repealed 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.

3.3 The Companies Act, 2017 was enacted on May 30, 2017 and the Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 of 2017 dated October 04, 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 12	Disclosure of interests in other entities (Amendments)	January 1, 2017
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 7	Statement of cashflows (Amendments)	January 1, 2017

b) Following standards have been issued by the International Accounting Standards Board (IASB), which is 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	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 early 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 9	Financial Instruments	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Company's consolidated 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 6.5)
ii) Provision against investments (note 6.5), advances (note 6.6) and other assets
iii) Valuation and impairment of available for sale securities (note 6.5(b))
iv) Valuation and useful life of operating fixed assets (note 6.8)
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 Saudi Pak Leasing Company Limited (SPLCL)

The holding Company has 35.06% stake in the shareholding of SPLCL. 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 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 year ended December 31, 2017.

The Securities and Exchange Commission of Pakistan (SECP) vide its letter No. CLD/CCD/Co. 237/1/2017- 2276 dated January 04, 2018 granted exemption to the holding company from 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 year ended December 31, 2017.

Accordingly, investment in SPLCL as at December 31, 2017 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 (the subsidiary company). Persuant to the exemption, Saudi Pak Leasing Company Limited (SPLCL) has not been equity accounted for the year ended 31 December 2017. 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 Cash and cash equivalents

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

6.4 Sale and repurchase agreements

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

6.5 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) 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.

6.6 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.

6.7 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.

6.8 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.

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.

6.9 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. 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 consolidated profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to consolidated profit and loss account and are not capitalised. These assets are depreciated as per Group's policy.

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 substantively 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.

- 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. 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.

- 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 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	2017 Rupees	2016 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		289,225	241,591
With State Bank of Pakistan in			
Local currency current accounts	7.1	40,037,929	34,051,074
		40,327,154	34,292,665

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

	Note	2017 Rupees	2016 Rupees
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		5,252,436	17,788,003
On deposit accounts			
– local currency (profit and loss savings account)	8.1	263,892,722	116,506,677
– foreign currency	8.2	16,141,879	17,182,836
		285,287,037	151,477,516

8.1 These deposit accounts carry markup at the rates ranging from 2.15% to 7.25% per annum (2016: 2.12% to 5.08% per annum).

8.2 These deposit accounts carry interest at the rate of 0.25% per annum (2016: 0.25% per annum).

	Note	2017 Rupees	2016 Rupees
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreements lendings (reverse repo)	9.1	–	340,000,000
		–	340,000,000

9.1 These were secured against Pakistan Investment Bonds (PIBs) and carried markup at the rate of 5.80% per annum, matured on January 3, 2017.

	2017 Rupees	2016 Rupees
9.2 Particulars of lendings		
In local currency	–	340,000,000
	–	340,000,000

9.3 Securities held as collateral against lendings to financial institutions

	Note	2017 Held by the Group	2017 Given as collateral	2017 Total	2016 Held by the Group	2016 Given as collateral	2016 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, 2017 is Nil (2016: Rs. 343,901,500).

10. INVESTMENTS

10.1 Investment by types:

	Note	2017 Held by the Group	2017 Given as collateral	2017 Total	2016 Held by the Group	2016 Given as collateral	2016 Total
			Rupees			Rupees	
Held for trading securities (HFT)							
Quoted shares		15,197,333	–	15,197,333	63,640,333	–	63,640,333
Mutual funds		87,120,510	–	87,120,510	146,000,000	–	146,000,000
		102,317,843	–	102,317,843	209,640,333	–	209,640,333
Available for sale securities (AFS)							
Pakistan Investment Bonds (PIBs)		987,827,349	–	987,827,349	2,679,664,033	5,269,482,367	7,949,146,400
Market Treasury Bills		2,624,726,264	1,929,936,155	4,554,662,419	296,933,100	–	296,933,100
Quoted shares		3,064,581,661	–	3,064,581,661	1,623,809,439	–	1,623,809,439
Term Finance Certificates (TFCs)		106,497,841	–	106,497,841	106,511,641	–	106,511,641
Un-quoted securities		786,333,048	–	786,333,048	456,333,048	–	456,333,048
Other - Islamabad Stock exchange Membership		–	–	–	–	–	–
		7,569,966,163	1,929,936,155	9,499,902,318	5,163,251,261	5,269,482,367	10,432,733,628
Held to maturity securities (HTM)							
Term Finance Certificates (TFCs)		874,522,831	–	874,522,831	531,589,926	–	531,589,926
Certificate of Investment		77,557,522	–	77,557,522	65,256,438	–	65,256,438
		952,080,353	–	952,080,353	596,846,364	–	596,846,364
Investment in associates							
Saudi Pak Leasing Company Limited							
- Investment in shares		243,467,574	–	243,467,574	243,467,574	–	243,467,574
- Investment in preference shares		333,208,501	–	333,208,501	333,208,501	–	333,208,501
		576,676,075	–	576,676,075	576,676,075	–	576,676,075
Investment at cost		9,201,040,434	1,929,936,155	11,130,976,589	6,546,414,033	5,269,482,367	11,815,896,400
Provision for diminution in value of investments	10.2.1	(1,936,881,548)	–	(1,936,881,548)	(1,614,006,676)	–	(1,614,006,676)
Investments (net of provisions)		7,264,158,886	1,929,936,155	9,194,095,041	4,932,407,357	5,269,482,367	10,201,889,724
Surplus on revaluation of AFS securities	20.2	(57,898,713)	–	(57,898,713)	854,861,542	–	854,861,542
Surplus on revaluation of HFT securities	10.8	(2,297,181)	–	(2,297,181)	4,612,754	–	4,612,754
Total investments		7,203,962,992	1,929,936,155	9,133,899,147	5,791,881,653	5,269,482,367	11,061,364,020

		Note	2017 Rupees	2016 Rupees
10.2	**Investment by segments**			
	Federal Government securities	10.2.3		
	- Pakistan Investment Bonds (PIBs)		987,827,349	7,949,146,400
	- Market Treasury Bills		4,554,662,419	296,933,100
			5,542,489,768	8,246,079,500
	Fully paid up ordinary shares			
	- Listed securities	10.3	3,323,246,568	1,930,917,346
	- Unquoted securities	10.4	786,333,048	956,333,048
			4,109,579,616	2,887,250,394
	Term Finance Certificates (TFCs)	10.5		
	- Listed TFCs		208,803,984	208,817,784
	- Unlisted TFCs		772,216,688	429,283,783
			981,020,672	638,101,567
	Other investments			
	Mutual funds	10.6	87,120,510	146,000,000
	Certificate of Investments		77,557,522	65,256,438
	Investment in preference shares		333,208,501	333,208,501
			497,886,533	544,464,939
	Total investment at cost		11,130,976,589	12,104,639,962
	Provision for diminution in value of investments	10.2.1	(1,936,881,548)	(1,614,006,676)
	Investments (net of provisions)		9,194,095,041	10,490,633,286
	(Deficit)/ surplus on revaluation of available for sale securities (AFS)		(57,898,713)	854,861,542
	(Deficit)/ surplus on revaluation of held for trading securities (HFT)	10.7	(2,297,181)	3,608,666
	Total investments at market value		9,133,899,147	11,349,103,494

		Note	2017 Rupees	2016 Rupees
10.2.1	**Particulars of provision for diminution in value of investments**			
	Opening balance		1,614,006,676	1,459,557,532
	Charge for the year		482,749,904	180,477,222
	Reversals for the year		(159,875,032)	(26,028,078)
			322,874,872	154,449,144
	Closing balance	10.2.2	1,936,881,548	1,614,006,676

		2017 Rupees	2016 Rupees
10.2.2	**Particulars of provision in respect of type and segments**		
	Available for sale (AFS) securities		
	Impairment on quoted securities	620,677,019	137,927,115
	Un-quoted securities	273,833,040	358,208,040
	Term Finance Certificates (TFCs)	77,105,520	77,105,520
	Held to maturity (HTM) securities		
	Term Finance Certificates (TFCs)	388,589,894	464,089,926
	Associate		
	Fully paid ordinary shares	243,467,574	243,467,574
	Preference shares	333,208,501	333,208,501
		1,936,881,548	1,614,006,676

10.2.3 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	July 2019	On maturity	11.50%	semi-annually
Market Treasury Bills	February 2018 to March 2018	On maturity	5.98% - 5.99%	at maturity

10.3 Investment in fully paid up ordinary shares-listed

Number of ordinary share 2017	Number of ordinary share 2016	Average cost Per share Rupees	Name of companies	2017 Rupees	2016 Rupees
Available for sale securities (Quoted)					
1,000,000	500,000	70.98	Adamjee Insurance Company Limited	70,975,035	29,740,906
3,346,506	3,346,506	35.00	Agritech Limited	117,127,705	117,127,705
2,000,000	500,000	21.24	Askari Bank Limited	42,485,274	11,853,735
–	500,000	–	Bank Al-Falah Limited	–	16,556,770
42,751,675	–	12.17	Bank of Punjab Limited	520,085,880	–
283,000	300,000	194.95	Bestway Cement Company Limited	55,170,368	58,484,490
400,000	250,000	132.04	Cherat Cement limited	52,814,303	21,459,800
500,000	500,000	21.23	Crescent Textile	10,613,613	10,613,613
750,000	500,000	123.81	Dawood Hercules	92,860,675	63,020,676
150,000	100,000	334.82	Engro Corporation Limited	50,222,691	28,499,033
1,000,000	1,000,000	60.25	Engro Fertilizer Limited	60,246,542	66,303,329
600,000	250,000	112.95	Engro Foods Limited	67,767,112	36,762,086
1,000,000	1,000,000	31.92	Fatima Fertilizer Company Limited	31,920,017	31,920,017
2,000,000	1,500,000	33.05	Fauji Cement Company Limited	66,099,392	52,355,722
2,000,000	1,000,000	90.32	Fauji Fertilizer Company Limited	180,637,433	91,571,141
1,398,500	1,500,000	41.48	Fauji Fertilizer Bin Qasim Limited	58,011,223	55,496,315
500,000	–	115.57	Fecto Cement Limited	57,784,830	–
5,600,000	5,000,000	11.66	Golden Arrow Selected Stocks Fund Limited	65,323,206	56,531,513
–	250,000	–	Hascol Petroleum Limited	–	82,932,257
1,500,000	1,000,000	113.04	The Hub Power Company Limited	169,558,255	99,594,817
7,765,963	7,765,963	4.15	Japan Power Generation Limited	32,213,214	32,213,214
1,000,000	500,000	43.99	Kohinoor Energy Limited	43,985,184	22,477,250
450,000	500,000	20.18	Kohinoor Mills Limited	9,080,734	10,089,705
1,000,000	1,000,000	23.82	Kohinoor Spinning Mills Limited	23,821,380	23,821,380
2,925,000	1,500,000	73.87	Kott Addu Power Company Limited	216,084,258	113,250,026
300,000	100,000	233.84	MCB Bank Limited	70,151,983	23,211,223
2,000,000	500,000	63.62	National Bank of Pakistan	127,244,415	36,434,634
3,000,000	2,500,000	43.05	Nishat Chunian Power Limited	129,164,962	100,429,772
1,000,000	500,000	56.86	Nishat (Chunian) Limited	56,856,936	19,371,328
2,000,000	2,000,000	45.58	Nishat Power Limited	91,155,803	91,155,803
–	200,000	–	Oil & Gas Development Company Limited	–	31,404,069
3,500,000	2,000,000	23.61	Pakistan International Bulk Terminal Limited	82,633,905	61,262,602
503,400	–	385.04	Pakistan State Oil Limited	193,830,339	–
2,000,000	1,000,000	16.09	Pakistan Telecommunication Company Limited	32,178,000	17,171,838
–	250,000	–	Pakistan Petroleum Limited	–	40,197,324
–	1,500,000	–	Pak Elektron Limited	–	100,580,065
1,006,500	–	38.22	PICIC Growth Fund Limited	38,473,211	–
2,005,000	–	16.58	PICIC Investment Fund Limited	33,234,031	–

Number of ordinary share 2017	2016	Average cost Per share Rupees	Name of companies	2017 Rupees	2016 Rupees
100,000	100,000	44.22	Security Papers Limited	4,421,702	4,421,702
10,000,000	–	1.88	Silkbank Limited	18,766,570	–
500,000	–	18.25	Soneri Bank Limited	9,126,458	–
2,000,000	1,500,000	21.06	Standard Chartered Bank (Pakistan) Limited	42,122,254	29,133,913
1,000,000	–	40.33	Sui Southeren Gas Limited	40,332,769	–
				3,064,581,662	1,687,449,773
Held for trading securities (HFT)					
125,000	–	121.58	Sui Northern Gas Limited	15,197,333	–
Investment in associates					
15,835,403	15,835,403	15.37	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
				3,323,246,568	1,930,917,346

10.4 Investment in fully paid up shares – unquoted

	2017 Number of Shares	2017 Total paid up date Rates	2016 Number of Shares	2016 Total paid up date Rates	Name of chief Executive / Status
Unquoted securities					
Ali Paper Board Industries Limited	571,000	5,710,000	571,000	5,710,000	Under Liquidation
Saudi Pak Kalabagh Livestock Company Limited	1,000,000	10,000,000	1,000,000	10,000,000	Under Liquidation
Bela Chemical Industries Limited	650,000	6,500,000	650,000	6,500,000	Under Liquidation
Fruit Sap Limited	400,000	4,000,000	400,000	4,000,000	Under Liquidation
Taurus Securities Limited	1,125,000	11,250,000	1,125,000	11,250,000	Syed Zain Hussain
Pakistan Textile City Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. M Hanif Kasbati
Alhamra Hills Private Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. Habib Ahmed
Pak Kuwait Takaful Company	4,000,000	40,000,000	4,000,000	40,000,000	Mr. Aziz Kapadia
Al Hamra Avenue Private Limited	5,000,000	50,000,000	5,000,000	50,000,000	Mr. Habib Ahmed
Pace Barka Properties Limited	16,875,000	168,750,000	16,875,000	168,750,000	Ms. Asma Taseer
Innovative Investment Bank Limited	3,762,304	37,623,048	3,762,304	37,623,048	Under Liquidation
Trust Investment Bank Limited	2,000,000	20,000,000	2,000,000	20,000,000	Mr Ahsan Rafique
Pakistan Gas Port Consortium Limited	33,000,000	330,000,000	–	–	Mr. Fasih Uddin Ahmed
ISE Towers - REIT Management Company Limited	3,034,603	2,500,000	3,034,603	2,500,000	Mian Ayaz Afzal
		786,333,048		456,333,048	

10.5 Investment in term finance certificates – listed

Number of certificate 2017 Rupees	2016 Rupees	Company's name	Redeemable value per certificate Rupees	2017 Rupees	2016 Rupees
Listed					
44,149	44,149	Azgard Nine Limited	2,801	136,614,140	136,614,140
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
6,000	6,000	Summit Bank Limited	4,802	29,392,321	29,406,121
Book value as on December 31				208,803,984	208,817,784

These carry return at the rates ranging from 7.66% to 9.68% (2016: 7.66% to 9.31%) per annum and having maturity period till 2021.

Number of certificate 2017 Rupees	2016 Rupees	Company's name	Redeemable value per certificate Rupees	2017 Rupees	2016 Rupees
Unlisted					
18,000	18,000	Amtex Limited (Sukuk)	3,750	67,500,000	67,500,000
		(Chief Executive: Mr. Khurram Iftikhar)			
10,000	10,000	B.R.R Guardian Modaraba	1,824	–	18,238,132
		(Chief Executive: Mr. Ayaz Dawood)			
7,263	7,263	Agritech Limited	5,000	57,257,340	57,257,340
		(Chief Executive: Mr. Faisal Muzammil)			
50,000	50,000	Agritech Limited	5,000	229,026,411	229,026,411
		(Chief Executive: Mr. Faisal Muzammil)			
60,000	–	Silk Bank Limited	5,000	300,000,000	–
		(Chief Executive: Mr. Azmat Tarin)			
18,000	–	U Microfinance Bank Limited	5,000	90,000,000	–
		(Chief Executive: Syed Umer Viqar)			
30,000	30,000	Sitara Peroxide Limited	948	28,432,937	57,261,900
		(Chief Executive: Mr. Imran Ghafoor)			
Book value as on December 31				772,216,688	429,283,783
				981,020,672	638,101,567

These carry return at the rates ranging from 6.25% to 9.64% (2016: 6.24% to 11%) per annum and having maturity period till 2025.

10.5.1 Investment in term finance certificates (TFCs) includes Rs. 533.195 million (2016: Rs. 608.695 million) which has been placed under non-performing status as detailed below:-

	2017		
	Classified investment	Specific provision required	Specific provision held
		Rupees	
Category of classification of TFCs			
Substandard	–	–	–
Doubtful	–	–	–
Loss	533,195,414	465,695,414	465,695,414
	533,195,414	465,695,414	465,695,414

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

10.6 Investment in mutual funds

Number of ordinary unit 2017	Number of ordinary unit 2016	Average cost Per unit Rupees	Name of mutual funds	2017 Rupees	2016 Rupees
1,938,905	–	10.32	ABL Cash Fund	20,000,000	–
–	524,851	–	Al - Ameen Islamic Sovereign Fund	–	55,000,000
9,878	–	506.18	Atlas Money Market Fund	5,000,000	–
193,905	–	103.14	MCB Cash Management Optimizer Fund	20,000,000	–
–	1,251,174	–	Meezan Sovereign Fund	–	65,000,000
–	486,012	–	NAFA Government Securities Savings Fund	–	5,000,000
4,255,030	2,091,779	9.90	NAFA Money Market Fund	42,120,510	21,000,000
				87,120,510	146,000,000

10.7 Quality of available for sale securities

	Note	2017 Rating	2017 Marekt value Rupees	2016 Rating	2016 Market value Rupees
Market Treasury Bills	10.7.1	unrated	4,554,573,399	unrated	297,045,600
Pakistan Investment Bonds	10.7.1	unrated	1,073,817,001	unrated	8,435,015,650
Fully paid up ordinary shares	10.7.2				
Adamjee Insurance Company Limited		A+	51,970,000	AA+	37,070,000
Agritech Limited		unrated	16,297,484	unrated	133,793,301
Askari Bank Limited		AA+/A-1+	38,620,000	AA+/A-1+	12,475,000
Bank Alfalah Limited		–	–	AA/A-1+	18,980,000
Bank of Punjab Limited		AA/A1+	352,273,803	–	–
Bestway Cement Company Limited		AA-/A1+	39,240,780	AA-	82,773,000
Cherat Cement		A/A1	44,364,000	A/A-1	43,510,000
Crescent Textile Mills Limited		unrated	14,925,000	unrated	13,749,993
Dawood Hercules		AA	83,910,000	AA-/A-1+	72,165,000
Engro Corporation Limited		AA/A1+	41,212,500	AA/A-1+	–
Engro Fertilizer Limited		AA-/A1+	67,720,000	AA-/A1+	67,980,000
Engro Foods		unrated	48,186,000	unrated	47,985,000
Fauji Cement Company Limited		unrated	50,020,000	unrated	67,620,000
Fatima Fertilizer Company Limited		A-/A2	30,880,000	AA-/A1+	36,890,000
Fauji Fertilizer Bin Qasim Limited		unrated	49,702,690	unrated	76,815,000
Fauji Fertilizer Company Limited		AA/A1+	158,220,000	AA/A1+	104,370,000
Fecto Cement Limited		unrated	24,975,000	–	–
Golden Arrow Selected Stocks Fund Limited		4 Star/ 4 Star	51,464,000	4 Star/ 4 Star	69,450,000
Hascol Petroleum Limited		–	–	A+/A-1	84,380,000
Hub Power Company Limited		AA+/A1+	136,500,000	AA+/A1+	123,480,000
Japan Power Generation Limited		unrated	14,755,330	unrated	71,917,691
Kohinoor Energy Limited		AA+/A1+	40,500,000	AA/A1+	21,500,000
Kohinoor Mills Limited		unrated	15,295,500	unrated	20,250,000
Kohinoor Spinning Mills Limited		unrated	3,160,000	unrated	24,911,558
Kot Addu Power Company Limited		AA+/A-1+	157,657,500	AA+/A1+	118,200,000
MCB Bank Limited		AAA/A1+	63,696,000	AAA/A1+	23,782,000
National Bank of Pakistan		AAA/A1+	97,120,000	AAA/A1+	37,445,000
Nishat Power Limited		A+/A1	68,000,000	A+/A1	128,180,000
Nishat (Chunian) Limited		unrated	45,770,000	unrated	31,215,000
Nishat Chunian Power Limited		unrated	98,730,000	unrated	138,700,000
Oil and Gas Development Company Limited		–	–	AAA/A1+	33,070,000
Pakistan International Bulk Terminal Limited		unrated	52,325,000	unrated	65,980,000
Pakistan State Oil Limited		AA/A1+	147,551,574	–	–
Pakistan Telecommunication Company Limited		unrated	26,100,000	unrated	17,180,000
Pakistan Oilfields Limited		–	–	–	–
Pakistan Petroleum Limited		–	–	unrated	47,045,000
Pak Elektron Limited		–	–	A+/A1	71,280,000
PICIC Growth Fund Limited		unrated	28,534,275	–	–
PICIC Investment Fund Limited		unrated	26,766,750	–	–
Silkbank Limited		A-/A-2	15,800,000	–	–
Soneri Bank Limited		AA-/A1+	6,700,000	–	–
Standard Chartered Bank (Pakistan) Limited		AAA/A1+	47,700,000	AAA/A1+	37,875,000
Security Papers Limited		unrated	12,208,000	unrated	9,864,000
Sui Southeren Gas Limited		A+/A1	30,490,000	–	–
			2,299,341,186		1,991,881,543

	2017		2016	
	Rating	Marekt value Rupees	Rating	Market value Rupees
Term Finance Certificates				
Summit Bank Ltd	A-	30,156,432	A-	30,213,809
		7,957,888,018		10,754,156,602

10.7.1 These are Government of Pakistan guaranteed securities.

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

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

		Note	2017 Rupees	2016 Rupees
10.8	**Unrealized (loss)/ gain on revaluation of investments classified as held for trading**			
	Fully paid up ordinary shares of listed companies		(3,371,084)	3,608,666
	Mutual funds		1,073,903	1,004,088
			(2,297,181)	4,612,754
11.	**ADVANCES**			
	Advances in Pakistan		10,427,092,924	10,304,220,380
	Net investment in finance lease in Pakistan	11.2.1	157,162,746	162,712,806
	Advances – gross	11.1	10,584,255,670	10,466,933,186
	Provision for non-performing advances	11.3.1	(2,126,145,262)	(2,210,414,595)
	Advances – net of provision		8,458,110,408	8,256,518,591
11.1	**Particulars of advances - gross**			
11.1.1	In local currency		10,547,027,882	10,429,705,398
	In foreign currencies		37,227,788	37,227,788
			10,584,255,670	10,466,933,186
11.1.2	Long term advances (over one year)	11.1.3	9,472,155,894	9,269,226,792
	Short term advances (upto one year)	11.1.4	1,068,553,877	1,158,073,877
	Staff advances (long term)	11.4	43,545,899	39,632,517
			10,584,255,670	10,466,933,186

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% (2016: 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 8.67% to 9.17% (2016: 6.75% to 9.12%) per annum. These are secured by pledge of quoted shares, stocks and charge on receivable etc.

	Note	2017 Rupees	2016 Rupees
11.2 Net investment in finance lease			
Minimum lease payments receivables		231,485,870	235,864,646
Less: Unearned finance income		(74,323,124)	(73,151,840)
Present value of minimum lease payments	11.2.1	157,162,746	162,712,806
Less: Provision for potential lease losses		(139,055,744)	(139,055,744)
Net investment in lease		18,107,002	23,657,062

11.2.1 Net investment in finance lease

	2017		
	Not later than one year	Later than one and less than five year	Total
		Rupees	
Minimum lease payments receivable	220,066,002	11,419,868	231,485,870
Less: Unearned finance income	(73,519,700)	(803,424)	(74,323,124)
Present value of minimum lease payments	146,546,302	10,616,444	157,162,746

	2016		
	Not later than one year	Later than one and less than five year	Total
		Rupees	
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

11.3 Advances include Rs. 2,592,936,886 (2016: Rs. 2,796,201,699) which have been placed under non-performing status as detailed below:-

	2017		
Category of classification	Classified advances	Provision required Domestic	Provision held
		Rupees	
Substandard	–	–	–
Doubtful	76,667,165	38,333,583	38,333,583
Loss	2,516,269,721	2,087,811,679	2,087,811,679
	2,592,936,886	2,126,145,262	2,126,145,262

	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

		Note	2017 Rupees	2016 Rupees
11.3.1	**Particulars of provisions against non-performing advances**			
	Opening balance		2,210,414,595	2,099,189,893
	Charge for the year		92,829,063	196,940,492
	Reversals		(177,098,396)	(84,307,541)
			(84,269,333)	112,632,951
	Amounts written off	11.3.2	–	(1,408,249)
	Closing balance		2,126,145,262	2,210,414,595

11.3.1.1 The net FSV benefit already availed by the holding Company has been increased by Rs. 82.524 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. 82.524 million (2016: Rs. 73.199 million) and Rs. 57.767 million (2016: Rs. 50.506 million) respectively. Further, at December 31, 2017, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 299.921 million (December 31, 2016: Rs. 238.694 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.

		2017 Rupees	2016 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, 2017 is given at Annexure I.

		Note	2017 Rupees	2016 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		39,632,517	40,632,843
	Loans granted during the year		18,798,623	14,951,717
	Repayments during the year		(14,885,241)	(15,952,043)
	Closing balance		43,545,899	39,632,517
12.	**OPERATING FIXED ASSETS**			
	Property and equipment	12.1	2,655,251,637	2,771,679,488
	Intangible assets	12.2	699,171	1,095,137
	Capital work-in-progress	12.5	22,143,488	–
			2,678,094,296	2,772,774,625

12.1 Property and equipment

	2017										
	Cost / Revalued Amount					Depreciation					
	Opening balance	Addition revaluations	Transfers	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	–	41,724,000	1,330,776,000	1.50
Building - Islamabad	884,101,000	240,901	–	–	884,341,901	35,350,021	35,370,696	–	70,720,717	813,621,184	4
Building	168,166,969	13,913,000	(2,934,471)	–	179,145,498	977,597	977,597	–	1,955,194	177,190,304	4
Building - ISE towers, Islamabad	34,145,000	–	–	–	34,145,000	389,250	389,250	–	778,500	33,366,500	1.14
Heating and air conditioning	133,111,746	245,100	–	686,466	132,670,380	20,049,679	19,794,805	180,191	39,664,293	93,006,087	15
Elevators	60,820,000	537,680	–	18,267,504	43,090,176	9,122,996	9,136,432	5,480,244	12,779,184	30,310,992	15
Electrical fittings	146,930,001	794,439	–	–	147,724,440	22,574,967	22,024,408	–	44,599,375	103,125,065	15
Fire fighting equipment	2,780,446	5,750,200	–	44,837	8,485,809	412,194	957,634	11,763	1,358,065	7,127,744	15
Leasehold improvement	7,457,980	––	2,934,471	–	10,392,451	7,183,933	560,374	–	7,744,307	2,648,144	10-15
Motor vehicles	97,785,259	7,369,778	–	5,420,874	99,734,163	51,460,745	17,017,962	2,385,228	66,093,479	33,640,684	20
Furniture, fixture and fittings	19,082,091	2,078,932	–	146,586	21,014,437	15,575,833	1,366,724	146,560	16,795,997	4,218,440	20
Office equipment	47,021,606	3,784,928	–	–	50,806,534	37,684,646	4,950,463	–	42,635,109	8,171,425	33.33
Telephone installation	1,093,321	55,695	–	–	1,149,016	538,921	144,741	–	683,662	465,354	15
Electrical appliances	7,182,883	934,174	–	34,000	8,083,057	3,948,900	888,607	33,998	4,803,509	3,279,548	15
Loose tools	1,232,731	–	–	–	1,232,731	1,180,449	9,360	–	1,189,809	42,922	15
Miscellaneous	804,769	–	–	–	804,769	800,241	2,697	–	802,938	1,831	15
Security systems	8,778,027	–	–	–	8,778,027	1,290,089	1,316,645	–	2,606,734	6,171,293	15
	3,001,081,949	35,704,827	–	24,600,267	3,012,186,509	229,402,461	135,770,395	8,237,984	356,934,872	2,655,251,637	

2016

	Cost / Revalued Amount					Depreciation					
	Opening balance	Addition revaluations	Transfers	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	1.50
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. 86,537,542 (2016: Rs. 61,556,315).

12.2 Intangible assets

2017

	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the year	Adjustment	Closing balance	Net book value	Rate %
	Rupees									
Software and others	14,698,341	226,448	–	14,924,789	13,603,204	622,414	–	14,225,618	699,171	33.33

2016

	Cost				Amortization					
	Opening balance	Addition	Disposals	Closing balance	Opening balance	For the year	Adjustment	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. 12,972,267 (2016: Rs. 12,552,173).

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 (6 No.)	35,952	9,432	26,520	11,997	Auction	Zeeshan Ashraf
Wheel chair	8,885	2,331	6,554	500	Auction	Zeeshan Ashraf
	44,837	11,763	33,074	12,497		
Electrical appliances						
Orient 1 ton Split (2 No.)	34,000	33,998	2	4,000	Auction	Zeeshan Ashraf
Heating and air-conditioning						
Daikool Airconditioner Model DSW 1.5T (4 No.)	454,204	119,224	334,980	8,000	Auction	Zeeshan Ashraf
Daikool Airconditioner (2 No.)	232,262	60,967	171,295	4,000	Auction	Zeeshan Ashraf
	686,466	180,191	506,275	12,000		
Elevators						
Gold star (2 No.)	18,267,504	5,480,244	12,787,260	666,668	As per policy	Jeewajee Pvt Ltd
Furniture and fixture						
Furniture	146,586	146,560	26	30,000	Auction	Zeeshan Ashraf
Vehicles						
Suzuki cultus CZ-132	1,064,390	425,756	638,634	638,634	As per policy	Zafar Iqbal
Honda city AU-451	1,792,180	1,403,874	388,306	388,306	As per policy	Muhammad Tanweer
Honda civic VTI orial ACC-241	2,564,304	555,598	2,008,706	2,008,706	As per policy	Sheikh Aftab Ahmed
	5,420,874	2,385,228	3,035,646	3,035,646		
	24,600,267	8,237,984	16,362,283	3,760,811		

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

	Note	2017 Rupees	2016 Rupees
Rental income	26.1	111,134,113	111,083,855
Administrative expenses	27	25,232,124	25,523,586
Development properties		26,573	31,991
		136,392,810	136,639,432

12.5 Capital work-in-progress

This represents advance paid to supplier for acquisition of elevators.

		Note	2017 Rupees	2016 Rupees
13.	**OTHER ASSETS**			
	Income / mark-up accrued in local currency	13.1	224,383,608	478,993,276
	Advances, deposits, advance rent and other prepayments		175,971,067	16,488,177
	Advance taxation (payments less provision)		882,671,524	869,443,058
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	13.2	245,671,722	248,450,814
	Dividend receivable		48,885,990	7,250,000
	Others	13.3	66,244,555	181,240,623
			1,722,646,361	1,880,683,843
	Provision against other assets	13.4	(102,148,164)	(102,148,164)
			1,620,498,197	1,778,535,679

13.1 This balance is net of interest in suspense account amounting to Rs. 1,072,656,913 (2016: Rs. 1,116,142,590).

13.2 Non-banking assets acquired in satisfaction of claims

	2017 Rupees	2016 Rupees
Opening balance	248,450,814	356,494,933
Disposals	–	(105,265,027)
Depreciation	(2,779,092)	(2,779,092)
Closing balance	245,671,722	248,450,814

13.3 This mainly represents receivable balance of Rs. 335.328 million (pertaining to the subsidiary company) which was initially due from Divine Developers Private Limited (DDPL) against sale of 90 houses in 2011. On default by DDPL, the subsidiary company filed a law suit in the civil court Lahore for recovery of this balance and also referred the matter to NAB for resolution. During October 2015 NAB informed the subsidiary company that DDPL has offered payment under voluntary return scheme subject to certain conditions which the subsidiary company accepted. As per agreed terms, the amount was to be recovered from DDPL in three installments. The settlement terms were also approved by the Executive Board of NAB on February 9, 2016. Upto December 31, 2017 NAB has recovered whole amount of Rs. 335.328 million and released Rs. 284.116 million to the subsidiary company. Remaining balance of Rs. 51,212 million is receivable from NAB as at December 31, 2017. the subsidiary company's management is pursuing this matter with NAB and is confident of full recovery of the balance, accordingly, no provision there against has been carried in the consolidated financial statements.

		2017 Rupees	2016 Rupees
13.4	**Provision against other assets**		
	Opening balance	102,148,164	117,517,062
	Reversal during the year	–	(15,368,898)
	Closing balance	102,148,164	102,148,164

		2017 Rupees	2016 Rupees
14.	**DEVELOPMENT PROPERTIES**		
	Balance at beginning of the year	129,962,494	188,253,771
	Additions during the year	194,615,788	20,991,549
	Cost of plots / house sold during the year	(78,417,584)	(79,282,826)
	Balance at end of the year	246,160,698	129,962,494

This represents the subsidiary company's cost of 6 plots and cost of construction of residential houses at 5 plots in the housing project at Paragon City, Lahore and cost of 35 eight marla plots situated at Royal Residencia, Lahore purchased during the year.

		Note	2017 Rupees	2016 Rupees
15.	**BORROWINGS**			
	Holding Company - In Pakistan			
	Secured - Local currency			
	Borrowings from State Bank of Pakistan - long term financing facility (LTFF)	15.1	71,767,799	190,907,824
	Repurchase agreement borrowings	15.2	1,930,077,850	5,052,000,000
	Against book debts/receivables	15.3	4,975,000,000	3,875,000,000
	Morabaha finance	15.4	2,100,000,000	1,600,000,000
			9,076,845,649	10,717,907,824
	Subsidiary company - In Pakistan	15.5	100,000,000	–
			9,176,845,649	10,717,907,824

15.1 These represent facilities obtained against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 2.00% per annum (2016: 8.40% per annum). These facilities will mature during May 2018 to August 2024 (2016: June 2017 to June 2020).

15.2 These facilities are secured against Government Securities (T-Bills/ PIBs). These carry markup rates ranging from 5.83% to 5.95% (2016: 5.95% to 6.10%) per annum and will mature in January 2018 (2016: January 2017).

15.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 10,400 million (2016: Rs. 7,333.333 million). The mark up is charged at varying rates ranging from 6.29% to 6.61% per annum (2016: 6.19% to 6.55% per annum). These facilities will mature during May 2018 to December 2021 (2016: March 2017 to December 2021).

15.4 This represents morabaha finance arranged from an Islamic Bank. These carry markup rates ranging from 6.31% to 6.36% (2016: 6.21% to 6.25%) per annum. These will mature in February 2018 to June 2018 (2016: March 2017 to April 2017).

15.5 This represents term finance facility obtained by the subsidiary company for a period of three years from Pak Oman Investment Company Limited to meet the operating and expansion requirements of the subsidiary company. The facility will expire on May 10, 2020 and carries annual markup at the rate of three month KIBOR + 2% payable quarterly. The facility is secured by way of hypothecation charge on present and future furniture, fixtures, fittings, equipments, investment properties and all present and future current assets of the subsidiary company.

16. DEPOSITS AND OTHER ACCOUNTS

This represents certificate of investments issued to various institutions which carried mark up rate of 6.15% per annum (2016: 6.00% to 6.20% per annum) and is repayable in March 2018 (2016: February 2017 to May 2017). Deposits include Rs. 7,500,000 (2016: 12,500,000) due to related parties.

	2017 Rupees	2016 Rupees
17. DEFERRED TAX LIABILITIES		
Deferred tax credits arising due to following taxable temporary differences:		
Accelerated tax depreciation	11,496,772	14,891,116
Surplus on revaluation of operating fixed assets	692,047,761	733,112,585
Non banking assets acquired in satisfaction of claims	–	1,788,585
Net investment in leases	33,656,734	37,440,794
Dividend receivable	6,939,149	–
	744,140,416	787,233,080
Deferred tax debits arising due to following deductible temporary differences:		
Acturial loss on gratuity valuation	(3,997,636)	(1,171,518)
Surplus on revaluation of securities- HFT	(237,187)	691,913
Surplus on revaluation of securities- AFS	(16,905,885)	83,129,127
Provision for non banking assets acquired in satisfaction of claims	(4,523,839)	(4,523,839)
Alternative corporate tax in excess of corporate tax	(175,430)	(1,427,336)
Accumulated tax losses	(1,502,073)	(5,839,707)
Impairment loss on available for sale quoted securities	(68,290,386)	(1,354,604)
	(95,632,436)	69,504,036
Deferred tax asset not recognized	2,845,924	1,041,073
	651,353,904	857,778,189

17.1 Deferred tax asset to the extent of Rs 2,845,924 (2016: Rs 1,041,073) related to the the subsidiary company has not been recognized by its management in view of uncertainty related to taxable profits in foreseeable future.

		2017 Rupees	2016 Rupees
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		50,214,508	56,831,445
Accrued expenses		37,469,039	34,573,406
Advance rental income	18.1	92,734,747	101,905,649
Payable to defined benefit plan		6,786,518	7,771,539
Provision for compensated absences		6,245,350	5,741,732
Directors' remuneration		3,205,008	3,145,485
Others	18.2	46,444,057	48,166,580
		243,099,227	258,135,836

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 includes amount of Rs 15,787,500 (2016: 17,354,500) which represents advance receipt against booking of houses in the subsidiary company'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

2017	2016		2017	2016
Number of Share			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:

2017	2016		2017	2016
Number of Share			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	2017 Rupees	2016 Rupees
20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets			
Surplus on revaluation	20.1	2,306,825,871	2,419,473,818
Related deferred tax		(692,047,762)	(725,842,147)
		1,614,778,109	1,693,631,671
Available for sale securities			
Surplus on revaluation	20.2	(57,898,713)	854,861,542
Related deferred tax		16,905,885	(83,129,127)
		(40,992,828)	771,732,415
		1,573,785,281	2,465,364,086
20.1 Surplus on revaluation of operating fixed assets			
Opening balance		2,419,473,818	2,519,850,128
Surplus for the year on revaluation during the year		–	–
Surplus realized on disposal of operating fixed - transferred to unappropriated profit		(12,980,143)	(675,922)
Transfer to unappropriated profit in respect of incremental depreciation charge during the year		(99,667,804)	(99,700,388)
Closing balance		2,306,825,871	2,419,473,818
Less: Related deferred tax liability on revaluation surplus			
Opening balance		(725,842,147)	(756,952,802)
Deferred tax on surplus recognised during the year		–	–
Deferred tax effect of surplus realized on disposal of fixed assets		3,894,044	203,535
Impact of change in tax rate		–	–
Deferred tax on incremental depreciation transferred to unconsolidated profit and loss account		29,900,341	30,907,120
Closing balance		(692,047,762)	(725,842,147)
		1,614,778,109	1,693,631,671

2017 2016

		Rupees	Rupees
20.2	**(Deficit)/ Surplus on revaluation of available for sale securities**		
	Quoted securities	(144,563,456)	368,072,104
	Government securities	85,900,632	485,981,750
	Term Finance Certificates (TFCs)	764,111	807,688
		(57,898,713)	854,861,542
	Less: related deferred tax liability	16,905,885	(83,129,127)
	Surplus on revaluation of AFS securities - net of tax	(40,992,828)	771,732,415
21.	**CONTINGENCIES AND COMMITMENTS**		
21.1	**Direct credit substitutes**		
	Letter of comfort / guarantee	118,770,000	340,000,000
21.2	**Non disbursed commitment for term and working capital finance**	2,433,480,000	2,078,289,000
21.3	**Commitments for the acquisition ofoperating fixed assets**	21,560,060	6,447,656
21.4	**Construction of development properties**	–	25,704,000

21.5 Tax contingencies- holding company

The holding company has filed income tax returns for and up to tax year 2017 (year ended December 31, 2016). 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 related to matters discussed below. 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.

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, 2010, 2012, 2013 and 2014 are under litigation before Islamabad High Court. Total outstanding demands in respect of tax years under litigation amounts to Rs 591.05 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 and 2012 to 2014. The Holding Company has filed tax reference before the Islamabad High Court. Reference for the years 2004 to 2010 has been admitted for hearing.

For tax year 2012, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. The Holding Company filed appeal before Commissioner Inland Revenue-Appeals (CIR-Appeals). CIR-Appeals upheld certain actions of the assessing officer and remanded back other issues to assessing officer. The Holding Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of issues decided against the Company. ATIR decided in favor on the Holding Company on certain expenses but decided against the Holding Company on issue of non-performing loans. In this regard the Holding Company filed reference before Islamabad High Court. The Additional Commissioner Inland Revenue passed an appeal effect order creating revised income tax demand of Rs. 68.4 million out of which the Holding Company has paid Rs 16.8 million under protest. The Holding Company has obtained stay from Appellate Tribunal Inland Revenue against the disputed demand.

For tax year 2013, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue. The Commissioner Inland Revenue (Appeals) upheld certain actions of the assessing officer and remanded back certain issues. The Holding Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of issues decided against the Holding Company. ATIR decided in favor on the Holding Company on certain expenses but decided against the Holding Company on issue of non-performing loans. In this regard the Holding Company filed reference before Islamabad High Court. No appeal effect has been received by the Holding Company yet thus the outstanding demand at this stage is Nil.

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 back certain issues to assessing officer. The Officer Inland Revenue passed an appeal effect order creating demand of Rs 85.4 million. The Holding Company has paid Rs. 62.5 million under protest. The Holding Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR). ATIR remanded back certain issues to assessing officer but decided against the Holding Company on issue of non-performing loans. In this regard the Holding Company filed reference before Islamabad High Court. The Holding Company has not received any new appeal effect order yet thus the outstanding demand at this stage is Nil.

ii) 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 back 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.

21.6 Tax contingencies- the subsidiary company

i) During the year the subsidiary company was selected for tax audit u/s 177 of Income Tax Ordinance 2001 (ITO). Amended order u/s 122 (1) of ITO was passed raising a demand of Rs 4,787,629. According to the the subsidiary company's tax advisors hearing of the the subsidiary company's appeal before the Commissioner Appeals is complete and order is pending in which favorable outcome is expected. Accordingly, Rs 2,000,000 deposited into the government treasury in this regard has been carried as receivable by the subsidiary company.

21.7 Other contingencies - holding company

(a) 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 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 holding company in the Sindh High Court in 2014. 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.

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

During 2014, the Company invited bids for the sale of a Farm House at Gadap Town and three other plots at DHA Karachi. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only three 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 properties, which was rejected. He felt aggrieved and filed the subject damages suit against the Company in the Sindh High Court in 2014. The suit is being contested by the Company vigorously. It is expected that suit will be dismissed after due process of law.

(c) Other contingencies - subsidiary company

During the year Lahore Development Authority (LDA) imposed a penalty amounting to Rs 140 million on the owners of Tricon Corporate Centre, Lahore due to contravention of LDA construction bye laws. As at the reporting date, the subsidiary company owns two offices in aforementioned building. Consequently, the subsidiary company may be required to bear the proportionate share of such penalty. Presently, the exact proportionate share of penalty is not determinable however, the management of the subsidiary company is confident that the onerous of this penalty will not fall on the subsidiary company.

		Note	2017 Rupees	2016 Rupees
22.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances		623,622,611	579,092,931
	On investments in:			
	Available for sale securities		552,623,256	735,465,075
	Held to maturity securities		52,049,322	5,851,236
			604,672,578	741,316,311
	On lendings to financial institutions		3,881,725	6,179,222
	On deposit accounts		13,118,892	10,554,909
			1,245,295,806	1,337,143,373
23.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits	23.1	8,786,799	3,564,612
	Securities purchased under repurchase agreements		133,065,017	150,412,081
	Other short term borrowings		136,465,161	161,387,483
	Long term finance for export oriented projects from SBP		10,804,578	19,234,745
	Long term borrowings		201,413,624	163,551,795
	Brokerage fee		2,034,110	2,636,483
			492,569,289	500,787,199

23.1 This includes an amount of Rs. 739,948 (2016: Rs. 690,206) on account of mark-up / interest on deposits of related parties.

		Note	2017 Rupees	2016 Rupees
24.	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS - NET**			
	Term finance certificates (TFCs)		(75,500,032)	113,571,248
	Unquoted investment		(84,375,000)	66,905,974
	Impairment loss reversal on quoted securities		482,749,904	(26,028,078)
			322,874,872	154,449,144
25.	**GAIN ON SALE OF SECURITIES-NET**			
	Federal government securities			
	Pakistan Investment Bonds		205,413,779	317,144,451
	Shares - listed		131,204,536	119,257,698
	Mutual funds		2,991,771	–
			339,610,086	436,402,149
26.	**OTHER INCOME**			
	Rent on property - net	26.1	137,700,626	111,118,881
	Net loss on disposal of operating fixed assets		(12,601,472)	(399,755)
	Gain on disposal of non banking assets		–	29,234,973
	Others	26.2	56,192,488	39,603,867
			181,291,642	179,557,966

	Note	2017 Rupees	2016 Rupees
26.1 Rent on property - net			
Rental income		309,052,416	286,019,016
Less: Operating expenses			
Salaries, allowances and employee benefits	27.1	20,945,162	13,440,146
Traveling and conveyance		240,702	23,000
Medical		327,171	398,993
Janitorial services		8,568,655	7,513,501
Security services		20,805,152	20,831,729
Insurance		1,152,901	1,662,867
Postage, telegraph, telegram and telephone		42,838	58,398
Printing and stationery		252,079	356,063
Utilities		(663,475)	5,301,313
Consultancy and professional charges		198,000	50,000
Repairs and maintenance		5,491,079	11,009,433
Rent, rates and taxes		2,122,652	2,464,397
Depreciation	12.4	111,134,113	111,083,855
Staff Training		29,000	–
Office general expenses		705,761	706,440
		171,351,790	174,900,135
		137,700,626	111,118,881

26.2 This mainly includes amount of Rs 49,757,416 (2016: 37,517,174) which represents net income of the subsidiary company from sale of house and plots. This also includes amount of Rs 1,533,122 (2016: Rs 2,086,693) which represents income received by the holding company from tender fee and sale of miscellaneous scrap items etc

	Note	2017 Rupees	2016 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances and employee benefits	27.1	225,198,183	206,324,246
Non-executive directors' fees, allowances and other expenses		5,035,008	3,905,485
Traveling and conveyance	27.2	28,557,833	29,012,423
Vehicle running expenses		4,999,025	3,598,599
Utilities		12,999,943	17,019,116
Advertisement and publicity		3,248,391	4,471,231
Postage, telegram, telephone and telex		7,522,725	7,101,328
Printing, stationery and periodical		4,398,133	4,478,730
Legal and professional charges		9,464,903	18,447,981
Consultancy, custodial and rating services		17,091,389	11,890,983
Auditor's remuneration	27.3	2,075,000	1,660,000
Repair and maintenance		9,074,134	7,355,425
Office and general expenses		27,044,514	21,820,389
Bank charges		322,501	579,405
Professional training		2,001,581	1,588,737
Insurance		2,429,756	2,291,899
Depreciation- fixed assets	12.4	25,232,124	25,523,586
Depreciation- non banking assets	13.2	2,779,092	2,779,092
Donations	27.4	500,000	500,000
		389,974,235	370,348,655

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

- Rs. 6.896 million (2016: Rs. 5.918 million) on account of employee provident fund expense;
- Rs. 5.636 million (2016: Rs. 4.536 million) on account of gratuity expense; and
- Rs. 2.577 million (2016: Rs. 3.018 million) on account of compensated absences expense.

27.2 This includes Rs. 16.928 million (2016: Rs. 19.740 million) in respect of travel costs paid to directors of the holding company for attending Board / Board's committee meetings.

	2017 Rupees	2016 Rupees
27.3 Auditors' remuneration		
Audit fee	1,415,000	945,000
Half yearly review	455,000	525,000
Review of statement of compliance	30,000	30,000
Out of pocket expenses	175,000	160,000
	2,075,000	1,660,000

27.4 These represent donations given by holding company to Behbud Association of Pakistan for renovation work of building. Donations were not given to any donee in which the holding company or any of its directors or their spouses had any interest.

	2017 Rupees	2016 Rupees
28. OTHER (REVERSALS) / PROVISIONS		
(Reversal of provision) / provision against non banking assets	–	(15,368,898)
(Reversal of provision) against doubtful debt	–	(2,019,846)
	–	(17,388,744)

29. OTHER CHARGES

Penalties imposed by State Bank of Pakistan are charged under this head. There was no such penalty during the year.

	Note	2017 Rupees	2016 Rupees
30. TAXATION			
For the year			
current		294,074,924	254,013,328
deferred		(99,727,218)	122,920,495
		194,347,706	376,933,823
For the prior year(s)			
current		43,895,747	69,763,310
deferred		–	42,194,615
	30.1	238,243,453	488,891,748
30.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		870,142,677	975,515,149
Tax rate		30%	31%
Tax on accounting profit		261,042,803	302,409,696
Tax effect on income subject to lower rate of taxation		(17,707,019)	(119,650,067)
Impact of change in tax rate for prior year		–	193,023,536
Tax effect of prior years		43,895,747	69,763,310
Reversal of deferred tax asset for prior year		(1,788,585)	42,194,615
Permanent differences			
on reveral of provision against investment		(47,962,510)	–
expenses not claimable against rental income		(7,411,550)	(1,587,623)
Others		8,174,567	2,738,281
		238,243,453	488,891,748

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, 2017 the said levy has been extended to tax year 2017 also.

30.3 For tax related contingencies, refer to note 21.5 and 21.6

		Note	2017 Rupees	2016 Rupees
31.	**BASIC EARNING PER SHARE**			
	Profit for the year - Rupees		631,899,224	486,623,401
	Weighted average number of ordinary shares - Number		660,000,000	660,000,000
	Basic earning per share - Rupees		0.957	0.737
32.	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks		40,327,154	34,292,665
	Balance with other banks		285,287,037	151,477,516
			325,614,191	185,770,181

		Note	2017 Number	2016 Number
33.	**STAFF STRENGTH**			
	Permanent		82	84
	Temporary/on contractual basis		5	3
	Group's own staff strength at the end of the year		87	87
	Outsourced	33.1	92	91
	Total staff strength		179	178

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, 2017 using the Projected unit cedit method. Detail of the defined benefit plan are:

		2017 Rupees	2016 Rupees
34.2	**The amounts recognized in the consolidated statement of financial position are as follows:**		
	Present value of defined benefit obligation	40,867,872	33,081,128
	Fair value of plan assets	(34,081,354)	(25,309,590)
	Net liability	6,786,518	7,771,538
34.3	**The amounts recognized in the consolidated profit and loss account are as follows:**		
	Current service cost	5,070,092	4,385,779
	Net interest expense	565,936	150,673
		5,636,028	4,536,452

		2017 Rupees	2016 Rupees
34.4	**The amounts recognized in other comprehensive income**		
	Actuarial loss due to:		
	Experience adjustment	1,932,544	2,902,971
	Investment return	(27,204)	1,238,699
	Actuariual loss/ (gain) due to change in financial assumptions	56,857	(185,112)
		1,962,197	3,956,558
34.5	**Actual return on plan assets**	2,168,519	1,102,905
34.6	**Movement in the net defined benefit liability**		
	Opening balance- adjusted	7,771,538	2,155,444
	Current service cost	5,070,092	4,385,779
	Net interest expense	565,936	150,673
	Benefits payable to outgoing members	(1,980,000)	(5,365,410)
	Amount received by the holding company from the Fund	1,980,000	10,473,909
	Actual contribution by employer	(8,583,245)	(7,985,415)
	Actuarial losses	1,962,197	3,956,558
	Closing balance	6,786,518	7,771,538
34.7	**Changes in the present value of defined benefit obligation**		
	Opening defined benefit obligation-adjusted	33,081,128	28,824,202
	Current service cost	5,070,092	4,385,779
	Interest expense	2,707,251	2,518,698
	Actuarial loss	1,989,401	2,717,859
	Benefits payable	(1,980,000)	(5,365,410)
	Closing defined benefit obligation	40,867,872	33,081,128
34.8	**Changes in the fair value of plan assets**		
	Opening fair value of plan assets-adjusted	25,309,590	26,668,758
	Interest income	2,141,315	2,368,025
	Contributions by employer	8,583,245	7,985,415
	Actual amount paid by the Fund to the holding company	(1,980,000)	(10,473,909)
	Actuarial (loss)/ gain	27,204	(1,238,699)
	Closing fair value of plan assets	34,081,354	25,309,590

The Group expects to contribute Rs 6,237,816 to its defined benefit plan in 2018.

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.

		2017 Rupees	2016 Rupees
34.9	**Break-up of category of assets**		
	Term deposit receipts	29,945,019	22,859,550
	Cash and cash equivalents	929,673	143,000
	Investment in mutual funds	880,775	464,587
	Deposits with banks	2,325,887	1,842,453
		34,081,354	25,309,590
34.10	**Principal actuarial assumptions**		
	Discount rate - per annum	8.25%	8.00%
	Expected rate of increase in salary - per annum (the holding company)	6.25%	6.00%
	Expected rate of increase in salary - per annum (the subsidiary company)	7.25%	7.50%
	Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
	Rates of employee turnover	Moderate	Moderate

34.11 Gratuity expense for the year ended December 31, 2018 is expected to be Rs. 6.238 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 0.5 % increase	 0.5 % increase
	Effect in Rupees	
Discount rate	36,686,346	38,769,811
Salary	38,876,537	36,576,841

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, 2017 were Rs. 79,670,549 (2016: Rs. 72,176,162) 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	2017 Unaudited	2016 Audited
Size of the Fund		79,670,549	72,176,162
Cost of investments	35.2	68,868,714	64,711,973
Fair value of investments		69,124,154	64,941,328
Percentage of investments		86%	90%

35.2 Breakup of investments

Break-up of category of assets

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Term deposit receipts	33,000,000	48	33,000,000	51
Certificates of investment	32,500,000	44	29,000,000	44
Mutual funds	366,375	1	366,375	1
Bank deposits	3,002,339	4	2,345,598	4
	68,868,714	100	64,711,973	100

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

	2017 Rupees	2016 Rupees
36. Provision for compensated absences		
Opening balance	5,741,732	4,593,242
Charge for the year	2,576,944	3,018,458
Payment during the year	(2,073,326)	(1,869,968)
Closing balance	6,245,350	5,741,732

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees					
Fees	220,000	120,000	4,815,008	3,905,485	–	–
Managerial remuneration	16,200,000	13,762,500	–	–	50,100,114	39,211,742
Contribution to defined contribution plan	1,200,000	1,200,000	–	–	4,780,879	3,723,100
Charge for defined benefit plan	1,009,057	981,741	8,322,003	7,333,315		
Rent and house maintenance	6,360,000	6,360,000	–	–	26,301,892	20,002,351
Utilities	1,200,000	1,200,000	–	–	4,383,649	3,333,725
Medical	408,000	408,000	–	–	7,994,462	6,173,960
Bonus and others	10,486,438	9,964,168	–	–	31,630,801	27,143,532
	37,083,495	33,996,409	4,815,008	3,905,485	133,513,800	106,921,725
Number of persons	2	2	10	11	52	42

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.

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Held for trading				
Quoted securities	11,826,249	–	–	11,826,249
Mutual funds	88,194,413	–	88,194,413	
Available for sale securities				
Market Treasury Bills	–	4,554,573,400	–	4,554,573,400
Pakistan Investment Bonds	–	1,073,817,000	–	1,073,817,000
Fully paid ordinary shares / units	2,299,341,186	–	–	2,299,341,186
Term Finance Certificates	–	30,156,432	–	30,156,432
	2,311,167,435	5,746,741,245	–	8,057,908,680
Non-financial assets:				
Operating fixed assets				
Property and equipment (building)	–	–	154,705,500	154,705,500
Property and equipment (leasehold land)	–	–	1,380,588,120	1,380,588,120
Other assets				
Non-banking assets acquired in satisfaction of claims	–	–	147,598,620	147,598,620
	–	–	1,682,892,240	1,682,892,240

	2016			
	Level 1	Level 2	Level 3	Total
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

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:

	2017			
	Corporate Finance Rupees	Trading and sales Rupees	Building rental and sales Rupees	Total Rupees
Total income	689,207,566	1,089,205,071	384,230,893	2,162,643,530
Total expenses	171,327,860	921,632,039	199,540,954	1,292,500,853
Net income	517,879,706	167,573,032	184,689,939	870,142,677
Segment Assets (gross)	12,176,248,810	11,439,516,292	3,011,786,809	26,627,551,911
Segment Non Performing Loans	2,796,201,699	–	–	2,796,201,699
Segment Provision Required	2,526,884,856	1,638,290,118	–	4,165,174,974
Segment Liabilities	4,306,343,625	3,930,799,703	1,841,655,452	10,078,798,780
Segment Return on net Assets (ROA) (%)	9.69	2.85	15.78	7.03
Segment Cost of funds (%)	4.55	7.65	–	5.36

	2016			
	Corporate Finance Rupees	Trading and sales Rupees	Building rental and sales Rupees	Total Rupees
Total income	631,626,163	1,310,643,120	328,975,266	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)	11,640,570,245	13,978,345,536	2,832,579,244	28,451,495,025
Segment Non Performing Loans	2,796,201,699	–	–	2,796,201,699
Segment Provision Required	2,686,654,221	1,239,915,214	–	3,926,569,435
Segment Liabilities	5,039,554,086	6,081,283,547	844,383,641	11,965,221,274
Segment Return on net Assets (ROA) (%)	3.62	10.57	6.55	7.77
Segment Cost of funds (%)	3.30	5.71	–	4.62

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 6.04 % (2016: 6.05 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 92.73% (2016: 92.11%) 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	Rupees	Rupees
<u>Outstanding balances at year end</u>			
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 payable for generator	Saudi Pak Leasing Company Limited	–	30,000
Key management personnel			
– Advances to executives		36,250,784	29,959,095
Employee funds			
– Deposits against COIs	Employee funds	7,500,000	12,500,000
– Interest payable	Employee funds	17,692	54,357
– Contribution payable	Staff gratuity fund	6,786,518	7,771,538

Nature of balances / transactions	Name of the Entity	2017 Rupees	2016 Rupees
Transactions during the year			
Subsidiary / Associated companies			
– Rent received	Saudi Pak Leasing Company Limited	610,169	559,020
– Rent paid for generator	Saudi Pak Leasing Company Limited	328,402	137,535
Key Management Personnel			
– Advances to executives		16,510,800	6,281,825
– Repayment of advances		12,060,406	13,944,567
Employee funds			
– Deposits against COIs	Employee Provident Fund	–	7,500,000
– Maturity of deposits against COIs	Employee Provident Fund	5,000,000	2,000,000
– Contribution paid	Employee Provident Fund	6,895,996	6,205,225
– Interest expense	Employee Provident Fund	739,948	690,206
– Contribution paid	Staff Gratuity Fund	8,583,245	2,876,915

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, 2017 the holding company must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 11.275% 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 holding company's position under Basel III's third capital standard is as under:

	2017 Rupees	2016 Rupees
Tier I Capital	10,624,574	9,914,230
Total Exposure	24,740,495	26,756,484
Leverage Ratio	42.94%	37.05%

S.No		2017 Rs. 000	2016 Rs. 000
42.3	**CAPITAL ADEQUACY RETURN AS OF DECEMBER 31**		
S.No	**Common Equity Tier 1 capital (CET1): Instruments and reserves**		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,600,000	6,600,000
2	Balance in Share Premium Account	–	–
3	Reserve for issue of Bonus Shares	–	–
4	Discount on Issue of shares	–	–5
	General/ Statutory Reserves	1,285,354	1,159,890
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	–
7	Unappropriated/unremitted profits/ (losses)	2,746,287	2,160,686
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**	10,631,641	9,920,576
10	Total regulatory adjustments applied to CET1 (Note 42.3.1.1)	(7,066)	(6,346)
11	**Common Equity Tier 1**	10,624,575	9,914,230
	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)**	10,624,575	9,914,230
	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	1,437,153	1,321,033
29	of which: Unrealized gains/losses on AFS	(36,484)	601,951
30	Foreign Exchange Translation Reserves	–	–
31	Undisclosed/Other Reserves (if any)	–	–
32	**T2 before regulatory adjustments**	1,400,669	1,922,984

		2017 Rs. 000	2016 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**	1,400,669	1,922,984
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	12,025,244	11,837,214
39	**Total Risk Weighted Assets (RWA) (Note 42.6)**	26,991,770	26,314,271
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	39.36%	37.68%
41	**Tier-1 capital to total RWA**	39.36%	37.68%
42	**Total capital to total RWA**	44.55%	44.98%
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**	11.275%	10.65%

***CCB: consisting of CET1 only**

42.3.1 Regulatory Adjustments and Additional Information

		2017		2016
		Rs.000	Amounts subject to Pre-Basel III treatment Rs.000	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)	(7,066)	–	(6,346)
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	–	–	–
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)	(7,066)	–	(6,346)

		2017		2016
		Rs.000	Amounts subject to Pre-Basel III treatment 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)	–	–	–
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)	–	–	–

		2017 Rs. 000	2016 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

	2017 Balance sheet as in published financial statements Rs. 000	2016 Under regulatory scope of consolidation Rs. 000
42.4.1 Step-I of Capital Structure Reconciliation		
ASSETS		
Cash and balances with treasury banks	40,327	40,303
Balances with other banks	285,287	123,073
Lendings to financial institutions	–	–
Investments	9,133,899	9,468,147
Advances	8,458,110	8,457,894
Operating fixed assets	2,678,094	2,518,447
Deferred tax assets	–	–
Other assets	1,620,498	1,558,819
Development properties	246,161	–
TOTAL ASSETS	22,462,377	22,166,685
LIABILITIES AND EQUITY		
Bills payable	–	–
Borrowings	9,176,846	9,076,846
Deposits and other accounts	7,500	7,500
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	651,354	651,354
Other liabilities	243,099	225,559
TOTAL LIABILITIES	10,078,799	9,961,259
Share capital	6,600,000	6,600,000
Reserves	1,285,354	1,285,354
Unappropriated/ Unremitted profit	2,924,439	2,746,287
Minority Interest	–	–
Surplus on revaluation of assets	1,573,785	1,573,785
TOTAL EQUITY	12,383,578	12,205,426
TOTAL LIABILITIES AND EQUITY	22,462,377	22,166,685

		2017		
		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	40,327	40,303	
	Balanced with other banks	285,287	123,073	
	Lending to financial institutions	–	–	
	Investments	9,133,899	9,468,147	
	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	8,458,110	8,457,894	
	shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	
	general provisions reflected in Tier 2 capital	–	–	
	Fixed Assets	2,678,094	2,518,447	
	Deferred Tax Assets	–	–	
	of which: DTAs that rely on future profitability excluding those arising from temporary differences	–	–	
	of which: DTAs arising from temporary differences exceeding regulatory threshold	–	–	
	Other assets	1,620,498	1,558,819	
	of which: Goodwill	–	–	
	of which: Intangibles	7,068	7,068	
	of which: Defined-benefit pension fund net assets	–	–	
	Development properties	246,160	–	
	TOTAL ASSETS	22,462,377	22,166,685	
	LIABILITIES AND EQUITY			
	Bills payable	–	–	
	Borrowings	9,176,847	9,076,846	
	Deposits and other accounts	7,500	7,500	
	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	651,354	651,354	
	of which: DTLs related to goodwill	–	–	
	of which: DTLs related to intangible assets	2	2	
	of which: DTLs related to defined pension fund net assets	–	–	
	of which: other deferred tax liabilities	–	–	
	Other liabilities	243,099	225,559	
	TOTAL LIABILITIES	10,078,800	9,961,259	

	2017		
	Balance sheet published financial statements Rs.000	Under regulatory scope of consolidation Rs.000	Reference
Share capital	6,600,000	6,600,000	
of which: amount eligible for CET1	6,600,000	6,600,000	
of which: amount eligible for AT1	–	–	
Reserves	1,285,354	1,285,354	
of which: portion eligible for inclusion in CET1(provide breakup)	1,285,354	1,285,354	
of which: portion eligible for inclusion in Tier 2	–	–	
Unappropriated profits	2,924,439	2,746,287	
Minority Interest	–	–	
of which: portion eligible for inclusion in CET1	–	–	
of which: portion eligible for inclusion in AT1	–	–	
of which: portion eligible for inclusion in Tier 2	–	–	
Surplus on revaluation of assets	1,573,785	1,573,785	
of which: Revaluation reserves on Fixed Assets	1,614,778	1,614,778	
of which: Unrealized Gains/Losses on AFS	(40,993)	(40,993)	
In case of Deficit on revaluation (deduction from CET1)	–	–	
TOTAL LIABILITIES AND EQUITY	22,462,377	22,166,685	

		2017	
		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		
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	1,285,354	(e)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated/unremitted profits/ (losses)	2,746,287	(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)	–	

		2017	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
8	**CET 1 before Regulatory Adjustments**	10,631,641	
	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)	(7,066)	(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)	(7,066)	
31	**Common Equity Tier 1**	10,624,575	
	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**	–	

		2017	
		Component of regulatory capital reported by Company Rs. 000	Source based on reference from step II
42.4.4	**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	–	
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)**	10,624,575	
	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	1,437,153	portion of (g)
56	of which: Unrealized Gains/Losses on AFS	(36,484)	
57	Foreign Exchange Translation Reserves	–	
58	Undisclosed/Other Reserves (if any)	–	
59	**T2 before regulatory adjustments**	1,400,669	
	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 i nsurance 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	1,400,669	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	12,025,244	

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	✔	repealed 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	
	2017 Rs. 000	2016 Rs. 000	2017 Rs. 000	2016 Rs. 000
CREDIT RISK				
On Balance Sheet				
Portfolios subject to standardized approach				
Cash & cash equivalents	–	–	–	–
Sovereign	–	–	–	–
Public Sector entities	–	–	–	–
Banks	2,461	9,123	24,615	91,226
Corporate	743,077	713,967	7,430,774	7,139,672
Retail	640	605	6,401	6,048
Residential Mortgages	1,218	1,096	12,178	10,960
Past Due loans	55,162	84,689	551,625	846,890
Operating Fixed Assets	251,775	262,432	2,517,748	2,624,315
Other assets	731,636	659,665	7,316,359	6,596,650
	1,785,969	1,731,577	17,859,700	17,315,761
Portfolios subject to Internal Rating Based (IRB) Approach	–	–	–	–
Total- on balance sheet portfolio for credit risk	1,785,969	1,731,577	17,859,700	17,315,761
Off-Balance sheet				
Non-market related	200,300	273,474	2,003,003	2,734,737
Market related	–	–	–	–
	200,300	273,474	2,003,003	2,734,737
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	–	–	–	–
Under Internal models approach	–	–	–	–
Total- off balance sheet portfolio for credit risk	200,300	273,474	2,003,003	2,734,737
TOTAL CREDIT RISK	1,986,269	2,005,051	19,862,703	20,050,498
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	11,386	22,573	113,864	225,728
Equity position risk	462,233	384,241	4,622,335	3,842,407
Foreign Exchange risk	1,614	1,718	16,142	17,183
	475,233	408,532	4,752,341	4,085,318
Capital Requirement for portfolios subject to Internal Models Approach	–	–	–	–
TOTAL MARKET RISK	475,233	408,532	4,752,341	4,085,318
OPERATIONAL RISK				
Capital Requirement for operational risks	237,673	217,846	2,376,726	2,178,456
TOTAL OPERATIONAL RISK	237,673	217,846	2,376,726	2,178,456
TOTAL	2,699,175	2,631,429	26,991,770	26,314,272

	2017		2016	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	39.36%	6.00%	37.68%
Tier-1 capital to total RWA	7.50%	39.36%	7.50%	37.68%
Total capital to total RWA	10.00%	44.55%	10.00%	44.98%
Gross total capital to total RWA (including CCB)	11.275%	44.55%	10.65%	44.98%

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

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Financial institutions	395,990,147	3.74	–	–	805,000,000	31.28
Paper and allied	464,986,423	4.39	–	–	–	–
Electrical goods	500,000,000	4.72	–	–	–	–
Dairy and poultry	1,416,666,666	13.38	–	–	–	–
Sugar and allied products	453,114,473	4.28	–	–	35,480,000	1.38
Chemical and fertilizer	20,472,941	0.19	–	–	–	–
Energy, oil and gas	1,687,021,364	15.94	–	–	573,000,000	22.26
Construction	472,419,373	4.46	–	–	100,000,000	3.89
Hotels	432,030,294	4.08	–	–	–	–
Cement	188,193,569	1.78	–	–	820,000,000	31.86
Textile	1,652,682,820	15.61	–	–	218,770,000	8.50
Metal and allied products	536,627,747	5.07	–	–	–	–
Automobiles and allied	249,278,212	2.36	–	–	–	–
Transport/services and misc.	12,461,152	0.12	–	–	–	–
Others	2,102,310,489	19.86	7,500,000	100.00	21,560,060	0.84
	10,584,255,670	100.00	7,500,000	100.00	2,573,810,060	100.00

	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	–	–	–	–
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	–	–	–	–
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

43.1.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees	Amount Rupees	% age Rupees
Public / Government sector	–	–	–	–	–	–
Private sector	10,584,255,670	100.00	7,500,000	100.00	2,573,810,060	100.00
	10,584,255,670	100.00	7,500,000	100.00	2,573,810,060	100.00

	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

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Financial institutions	91,000,000	91,000,000	100,687,751	100,687,751
Paper and allied	33,736,423	33,736,423	40,475,163	40,475,163
Electrical goods	–	–	–	–
Dairy and poultry	–	–	38,562,323	38,562,323
Banaspati and allied	–	–	–	–
Sugar and allied products	243,114,473	92,033,250	243,114,473	92,033,250
Chemical and fertilizer	20,472,941	14,972,941	27,472,941	14,972,941
Energy, oil and gas	241,695,917	203,362,335	280,028,751	222,528,752
Construction	205,752,708	205,752,708	205,752,708	205,752,708
Hotels	32,030,294	32,030,294	32,030,294	32,030,294
Cement	116,206,923	116,206,923	116,206,923	116,206,923
Textile	1,092,029,389	820,152,570	1,106,600,680	741,894,798
Metal and metal products	112,908,454	112,908,454	168,687,328	168,687,328
Automobiles and allied	249,278,212	249,278,212	281,871,212	281,871,212
Transport/services	12,461,152	12,461,152	12,461,152	12,461,152
Miscellaneous	142,250,000	142,250,000	142,250,000	142,250,000
	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Public/Government sector	–	–	–	–
Private sector	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595
	2,592,936,886	2,126,145,262	2,796,201,699	2,210,414,595

43.1.1.5 Geographical segment analysis

	2017			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees	Rupees	Rupees	Rupees
Pakistan	870,142,677	22,462,376,937	12,383,578,157	2,573,810,060
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East	–	–	–	–
Others	–	–	–	–
	870,142,677	22,462,376,937	12,383,578,157	2,573,810,060

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

	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.

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 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.

	2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees	Rupees	Rupees	Rupees
Pakistan Rupee	22,446,235,058	10,078,798,780	2,573,810,060	9,793,626,218
United States Dollar	16,141,879	–	–	16,141,879
Great Britain Pound	–	–	–	–
Deutsche Mark	–	–	–	–
Japanese Yen	–	–	–	–
Euro	–	–	–	–
Other currencies	–	–	–	–
	22,462,376,937	10,078,798,780	2,573,810,060	9,809,768,097

	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

43.2.2 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.

43.2.3 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.

43.2.4 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	
	%	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees
Assets												
Cash and balances with treasury banks	–	40,327,154	–	–	–	–	–	–	–	–	–	40,327,154
Balances with other banks	3.75	285,287,037	280,034,601	–	–	–	–	–	–	–	–	5,252,436
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	7.08	9,133,899,147	161,068,471	4,567,043,388	420,108,532	88,194,413	1,073,817,000	–	–	–	–	2,823,667,343
Advances	8.72	8,458,110,408	355,781,501	2,632,474,392	5,301,308,848	125,656,348	5,430,802	–	–	37,458,517	–	–
Other assets	–	273,269,598	–	–	–	–	–	–	–	–	–	273,269,598
		18,190,893,344	796,884,573	7,199,517,780	5,721,417,380	213,850,761	1,079,247,802	–	–	37,458,517	–	3,142,516,531
Liabilities												
Borrowings from financial institutions	6.24	9,176,845,649	1,930,077,850	850,000,000	6,227,760,300	30,520,599	11,041,200	86,041,200	22,082,400	19,322,100	–	–
Deposits and other accounts	6.15	7,500,000	–	7,500,000	–	–	–	–	–	–	–	–
Other liabilities	–	137,332,612	–	–	–	–	–	–	–	–	–	137,332,612
		9,321,678,261	1,930,077,850	857,500,000	6,227,760,300	30,520,599	11,041,200	86,041,200	22,082,400	19,322,100	–	137,332,612
On-balance sheet gap		8,869,215,083	(1,133,193,277)	6,342,017,780	(506,342,920)	183,330,162	1,068,206,602	(86,041,200)	(22,082,400)	18,136,417	–	3,005,183,919
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total yield/interest risk sensitivity gap		8,869,215,083	(1,133,193,277)	6,342,017,780	(506,342,920)	183,330,162	1,068,206,602	(86,041,200)	(22,082,400)	18,136,417	–	3,005,183,919
Cumulative yield/interest risk sensitivity gap		-	(1,133,193,277)	5,208,824,503	4,702,481,583	4,885,811,745	5,954,018,347	5,867,977,147	5,845,894,747	5,864,031,164	5,864,031,164	–

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	–

43.3 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 - 2017

	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
	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees	2017 Rupees
Assets										
Cash and balances with treasury banks	40,327,154	40,327,154	–	–	–	–	–	–	–	–
Balances with other banks	285,287,037	285,287,037	–	–	–	–	–	–	–	–
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	9,133,899,147	134,510,534	4,582,619,637	6,277,077	2,430,538,891	1,077,663,000	96,000	22,629,000	879,565,008	–
Advances	8,458,110,408	469,848,564	204,543,375	266,168,102	1,299,297,113	3,284,883,197	1,704,744,140	620,152,929	608,472,988	–
Operating fixed assets	2,678,094,296	8,349,332	16,698,664	47,191,485	50,095,993	100,191,986	100,191,986	355,086,819	329,813,998	1,670,474,033
Other Assets	1,620,498,197	123,862,070	145,651,026	166,838,251	1,184,146,850	–	–	–	–	–
Development properties	246,160,698	–	–	–	–	–	–	246,160,698	–	–
	22,462,376,937	1,062,184,691	4,949,512,702	486,474,915	4,964,078,847	4,462,738,183	1,805,032,126	1,244,029,446	1,817,851,994	1,670,474,033
Liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	9,176,845,649	1,930,077,850	850,000,000	3,152,760,300	705,520,599	1,011,041,200	986,041,200	522,082,400	19,322,100	–
Deposits and other accounts	7,500,000	–	7,500,000	–	–	–	–	–	–	–
Deferred tax liabilities	651,353,904	2,550,157	4,581,298	5,426,405	2,238,969	4,893,113	5,417,440	74,373,384	153,009,415	398,863,723
Other Liabilities	243,099,227	25,886,777	51,773,555	53,123,160	99,249,076	–	–	3,919,998	9,146,661	–
	10,078,798,780	1,958,514,784	913,854,853	3,211,309,865	807,008,644	1,015,934,313	991,458,640	600,375,782	181,478,176	398,863,723
Net assets	12,383,578,157	(896,330,093)	4,035,657,849	(2,724,834,950)	4,157,070,203	3,446,803,870	813,573,486	643,653,664	1,636,373,818	1,271,610,310
	–	–	–	–	–	–	–	–	–	–
Share capital	6,600,000,000	–	–	–	–	–	–	–	–	–
Reserves	1,285,353,626	–	–	–	–	–	–	–	–	–
Unappropriated profit	2,924,439,250	–	–	–	–	–	–	–	–	–
Surplus on revaluation of assets	1,573,785,281	–	–	–	–	–	–	–	–	–
	12,383,578,157	–	–	–	–	–	–	–	–	–

43.3.1 Maturities of assets and liabilities - 2016

	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
	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	–	–	–	–	–	–	–	–	–

43.3.2 LCR Disclosure

		Total unweighted value (average) 2017 Rupees	Total unweighted value (average) 2016 Rupees
	HIGH QUALITY LIQUID ASSETS		
1	Total high quality liquid assets (HQLA)		4,547,727
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business cusmtomers of which:	–	–
2.1	stable deposit	–	–
2.2	Less stable deposit	–	–
3	Unsecured wholesale funding of which:	7,500	3,000
3.1	Operational deposits (all counterparties)	–	–
3.2	Non-operational deposits (all counterparties)	–	–
3.3	Unsecured debt	7,500	3,000
4	Secured wholesale funding	–	3,400,000
5	Additional requirements of which:	2,552,250	255,225
5.1	Outflows related to derivative exposures and other collateral requirements	–	–
5.2	Outflows related to loss of funding on debt products	–	–
5.3	Credit and Liquidity facilities	2,552,250	255,225
6	Other contractual funding obligations	–	–
7	Other contingent funding obligations	–	–
8	TOTAL CASH OUTFLOWS	2,559,750	3,658,225
	CASH INFLOWS		
9	Secured lending	–	–
10	Inflows from fully performing exposures	279,590	139,795
11	Other Cash inflows	–	–
12	TOTAL CASH INLFOWS	279,590	139,795
	TOTAL ADJUSTED VALUE		
21	TOTAL HQLA		4,547,727
22	TOTAL NET CASH OUTFLOWS		3,518,430
23	LIQUIDITY COVERAGE RATIO		129.25%

43.3.3 NSFR Disclosure

		2017				
		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		Rupees	Rupees	Rupees	Rupees	Rupees
ASF Item						
1	Capital:					
2	Regulatory capital	12,035,301	–	–	–	12,035,301
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	–	–	–	–
7	Wholesale funding:					
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	–	–	–	–
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in othercategories	–	–	5,712,578	4,029,154	6,885,443
13	Total ASF					18,920,744
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					281,420
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities:	–	–	–	–	152,073
17	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions	–	–	–	–	–
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	–	–	–
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	108,507	70,530
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	–	–	–	95,933	81,543
22	Other assets:					14,299,066
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					–
25	NSFR derivative assets					–
26	NSFR derivative liabilities before deduction of variation margin posted					–
27	All other assets not included in the above categories		–	–	16,170,477	14,299,066
28	Off-balance sheet items		–	2,573,810	–	128,691
29	Total RSF					14,861,249
30	Net Stable Funding Ratio (%)					127.32%

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 in 2017 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 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.

46. 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 29 March 2018.

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, 2017.

(Rupees in million)

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with NIC / CNIC No.)	Fathers' / Husband Name	Outstanding Liabilities at the Beginning the Year				Principal Written off	Mark up Waived (Note)	Other financial Relief Provided	Total
				Principal	Mark up	Other	Total				
1	Saudi Pak Kalabagh Live stock Company Limited	Malik Allahyar Khan (Late) 240-360707-52 Malik Muhammad Asad Khan 61101-4796079-1 Malik Muzzaffar Khan (Late) Malik Azam Khan (Late)	Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan Nawab Malik Ameer Muhammad Khan	52.847	38.541	–	91.388	–	38.541	–	38.541
				52.847	38.541	–	91.388	–	38.541	–	38.541

Note: Represents suspended mark up written-off during the year.

NOTES

saudipak.com

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