SAUDI PAK

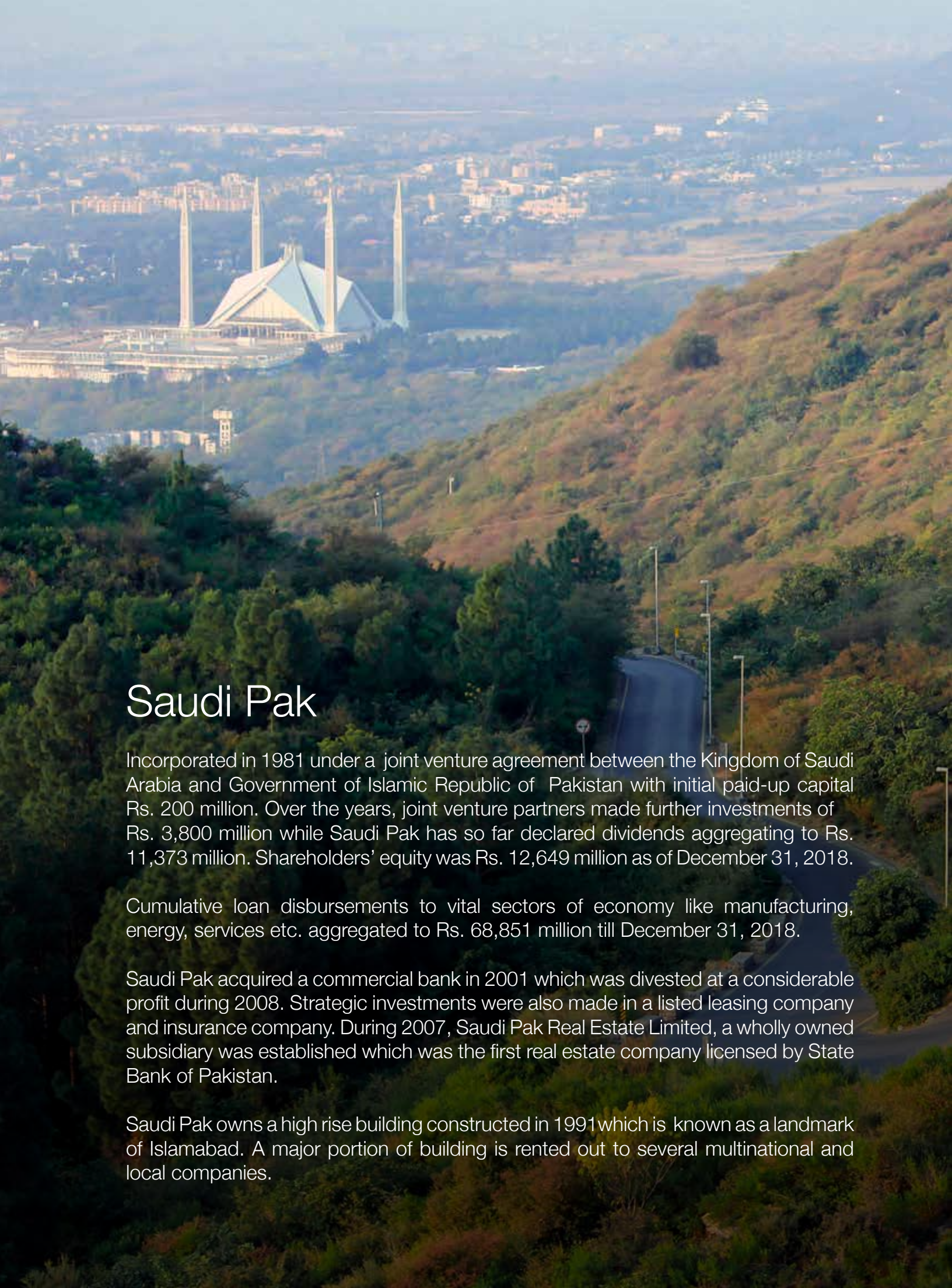
Fostering Economic Growth...

Annual Report
2018

Success Story...

Commitment to creation of economic opportunities in partnership with our clients has always been our core objective. Our accomplishments are defined by our clients' trust. The year in focus reflects our progress towards achievement of our objectives as defined by our shareholders.

We aim to advance in 2019 with the same vision, so that we continue to play our due role in the economic progress of the country.



Saudi Pak

Incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and Government of Islamic Republic of Pakistan with initial paid-up capital Rs. 200 million. Over the years, joint venture partners made further investments of Rs. 3,800 million while Saudi Pak has so far declared dividends aggregating to Rs. 11,373 million. Shareholders' equity was Rs. 12,649 million as of December 31, 2018.

Cumulative loan disbursements to vital sectors of economy like manufacturing, energy, services etc. aggregated to Rs. 68,851 million till December 31, 2018.

Saudi Pak acquired a commercial bank in 2001 which was divested at a considerable profit during 2008. Strategic investments were also made in a listed leasing company and insurance company. During 2007, Saudi Pak Real Estate Limited, a wholly owned subsidiary was established which was the first real estate company licensed by State Bank of Pakistan.

Saudi Pak owns a high rise building constructed in 1991which is known as a landmark of Islamabad. A major portion of building is rented out to several multinational and local companies.

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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

Company Secretary

Mr. Mohammad Nayeem Akhtar

Risk Management Committee

Mr. Zafar Hasan

Chairman

Mr. Mohammed A. Al-Jarbou

Member

Mr. Qumar Sarwar Abbasi

Member

Mr. Mohammad Nayeem Akhtar

Secretary

Chief Financial Officer

Mr. Khawar Ashfaq

Auditors

A. F. Ferguson & Co.

Chartered Accountants

GM–Chief Executive

Mr. Kamal Uddin Khan

Audit Committee

Mr. Mohammed A. Al-Jarbou

Chairman

Dr. Shujat Ali

Member

Mr. Musaad A. Al-Fakhri

Member

Mr. Qumar Sarwar Abbasi

Member

Syed Safdar Abbas Zaidi

Secretary

Human Resource and Remuneration Committee

Mr. Mohammed W. Al-Harby

Chairman

Mr. Zafar Hasan

Member

Mr. Musaad A. Al-Fakhri

Member

Dr. Shujat Ali

Member

Mr. Mohammad Nayeem Akhtar

Secretary

Legal Advisors

Hassan Kaunain Nafees

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 Vision

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

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, 2018 paid up capital of the Company is Rs.6,600 million. It is held as under:

Kingdom of Saudi Arabia
(Through Ministry of Finance)

Government of Islamic Republic of Pakistan
(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

Fairy Meadows

Named by German climbers (German Märchenwiese, “fairy tale meadows”) is a grassland near Nanga Parbat, located in Gilgit-Baltistan, Pakistan. At an altitude of about 3,300 meters (10,800 ft) above the sea level, it serves as the launching point for trekkers summiting Nanga Parbat. In 1995, the Government of Pakistan declared Fairy Meadows a National Park.

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
Secretary, Ministry of Planning
Development & Reform

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

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. Fateh Tariq

Executive Vice President

Mr. Kashif Suhail

Executive Vice President

Ms. Fozia Fakhar

Executive Vice President

Mr. Ali Imran

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

Mr. Mohammed Ghairat Hayat

Senior Vice President

Mr. Arif Majeed Butt

Vice President/Head

Hunza Valley

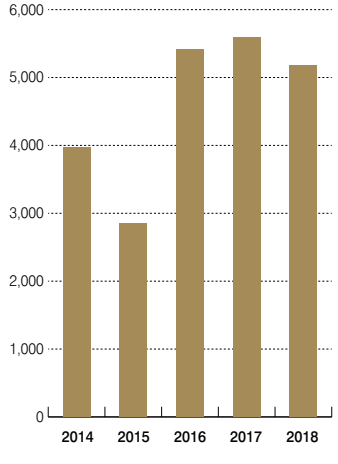
Hunza is a mountainous valley in the Gilgit-Baltistan region of Pakistan. It is situated in the extreme northern part of Pakistan, bordering with the Wakhan Corridor of Afghanistan and the Xinjiang region of China

Operational Highlights

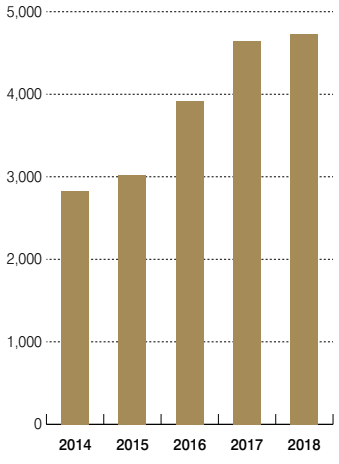
(Rs. in million)

	2014	2015	2016	2017	**2018**
Approval of Financing and Investment					
Long Term Finance/TFCs	3,150.0	2,705.0	3,950.0	4,060.0	5,309.0
Lease Finance	70.0	–	20.0	–	–
Equity Investment	–	–	330.0	250.0	–
Short Term Finance	550.4	450.0	970.0	619.5	1,395.0
Guarantees and Underwriting	1,150.0	–	350.0	830.0	–
Gross Approvals	4,920.4	3,155.0	5,620.0	5,759.5	6,704.0
Withdrawals	950.0	400.0	200.9	275.0	1,524.0
Net Approvals	3,970.4	2,755.0	5,419.1	5,484.5	5,180.0
Gross Cumulative Approvals	61,920.3	65,075.3	70,695.3	76,454.8	83,158.8
Cumulative Withdrawals	3,770.0	4,170.0	4,370.9	4,645.9	6,169.9
Net Cumulative Approvals	58,150.3	60,905.3	66,324.4	71,808.9	76,988.9
Disbursement of Funds					
Long Term Finance/TFCs	2,309.0	2,275.0	3,177.2	2,975.2	3,582.2
Lease Finance	70.0	–	–	20.0	–
Short Term Finance	452.5	750.0	744.5	845.0	1,145.0
Direct Equity & Underwriting Take-ups	–	–	–	807.0	–
Total Disbursements	2,831.5	3,025.0	3,921.7	4,647.2	4,727.2
Cumulative Disbursements	52,259.6	55,284.6	59,206.3	63,853.5	68,580.7
Recoveries					
Total Amount	2,316.6	3,079.0	3,115.9	3,994.3	5,187.3
Current Dues Collection Ratio (%)	90.83	88.02	90.70	91.82	87.26

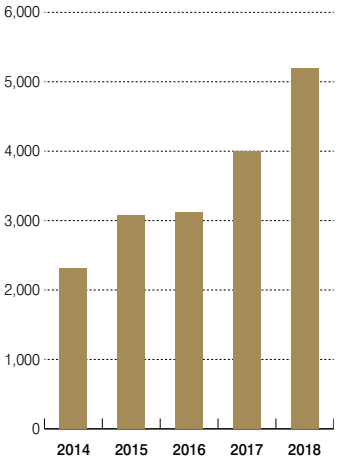
Approval of Financing & Investment (Net)



Disbursement of Funds



Recoveries

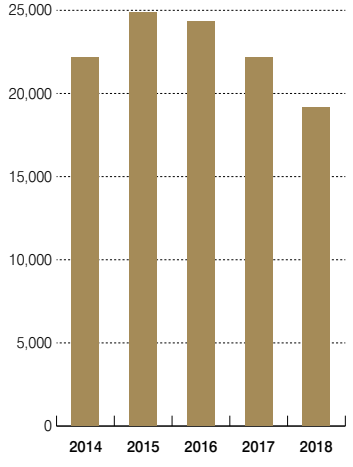


Financial Highlights

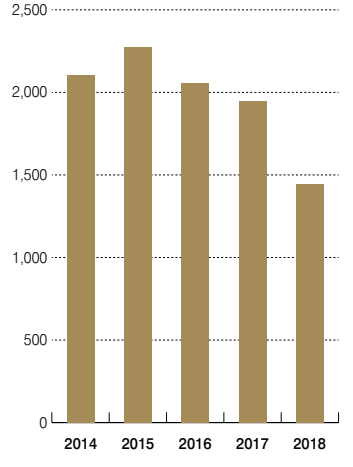
(Rs. in million)

	2014	2015	2016	2017	**2018**
Income Statement					
Total Income	2,105.2	2,272.4	2,059.8	1,962.6	1,446.0
Net Income	1,438.3	1,405.1	1,559.0	1,475.3	1,048.8
Profit before Tax	1,402.4	982.6	962.8	859.9	698.5
Profit after Tax	1,158.8	723.7	476.1	627.3	407.6
Balance Sheet at year end					
Total Shareholders' Equity	8,586.2	9,379.7	9,920.6	12,205.4	12,648.7
Total Assets	22,172.9	24,862.3	24,331.7	22,166.7	19,190.6
Selected Ratios					
Return on Average Equity(%)	14.5	8.1	4.9	5.7	3.3
Return on Average Assets(%)	6.3	3.1	1.9	2.7	2.0
Assets/Equity(times)	2.6	2.7	2.5	1.8	1.5

Total Assets



Total Income

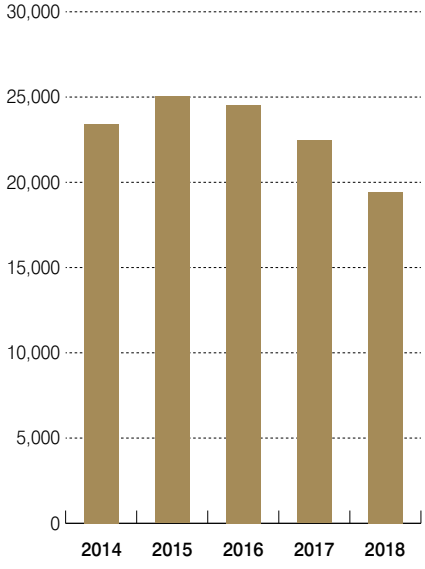


Summary of Consolidated Accounts

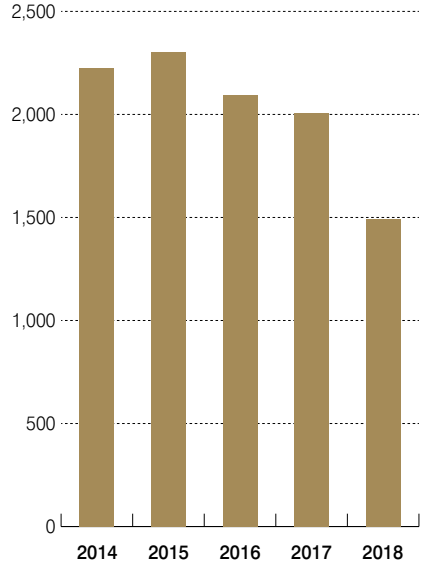
(Rs. in million)

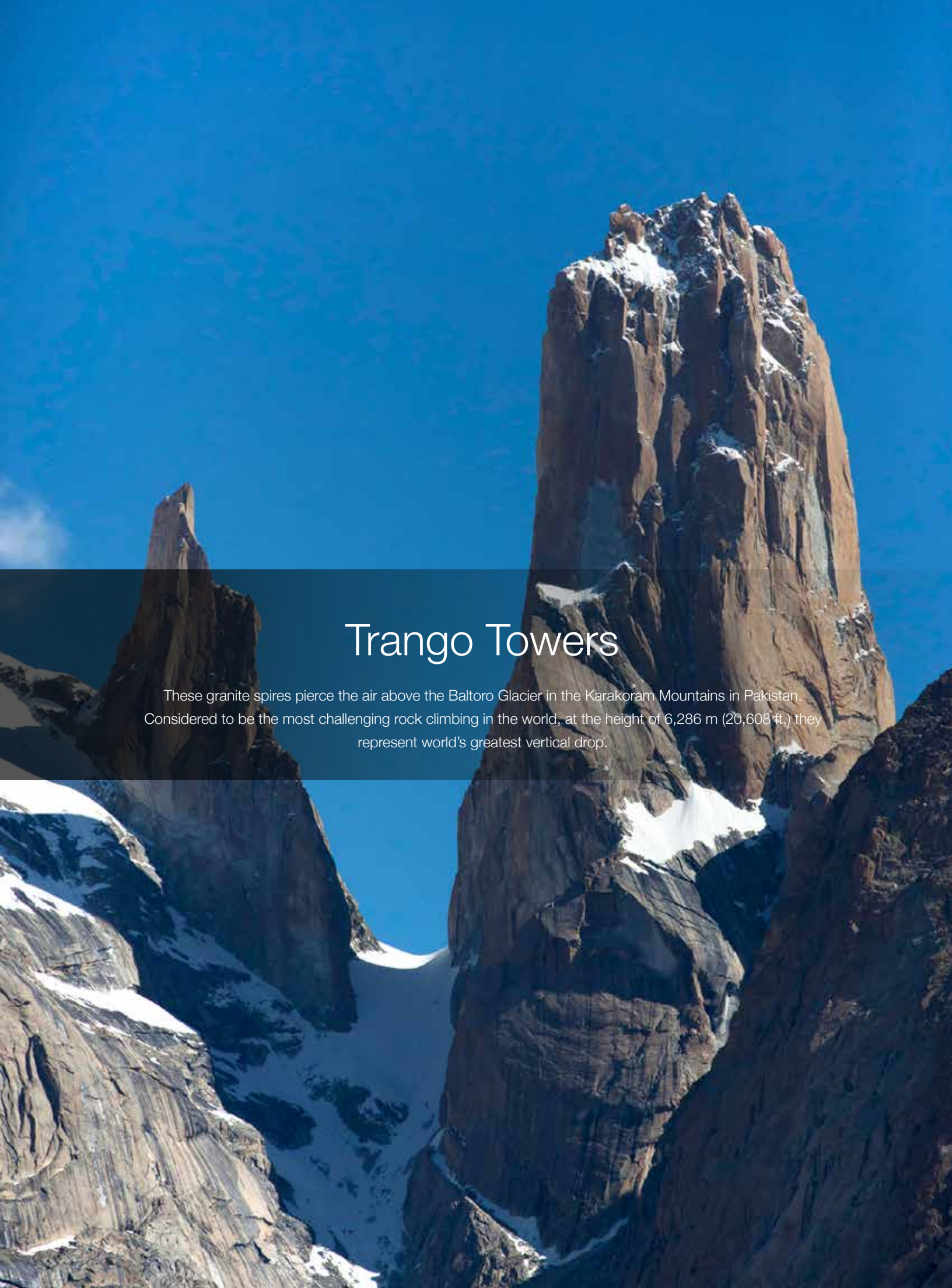
	2014	2015	2016	2017	**2018**
Income Statement					
Total Income	2,223.2	2,302.4	2,096.3	2,006.3	1,493.2
Net Income	1,498.7	1,434.0	1,595.6	1,513.7	1,087.6
Profit before Tax	1,188.0	992.0	975.5	870.1	702.4
Profit after Tax	943.4	732.3	486.6	631.9	409.7
Balance Sheet at year end					
Total Shareholders' Equity	8,734.8	9,543.1	10,094.3	12,383.6	12,828.7
Total Assets	23,414.0	25,039.3	24,524.9	22,462.4	19,447.2

Total Assets



Total Income





Trango Towers

These granite spires pierce the air above the Baltoro Glacier in the Karakoram Mountains in Pakistan. Considered to be the most challenging rock climbing in the world, at the height of 6,286 m (20,608 ft.) they represent world's greatest vertical drop.

Chairman's Message

On behalf of the Board of Directors, I would like to present the 37th 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, 2018. The share of profit/loss of Saudi Pak Leasing Company Ltd being an associated company, was not accounted for in the Holding Company's consolidated financial statements for the year ended December 31, 2018 for which specific exemption has been obtained from the Securities & Exchange Commission of Pakistan.

During the period under review, Pakistan's economy reflected a mixed trend on the back of political uncertainty, deteriorating twin deficits, falling exports and rising international oil prices. Growth momentum was maintained at 5.8% for FY17/18 as agriculture, industrial and services sectors remained vibrant mainly owing to buoyant domestic demand and infrastructure investment including CPEC. Macroeconomic stability however, remained a major concern for the newly elected Government. Country's rising current account deficit (US$ 18 Billion during FY17/18) coupled with depleting FX reserves pushed Pak rupee downward falling it to all time low of Rs. 138.9 against US dollar in year 2018 (25.7%). In addition, rise in domestic fuel cost due to uptick in global oil prices, triggered cost-push effect with projected average inflation stretching to 7.0% or higher for FY18/19 from 3.8% for FY17/18. To address the situation, State Bank of Pakistan raised the policy rate by 425 basis points to 10.0% in five stages. This coupled with political uncertainties weighed negatively on capital markets with KSE-100 index plummeted to 37,067 points from a high of 40,471 points a correction of 8.4% during 2018.

Demand for credits remained subdued as businesses adopted a wait and see policy till stabilization of economic and political environment in the country. Businesses conditions remained very challenging with pressure on loan pricing.

Company maintained its strategy as per the approved business plan. Focus remained on Capital preservation within a very difficult environment. Capital Market positions were managed to minimize losses in a falling market. Company offloaded its investments in Govt. securities prior to the interest rate hike, locking in available gains. In view of rising interest rate environment, Company adopted a conservative approach towards Capital markets and reduced its exposure.

Net Interest Income (NIM) almost remained at par with the budget target largely cushioned by efficient management of resources. Income from capital market operations Rs. 228.4 million was lower compared to the budgeted figure of Rs. 330.0 million primarily due to lower income from gain on sale of Government Securities, as company divested this portfolio during January 2018 in anticipation of hike in interest rate. Provision against NPL's and diminution in the value of investment booked net reversals of Rs 77.2 million as against net budgeted provision charge of Rs 80.0 million and net charge of Rs. 238.6 million during 2017.

Overall as a result of above the company successfully achieved its budgeted target and posted a pre-tax profit of Rs. 698.5 million and after tax profit of Rs 407.6 million despite prudent fresh new provisions of Rs. 169.25 million against NPLs and Rs. 75.02 million impairment charged against diminution in the value of quoted stocks.

The Shareholder's Equity increased by 3.6% to Rs.12,648.7 million as at December 31, 2018.

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

Going forward, rising global interest rates and tighter liquidity situation will pose challenges for the Country, given the high gross external financing requirements. As a result GDP growth momentum is expected to slow down to 3.5%-4.0% in FY 2019 from 5.8% in FY 2018.

Company plans to remain focused on the core business activities and capitalize on available business opportunities while developing new revenue generating sources including private equity and fee income. Concerted efforts on recoveries, strengthening risk management framework, process improvements, resolving issues relating to its strategic investments will continue. The board firmly supports management to pursue its plans.

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

Mohammed W. Al-Harby

Chairman

چیرمین کا پیغام

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2018 کو اختتام پذیر سال پر سعودی پاک انڈسٹریل اینڈ ایگری کلچرل انویسٹمنٹ کمپنی لمیٹڈ کے 37 ویں پڑتال شدہ (audited) مالیاتی گوشوارے کے ساتھ ساتھ انضمام شدہ (consolidated) کھاتے بمع محاسب کی (auditor's) رپورٹ برائے ارکان اور ڈائریکٹرز کی رپورٹ پیش کرنا چاہتا ہوں۔ سعودی پاک لیزنگ کمپنی لمیٹڈ (SPLC) جو ایک ساتھی کمپنی ہے اس کے نفع/نقصان کو اس کی ہولڈنگ (Holding) کمپنی کی 31 دسمبر 2018 کو اختتام ہونے والے سال کی انضمام شدہ مالیاتی دستاویزات میں شامل نہیں کیا گیا ہے جس کے لیے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) سے خصوصی استثنیٰ حاصل کیا جا چکا ہے۔

زیر جائزہ مدت کے دوران، سیاسی غیر یقینی کی صورتحال، بدتر ہوئے دوہرے خسارے، گرتی ہوئی برآمدات اور تیل کی بڑھتی ہوئی عالمی قیمتوں کے پس منظر میں پاکستان کی معیشت نے ملا جلا ردعمل دکھایا۔ ملکی طلب اور ڈھانچاتی سرمایہ کاری بشمول CPEC میں اضافہ کی وجہ سے سال 17/18 کے لیے زراعت، صنعتی اور خدمات کے شعبوں کا متحرک ہونے سے نمو کی مقداری حرکت (momentum) 5.8 فیصد پر پہنچ گئی ہے۔ تاہم نو منتخب حکومت کے لیے ملک کا بڑھتا ہوا جاری کھاتے کا خسارہ (سال 17/18 میں 18 ارب امریکی ڈالر) کے ساتھ غیر ملکی زرمبادلہ کے کم ہوتے ہوئے ذخائر جس نے سال 2018 (25.7) میں پاکستانی روپے کی کم ہوتی ہوئی قدر کو ڈالر کے مقابلے میں 138.9 روپے کی کم ترین سطح پر آنے سے کلی معیشت (macroeconomic) کے استحکام کے بارے میں تشویش کا باعث ہے۔ اس کے علاوہ عالمی تیل کی قیمتوں میں اضافے کے رجحان سے ملک میں تیل کی قیمتوں میں اضافہ کے نتیجے میں لاگتیں بڑھ گئیں اور سال 17/18 کے 3.8 فیصد اوسط افراط زر سے بڑھ کر سال 18/19 میں یہ 7 فیصد یا اس سے بلند تر ہو جائے گا۔ اس صورتحال کا سدباب کرنے کے لیے، بینک دولت پاکستان نے پالیسی نرخ میں 425 بیسس پوائنٹس کا اضافہ کر کے پانچ مراحل میں 10 فیصد کر دیا۔ اس کے ساتھ غیر یقینی سیاسی صورتحال کی وجہ سے سرمایہ منڈی پر منفی اثرات ہوئے اور سال 2018 میں 8.4 فیصد درستگی کے ساتھ KSE-100 انڈیکس 40,471 پائنٹس کی بلند سطح سے گر کر 37,067 پائنٹس پر آ گیا۔

کاروباری حلقوں کے معاشی اور سیاسی ماحول میں استحکام ہونے تک انتظار کرو اور دیکھو کی پالیسی اختیار کرنے کی وجہ سے قرضوں کی طلب کم رہی۔ کاروبار کی صورتحال انتہائی کٹھن ہیں جس کا دباؤ قرضہ کی قیمتوں پر بھی ہے۔

کمپنی نے اپنی حکمت عملی اپنے منظور شدہ کاروبار کے منصوبے کے مطابق رکھی۔ اس کی قوجہ مشکل ماحول میں سرمایہ کے تحفظ پر رہی۔ گرتی ہوئی مندی میں نقصان کو کم سے کم رکھنے کے لیے سرمایہ کی منڈی کی صورتحال سے نپٹا گیا۔ سودی نرخ میں اضافے سے پہلے دستیاب فائدہ کے لیے کمپنی نے گورنمنٹ کے تمسکات (securities) سے سرمایہ نکال لیا۔ خاص طور پر بڑھتے ہوئے سودی نرخ کے پس منظر میں، کمپنی نے محتاط حکمت عملی اپناتے ہوئے سرمایہ منڈی میں اپنی کاروباری دلچسپی کم کر دی۔

وسائل کے بہتر انتظام کی زیادہ کی وجہ سے خالص سودی آمدنی (NIM) تقریباً تخمینے (budget) کے ہدف کے مساوی رہا۔ جنوری 2018 میں سودی نرخ میں متوقع اضافے پر اس پورٹ فولیو میں سرمایہ کاری ختم کرنے کی وجہ سے سرمایہ منڈی کے آپریشن سے گورنمنٹ کے تمسکات (securities) کی فروخت سے ہونے والی 228.4 ملین روپے کی آمدنی اس کے 330.0 ملین روپے کے تخمینے کے اعداد و شمار سے کم تھی۔ کارکردگی نہ دکھانے والے قرضہ جات (NPLs) اور مختص کردہ (booked) سرمایہ کی قدر میں تخفیف (diminution) کی تخصیص (provision) کی 77.2 ملین روپے کی خالص واپسی جس کے مقابلے میں 80.0 ملین روپے کی خالص تخمینہ شدہ تخصیص (provision) کی واپسی جبکہ سال 2017 میں 238.6 ملین روپے کا خالص چارج تھا۔

مذکورہ بالا کے نتیجے میں کمپنی نے مجموعی طور پر کامیابی سے اپنے تخمینوں کے ہدف حاصل کیا اور نئے محتاط 169.25 ملین روپے کی کارکردگی نہ دکھانے والے قرضہ جات (NPLs) کی تخصیصات (provisions) اور اسٹاک کی قدر میں کمی ہونے والے نقصان کے لیے 75.02 ملین روپے چارج کرنے کے باوجود 698.5 ملین روپے کا قبل از محصول منافع اور 407.6 ملین روپے کا بعد از محصول منافع دکھایا۔

31 دسمبر 2018 کو حصص کنندگان کی ملکیتی سرمایہ (Equity) میں 3.6 فیصد اضافے کے ساتھ 12,648.7 ملین روپے ہو گئی۔ کمپنی کے مجموعی خطرے کے پروفائل (profile) میں غیر معمولی بہتری جس میں عملداری (operating) کے نتائج اور مالیاتی لچک شامل ہیں جسکی کریڈٹ رینگ 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 کے کیساتھ برقرار رکھا۔

آنے والے دنوں میں، مطلوبہ بلند بیرونی سرمایہ کاری کی ضرورت کو مدنظر رکھتے ہوئے، بڑھتا ہوا عالمی سودی نرخ اور سخت ترسیالیت (liquidity) کی صورتحال ملک کے لیے مسائل پیدا کر سکتی ہے۔ اس کے نتیجے میں سال 2018 کی 5.8 فیصد مجموعی قومی پیداوار (GDP) کی نمو کے مقابلے میں سال 2019 کے لیے متوقع مجموعی قومی پیداوار کی نمو کم ہو کر 3.5 فیصد سے 4.0 فیصد رہے گی۔

کمپنی کا ارادہ ہے کہ وہ اپنی توجہ اپنے بنیادی کاروباری سرگرمیوں اور دستیاب کاروباری مواقعوں سے فائدہ اٹھانے کے ساتھ نئے مال گذاری (revenue) پیدا کرنے والے ذرائع کی ترویج بشمول نجی ملکیتی سرمایہ (equity) اور فیس سے آمدنی۔ وصولیابیوں کے لیے مشترکہ کوششیں، خطرے کے انتظامی ڈھانچے کو مضبوط کرنے، طریقہ کار میں بہتری، تزویری (strategic) سرمایہ کاری سے متعلق مسائل کو حل کرنے کا عمل جاری رہے گا۔ بورڈ ثابت قدمی سے انتظامیہ کی منصوبوں پر عمدرآمد کرتے رہنے پر حمائت جاری رکھے گا۔

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
چیئرمین

Deosai National Park

The Deosai National Park is a treeless wilderness at 4,114 meters lying south of Satpara in Skardu, Pakistan. The Plateau, located between the western massif of the Humalayas and the central Karakoram, is the second highest in the world after Tibet, and covers an area of about 3,000 square kilometers. The Deosai National Park was established in 1993 to protect the survival of the Himalayan brown bear and its habitat.

Directors' Report

Economic Overview

Pakistan's economy exhibited a mixed trend on the back of political uncertainty, deteriorating twin deficits, falling exports and rising international oil prices. GDP Growth momentum was maintained at 5.8% for FY17/18 ended June 30 2018 as agriculture, industrial and services sectors remained buoyant due to domestic demand and infrastructure investments including CPEC. Macroeconomic stability however, remained a major challenge for the newly elected Government. Country's rising current account deficit (US$ 18 Billion as of June 30 2018) coupled with eroding FX reserves pushed Pak rupee downward against US dollar falling to all time low of Rs. 139.0 in November 2018.

In addition, rise in domestic fuel cost due to surge in global oil prices, triggered cost-push effect with projected average inflation stretching to 7.0% or higher for FY18/19 from 3.8% in FY17/18. In response, State Bank of Pakistan raised the policy rate by 425 basis points to 10.0% during 2018. This alongside political uncertainties weighed negatively on stock markets with KSE-100 index dropped 8.4% to 37,067 points as at December 31, 2018.

Company maintained its strategy as per the approved business plan. Focus remained on capital preservation in a difficult market environment for Credit and Capital markets. Investors' confidence remained low with wait and see policy adopted by businesses seeking political and economic stability in the country. Businesses conditions remained challenging with pressure on loan pricing and margins as large commercial banks diverted their resources towards project finance business. Capital Market positions were managed to minimize losses in a falling market. Investments in Government securities were offloaded in a timely manner, enabling Company to lock-in profits at optimum level and avoid potential losses. In view of current economic scenario, specially rising interest scenario Company adopted a conservative approach towards equity markets.

Going forward, tighter monetary and fiscal policies coupled with high current account deficit are likely to further slowdown economic activities. Consequently GDP growth is expected to slow down significantly from 5.8 percent to 3.5 to 4 percent in FY19.

In the backdrop of prevailing economic conditions, Saudi Pak during 2019 will further enhance its focus on core project finance business meeting its risk reward standards. In the rising interest rate environment investment in capital markets shall be rationalized while investments in government securities shall be gradually enhanced keeping in view the market dynamics.

Operational Review

Corporate Finance

Economic condition of Pakistan has remained challenging during 2018 primarily on account of elections and transition of governments in the mid of the year. Moreover, uncertainties lingered with regard to inflationary and fiscal pressures, tight liquidity situation as well as rupee devaluation. State Bank of Pakistan (SBP) also enhanced the policy rate by 425 basis points in five stages to 10 percent.

In the backdrop of challenging economic conditions alongside competitive pricing pressure from local financial institutions, Saudi Pak opted to remain conservative during the year 2018 and booked assets complying with its 'risk & return' standards. Corporate Finance Division maintained focus on the company's core business and extended credit primarily in textile, sugar, electronics, paper & board, financial institutions and poultry sectors. The company continued to extend financial assistance to SMEs as well in line with SBP's patronage of this sector. As a result, total approvals for the period under review (2018) amounted to Rs. 5,180 million whereas total disbursements amounted to Rs. 4,727 million.

During 2019, it is presumed that the economic activities are likely to further slow down as the general macroeconomic focus is towards stabilization. It is anticipated that the GDP growth of the country will slow down to between 3.5 - 4.0 percent in 2019 as compared to 5.8 percent in 2018. Moreover, the prevailing as well as expected further hikes in SBP discount rates and the government's fiscal consolidation program could dent the credit off-take at large.

In consideration of the above, CFD intends to remain cautious in year 2019 by remaining focused on originating and participating in quality bilateral and syndicated transactions through utilizing its strong relationships with corporate clients and financial institutions across the country.

Credit Administration

The prime function of Credit Administration Division (CAD) is monitoring of regular advances and TFCs extended by Saudi Pak. It aims to ensure timely re-payments against credit facilities. Monitoring functions also include compliance of regulatory requirements, updating customers' risk ratings, collateral valuations etc.

During the year, focused management efforts on recovery produced excellent results and CAD surpassed its recovery budget by a fair margin. Against recovery budget of Rs. 2,769 million, an amount of Rs. 5,087 million was recovered i.e. an achievement of 184 percent. It is also worth mentioning here that annual recoveries from regular accounts surpassed Rupees Five Billion during 2018 which is highest in last over ten years.

CAD plans to gear itself during 2019 for further improvement in its operational efficiency as well as capacity building of its staff.

Special Asset Management

Curtailment of Non Performing Loans (NPLs) through workable settlement/re-structuring arrangements and balance sheet cleansing is part of main business activity of Special Assets Management Division (SAMD).

SAMD made significant contribution towards Saudi Pak's profit by way of settling the cases through rescheduling/ restructuring and out of court agreements. Through its concerted efforts, many properties/securities available against Non Performing Loans were put to auction by courts. At the same time negotiations for out of court settlement are being made. It is expected that during 2019 there will be adequate recovery and write back in Saudi Pak's books.

Capital Market Operations

During 2018 Stock Market remained under pressure with decline of 8.41% for KSE-100. After twenty odd years Benchmark KSE 100 Index witnessed two years of back to back negative returns. Investor confidence was dampened by several factors including burgeoning current account deficit, depleting foreign exchange reserves, and currency devaluation. Discount rate hike 425 basis points during calendar year 2018 also dampened market sentiments.

Given the high level of uncertainty looming over the stock market, Saudi Pak's followed conservative strategy by focussing on capital preservation and portfolio pruning.

Despite difficult market and economic conditions, Portfolio Management Division (PMD) realized income of Rs.267 million, net of impairment, in 2018 generating healthy returns versus KSE 100 Index.

During 2019 Special Asset Management Division intends to make further concerted efforts for recovery, cleansing of balance sheet through decrees executions and striking off negotiated deals.

Going forward stock market is expected to take cues from shifting macroeconomic indicators along with government policy decisions especially with regards to external funding gap solutions. During 2019, PMD's approach will continue to be conservative and overall exposure in listed shares can be rationalized if interest rates go further up.

Treasury Operations

Treasury Division during 2018 efficiently managed both borrowing and placement portfolios and maintained an active presence in the money market. Fresh funds by Treasury and inflows received from recovery of loans were channelized to enhance the Treasury Portfolio.

Treasury offloaded its investments in medium to long term Government securities (i.e. PIBs) in timely fashion, in view of rising interest rates scenario. This successful move enabled Saudi Pak to lock-in profits at optimum level and avoid losses. Treasury Division managed to book realized capital gains of over Rs.80 million for the year 2018.

On the liability /sustainable fund mobilization side, Treasury Division continued to make significant strides in meeting this critical operational goal. Mobilization of long term and short term funding lines from commercial banks continued. Treasury Division reduced the cost of funding spread through efficient negotiations and increased the quantum of long term credit lines from commercial banks.

For 2019, Treasury Division is aiming to again build position in medium to long term Government Securities opportunistically in an increasing interest rates/yield environment.

Risk Management Framework

Saudi Pak recognizes that risk management is essential for maintaining financial viability and achieving objectives. The Company has therefore instituted a strong framework for effective risk governance under the overall purview of the Board of Directors and its Risk Management Committee. Underlying this framework are limits, policies, procedures, reporting mechanisms and an organizational structure designed to identify, communicate and manage risk to be in line with the risk appetite approved by the Board of Directors.

During 2018, the Risk Management Division played its role in further strengthening the framework through establishment and monitoring of key risk indicators, and implementation of automated solution for operational risk incident reporting. The market and liquidity risk / middle office function maintained active vigilance over the investment portfolio, limits, liquidity indicators, and dealing activities. The operational risk unit promoted a sound risk culture through facilitation of risk & control self-assessment exercise for the Corporate Finance business line, and ongoing engagement with Operational Risk Coordinators across Saudi Pak. During the period, Business Continuity Plan testing was successfully carried out. On an overall enterprise level, risks were assessed through capital adequacy review and stress testing. Saudi Pak's Capital Adequacy Ratio (CAR) remained well above both internal as well as regulatory requirements throughout the year, providing ample cushion to absorb unexpected losses. Stress testing exercises also revealed that Saudi Pak had a solid and resilient capital and liquidity position even under stress.

Going forward, further scaling up of operational risk management activities is planned. Reporting mechanisms shall also be reviewed with a view to further improving contents and scope of risk reporting.

Information Technology

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

During 2018 initiatives were taken to improve the IT infrastructure by adopting evolving technologies along with successful implementation of core business solutions for the company. Technology Framework has also been developed to ensure IT Governance and implementation of best practices, following the SBP guidelines. Moreover, security controls have been further strengthened by using

upgraded security gadgets to protect IT infrastructure against any cyber attack and reducing the threats to maximum possible extent.

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

Human Resource Development

At Saudi Pak, we consider our employees as our most valuable asset and focus on building an Aligned, Capable and Energized workforce for achieving business excellence. We pride ourselves on being an equal opportunity employer, with our practices based on the basic tenets of fair, transparent, equitable and ethical values with performance being the only criteria for distinction.

Committed to achieving the company's vision to excel in performance and play a leading role in the financial sector in Pakistan, HRD at Saudi Pak framed its business-oriented and people focused strategy by placing prime focus on strengthening the organizational leadership and talent pipeline; fostering a positive and engaging work environment; enhancement of employees' capabilities and introduction of progressive HR practices and systems to accelerate organizational productivity.

During 2018, HRD continued to focus on further improvements to keep Saudi Pak at par with industry best practices and compliant with regulatory requirements. For this purpose, local HR consultants were engaged to seek consultation for designing a risk-based remuneration mechanism which would be fully implemented in the Year 2019.

Similarly, for 2019, HR Division plans to focus on the renewal of HR Policies/ Service Rules & to streamline and introduce best updated practices within the Company, while maintaining the already implemented improved operations and activities undertaken in 2018.

A series of interventions in addition to successors' development are also planned to be introduced to take the organizational human capital capability a notch up by broadening the spectrum of learning and development opportunities.

Internal Audit

The Internal Audit Division (IAD) in Saudi Pak continued its operations during the year as per the approved audit policy, charters and internal audit planner. The audit activities were conducted by adopting the risk-based audit approach with the aim to evaluate the governance, risk management and management controls over efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations.

During the year 2018, the IAD developed the IT Audit Program along with the IT Audit Plan in-line with the regulatory requirements on "Enterprise Technology Governance & Risk Management Framework for Financial Institutions".

The Internal Audit Manual was also revamped to meet with the latest applicable requirements and Industry practices for the guidance of audit staff to carry out the internal audit assignments more effectively.

While encouraging continuous professional development, IAD provided the relevant trainings to the division's staff members and furthermore promoted the process of self learning as well which it continues to do so for the purpose of consistent enhancement of the skills of the audit staff.

Settlement

Core functions of Saudi Pak's Settlement Division include execution of Money Market transactions and management of inter-bank settlements within the framework of payment system of State Bank of Pakistan. This division continues to pursue operational efficiencies in line with the emerging standards and to achieve effective gains in settlement parameters.

Settlement Division also provides a pivotal support in renewals and securitization/documentation of credit lines obtained from commercial banks. Sustainable liquidity lines and their time efficient utilization are essential to optimize business requirement. Keeping in view the rising trend of interest rates during 2018, utilization of credit lines were pro-actively planned in order to reap benefit from the prevailing yield curve. During the year, securitization and renewals of long term finances amounting to Rs 3.2 billion were materialized after completion of legal documentation. After meeting repayment obligations and fresh utilization during 2018, balance long term lines of Rs 1.3 billion were in hand at the year-end for future utilization by the Company.

Saudi Pak is a member institution of Real Time Gross Settlement System (RTGS) of State Bank of Pakistan. Necessary technology based infrastructure is in place to cater to the requirements of this interactive payment mechanism. Our RTGS Desk actively participates in settlement of inter-bank trades as direct participant and benefits from cooperation of both the regulator and the counter-parts.

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, 2018, except as disclosed in the financial statements.

j) The value of investment of Provident Fund as at December 31, 2018 according to their audited financial statement is approximately Rs.70.50 million (2017: Rs.65.50 million).

Auditors

The Auditors, M/s A. F. Ferguson & Company, Chartered Accountants, have completed their assignment for the year ended December 31, 2018 and also indicated their willingness to continue in office as Auditors. The Board on the proposal of the Audit Committee, recommends the appointment of M/s A. F. Ferguson and Company, Chartered Accountants as Auditors for the year 2019.

Board of Directors Meetings

During the year, four 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	04	04
Mr. Zafar Hasan	03	03
Mr. Musaad A. Al-Fakhri	04	04
Dr. Shujat Ali	04	04
Mr. Mohammed A. Al-Jarbou	04	04
Mr. Qumar Sarwar Abbasi	04	03
Mr. Khizar Hayat Gondal	01	01

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

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Zafar Hasan*	02	00
Mr. Mohammed A. Al-Jarbou	02	02
Mr. Qumar Sarwar Abbasi	02	02

** One meeting held after the induction of Mr. Zafar Hasan as member.*

Director's Report (Contd.)

During the year, six 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	06	06
Dr. Shujat Ali	06	06
Mr. Musaad A. Al-Fakhri	06	06
Mr. Qumar Sarwar Abbasi	06	06

During the year, two 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	02	02
Mr. Zafar Hasan*	02	01
Mr. Musaad A. Al-Fakhri	02	02
Dr. Shujat Ali	02	02

** One meeting held after the induction of Mr. Zafar Hasan as member.*

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.

Future Outlook

In the backdrop of challenging economic environment prevailing in the country Saudi Pak intends to focus on its core business of project financing offering acceptable risk and reward relationships. Opportunities of investment/ divestment in government securities and capital market shall also be availed keeping in view the changing dynamics of respective markets.

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

Corporate Social Responsibility

Saudi Pak takes pride in being a socially responsible organization and encourages employees to promote this spirit by actively participating and committing to societal uplift and environmental protection.

Saudi Pak employees wholeheartedly participated in the Spreading Smiles initiative, launched with the sole objective of sharing the joy of Eid with the children of Edhi Homes by distributing Eid gifts picked and packed with love and care.

Being an active proponent of environmental protection, Saudi Pak celebrated 14th August – Independence Day with the theme of Green Pakistan, by undertaking a plantation drive, led by Mr. Kamal Uddin Khan, CEO. The initiative was aimed at reinforcing the importance of creating a greener environment by taking individual as well as collective responsibility for reducing the carbon footprint. Free plants were distributed to the employees for replicating the plantation drive in their vicinity with friends and family in order to create a more far-reaching impact.

Saudi Pak contributed to efforts being made to uplift the quality of life of people living in Thar, Sindh.

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) is a wholly owned subsidiary of Saudi Pak. The principal business of the Company is investment in properties, property management services, investment in joint ventures and other related services. SPR is the first real estate investment company licensed by State Bank of Pakistan.

During 2018, the Real Estate market was sluggish as prices corrected and transaction volume was low. Some moderate gains were witnessed in select centrally located properties of major cities whereas other areas experienced correction. Saudi Pak Real Estate Limited in the back drop of political uncertainty, tax reforms and illiquid market, opted a wait and see policy towards fresh investment, whereas its current investments being at good location continued to gain value. Divestment was strategically avoided to realize optimum profit at suitable time.

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. Saudi Pak Leasing Company Limited like most other leasing companies in Pakistan also suffered losses in the financial crisis of 2008. Efforts are being made to seek best course of action given Saudi Pak Leasing Company Limited's operational and financial challenges.

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.

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

A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, hospital service oriented concerns etc are housed in the Tower. Building occupancy level as of December 31, 2018 was 100% translating revenue of Rs.344.32 million as compared to Rs.314.00 million in the year 2017.

Head Office Building department is consistently striving to bring further improvement in its operations for the betterment in overall building services. Following building improvements are planned for the year 2019.

- Installation of two additional observatory lifts/fire lifts and emergency exit stairs at east side façade of High Rise building
- Installation of water sprinkle system in the building to further improve the existing fire fighting arrangements.
- Installation of Diesel Engine Driven Fire Pump after addition of MS Seamless pipes in different sizes with existing building water hydrant system etc.

Financial Results – 2018

Company maintained its strategy as per the approved business plan. Focus remained on Capital preservation within a very difficult market environment. Capital Market positions were managed to minimize losses in a falling market. Company offloaded its investments in Govt. securities prior to the interest rate hike, locking in available gains. In view of rising interest rate environment company adopted a conservative approach towards Capital markets and reduced its exposure.

Net Interest Income (NIM) almost remained at par with the budget target largely cushioned by efficient management of resources. Income from capital market operations Rs. 228.4 million was lower compared to the budgeted figure of Rs. 330.0 million primarily due to lower income from gain on sale of Government Securities, as company divested this portfolio during January 2018 in anticipation of hike in interest rate. Provision against NPL's and diminution in the value of investment booked net reversals of Rs 77.2 million as against net budgeted provision charge of Rs 80.0 million and net charge of Rs. 238.6 million during 2017.

Overall as a result of above the company successfully achieved its budgeted target and posted a pre-tax profit of Rs. 698.5 million and after tax profit of Rs 407.6 million despite prudent fresh new provisions of Rs. 169.25 million against NPLs and Rs. 75.02 million impairment charged against diminution in the value of quoted stocks.

The Shareholder's Equity increased by 3.6% to Rs.12,648.7 million as at December 31, 2018.

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

	2018 Rupees	2017 Rupees
Un-appropriated profit brought forward	2,746,287,226	2,160,685,872
Profit after tax for the year	407,552,919	627,317,812
Surplus on revaluation of fixed assets	104,046,461	82,747,606
Other comprehensive income related to equity	(3,071,980)	999,498
Profit available for appropriations	**3,254,814,626**	**2,871,750,788**
Appropriations:		
Transfer to reserve funds	81,510,584	125,463,562
Transfer to general reserve	–	–
Dividend paid	330,000,000	–
Total appropriations	411,510,584	125,463,562
Un-appropriated profit	**2,843,304 ,042**	**2,746,287,226**

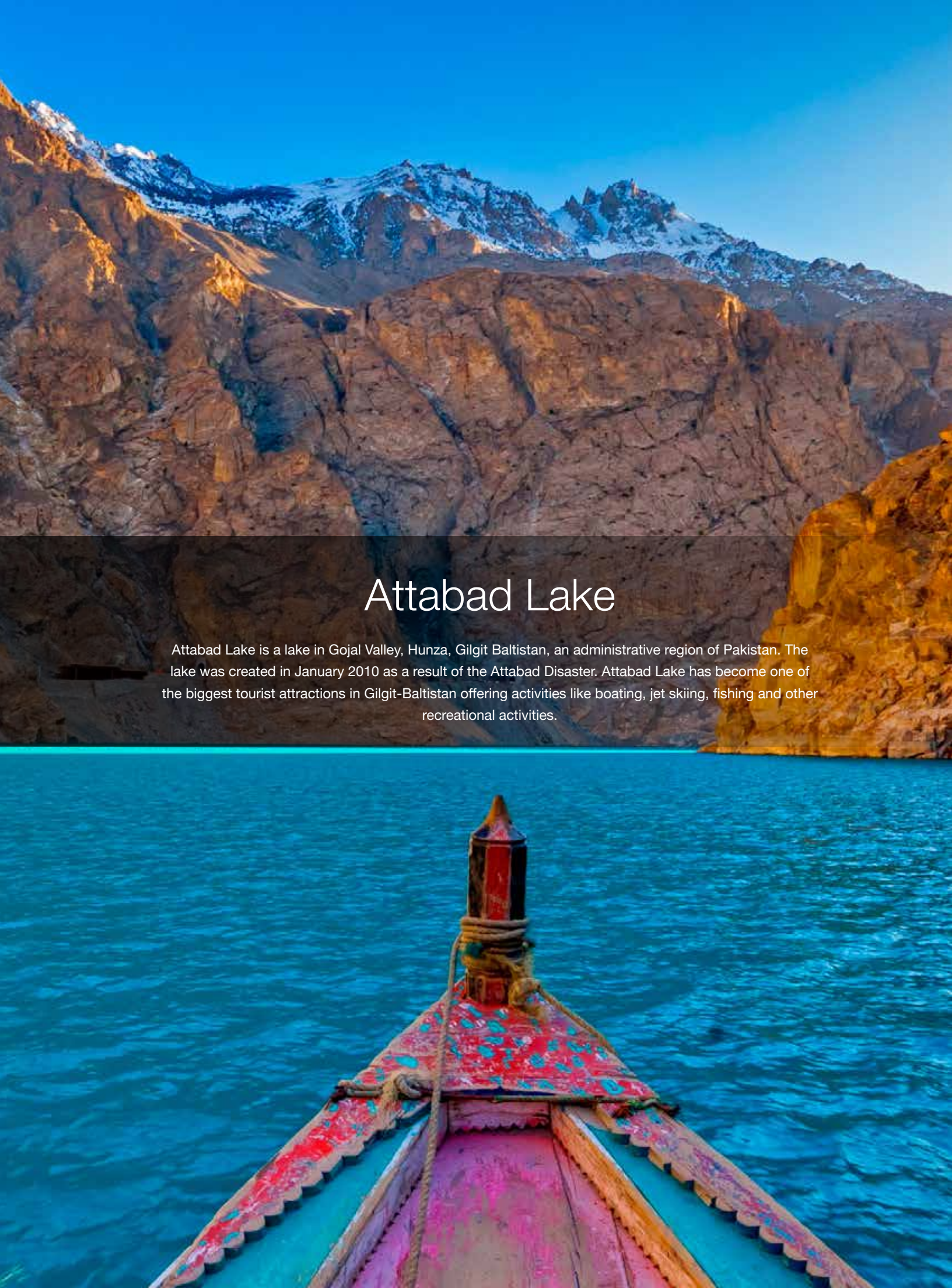
Acknowledgement

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
February 26, 2019



Attabad Lake

Attabad Lake is a lake in Gojal Valley, Hunza, Gilgit Baltistan, an administrative region of Pakistan. The lake was created in January 2010 as a result of the Attabad Disaster. Attabad Lake has become one of the biggest tourist attractions in Gilgit-Baltistan offering activities like boating, jet skiing, fishing and other recreational activities.

K2

K2 also known as Mount Godwin- Austen at 8,611 meters (28,251 ft) above sea level, is the second highest mountain in the world, after Mount Everest at 8,848 meters (29,029 ft). It is located on the China–Pakistan border.

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

	2018	2017
	روپے	روپے
غیر مختص شدہ منافع آگے لایا گیا	2,746,287,226	2,160,685,872
سال کا منافع بعد از محصول	407,552,919	627,317,812
غیر منقولہ اثاثہ جات کی دوبارہ قدر پیمائی کے بعد زائد	104,046,461	82,747,606
ملکیتی سرمایہ سے متعلق دیگر مجموعی آمدنی	(3,071,980)	999,498
مختصات(appropriations) کے لیے	3,254,814,626	2,871,750,788
دستیاب منافع		
مختصات (appropriations)		
محفوظ ذخائر میں منتقلی	81,510,584	125,463,562
عام ذخائر میں منتقلی	-	-
منقسمہ منافع کی ادائیگی	330,000,000	-
کل مختصات(appropriations)	411,510,584	125,463,562
غیر مختص شدہ منافع	2,843,304, 042	2,746,287,226

اعتراف

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

بورڈ کی جانب سے اور بورڈ آف ڈائریکٹرز کی طرف سے

چیرمین

اسلام آباد؛

فروری 26، 2019

ڈائریکٹرز رپورٹ

معاشی جائزہ

پاکستان کی معیشت نے غیر یقینی سیاسی صورتحال، بدتر ہوتے ہوئے دوہرے خسارے، گرتی ہوئی برآمدات اور عالمی تیل کی بڑھتی ہوئی قیمتوں کے پس منظر میں ملی جلی کارکردگی دکھائی۔ ملکی طلب اور ڈھانچاتی سرمایہ کاری بشمول CPEC میں اضافہ کی وجہ سے مالی سال 17/18 کے اختتام، 30 جون 2018 کے لیے زراعت، صنعت اور خدمات کے شعبوں کا متحرک ہونے سے نمو کی مقداری حرکت (momentum) 5.8 فیصد پر برقرار رہی۔ تاہم نو منتخب حکومت کے لیے ملک کا بڑھتا ہوا جاری کھاتے کا خسارہ (سال 17/18 میں 18 ارب امریکی ڈالر) کے ساتھ غیر ملکی زرمبادلہ کے کم ہوتے ہوئے ذخائر جس نے سال 2018 میں پاک روپے کی کم ہوتی ہوئی قدر کو ڈالر کے مقابلے میں 138.9 روپے کی کم ترین سطح پر آنے سے ملکی معیشت (macroeconomic) کے استحکام کے بارے میں تشویش پائی جاتی ہے۔ اس کے علاوہ عالمی تیل کی قیمتوں میں اضافے کے رجحان سے ملک میں لاگتیں بڑھ گئیں۔ اور سال 17/18 کے 3.8 فیصد اوسط افراط زر سے بڑھ کر سال 18/19 میں یہ 7 فیصد یا اس سے بلند تر ہو جائے گا۔ اس صورتحال کا سد باب کرنے کے لیے، بینک دولت پاکستان نے پالیسی نرخ میں 425 بیسس پوائنٹس کا اضافہ کر کے پانچ مراحل میں کر کے 10 فیصد کر دیا۔ اس کے ساتھ غیر یقینی سیاسی صورتحال کے سرمایہ منڈی پر منفی اثرات ہوئے اور 31 دسمبر 2018 میں 8.4 فیصد گراوٹ کے ساتھ KSE-100 انڈیکس 40,471 پائنٹس کی بلند سطح سے گر کر 37,067 پائنٹس پر آ گیا۔

کمپنی نے اپنی حکمت عملی اپنے منظور شدہ کاروبار کے منصوبے کے مطابق رکھی۔ کمپنی کی توجہ قرضہ جات اور سرمایہ منڈی کے مشکل حالات میں سرمایہ کے تحفظ پر رہی۔ سرمایہ کاروں کے ملکی معاشی اور سیاسی ماحول میں استحکام ہونے تک انتظار کرو اور دیکھو کی پالیسی اختیار کرنے کی وجہ سے ان کا اعتماد کم رہا۔ کاروبار کی صورتحال انتہائی کٹھن رہیں جس کا دباؤ قرضہ کی قیمتوں اور آمدن پر بھی ہوا کیونکہ بڑے تجارتی بینکوں نے اپنے وسائل کا رخ منصوبوں کی سرمایہ کاری کے کاروبار کی جانب موڑ دیا ہے۔ نقصان کو کم سے کم رکھنے کے لیے سرمایہ کی منڈی کی صورتحال سے نپٹا گیا۔ کمپنی نے محتاط حکمت عملی اپناتے ہوئے بروقت گورنمنٹ کے تمسکات (securities) میں سرمایہ کاری ختم کر دی تا کہ منافع کو مناسب سطح پر برقرار رکھ کر ممکنہ نقصانات سے بچا جا سکے۔ موجودہ معاشی خاص طور پر بڑھتے ہوئے سودی منظر نامے میں کمپنی نے ملکیتی سرمایہ (equity) کی منڈیوں میں اپنی حکمت عملی محتاط رکھی۔

آنے والے دنوں میں، سخت مالیاتی اور اقتصادی پالیسیوں کے ساتھ بلند جاری کھاتے کے خسارے کا امکان ہے معاشی سرگرمیاں سست پڑ جائیں گی۔ نتیجتاً سال 2019 میں توقع ہے کہ مجموعی قومی پیداوار (GDP) کی نمو 5.8 فیصد سے گر کر 3.5 تا 4 فیصد ہوگی۔

موجودہ معاشی صورتحال کے پس منظر میں، سال 2019 میں سعودی پاک اپنی توجہ اس معیار پر پورا اترنے والے بنیادی منصوبوں کی فنانسنگ کے کاروبار پر توجہ بڑھائے گی۔ بڑھتے ہوئے سودی نرخ کے ماحول میں سرمایہ منڈی میں سرمایہ کاری کو حقیقت پسندانہ بنائیں گے جبکہ گورنمنٹ کے تمسکات (securities) کو منڈی کی حرکیات (dynamics) کو مدنظر رکھ کر بتدریج بڑھائیں گے۔

مالیاتی نتائج–2018

کمپنی نے منظور شدہ کاروباری منصوبہ بندی کے مطابق اپنی حکمت عملی کو جاری رکھا۔ بہت کٹھن منڈی کے ماحول میں توجہ سرمایہ کو محفوظ رکھنے پر رہی۔ گرتی ہوئی منڈی میں نقصان کو کم سے کم رکھنے کے لیے سرمایہ کی منڈی کی صورتحال سے نپٹا گیا۔ گرتی ہوئی مندی میں نقصان کو کم سے کم رکھنے کے لیے سرمایہ کی منڈی کی صورتحال سے نپٹا گیا۔

کمپنی نے سودی نرخ میں اضافے سے پہلے اپنی گورنمنٹ کے تمسکات (securities) میں سرمایہ کاری ختم کر دی تا کہ دستیاب منافع کو برقرار رکھا جا سکے۔ موجودہ معاشی خاص طور پر بڑھتے ہوئے سودی منظر نامے میں کمپنی نے ملکیتی سرمایہ (equity) کی منڈیوں میں اپنی حکمت عملی محتاط رکھی۔

خالص سودی آمدنی (NIM) تقریباً تخمینے کے ہدف کے برابر رہی اور خالص سودی آمدنی کا زیادہ تر بچاؤ وسائل کے بہتر انتظام سے ممکن ہوا۔ سرمایہ کی منڈی کے آپریشن سے آمدنی 228.4 ملین روپے رہی جو اس کے 330.0 ملین روپے کے تخمینہ کے ہدف سے کم تر تھی جس کی بنیادی وجہ سال 2018 کے دوران، کمپنی کا سودی نرخ میں متوقع اضافے کے پس منظر میں گورنمنٹ کے تمسکات کے پورٹ فولیو میں سرمایہ کاری ختم کرنے کی وجہ سے گورنمنٹ تمسکات سے کم منافع حاصل ہوا۔

کارکردگی نہ دکھانے والے قرضہ جات (NPLs) اور مختص کردہ (booked) سرمایہ کی قدر میں تخفیف (diminution) کی تخصیص (provision) کی 77.2 ملین روپے کی خالص واپسی جس کے مقابلے میں 80.0 ملین روپے کی خالص تخمینہ شدہ تخصیص (provision) کی واپسی اور سال 2017 میں 238.6 ملین روپے کا خالص چارج تھا۔

مذکورہ بالا کے نتیجے میں کمپنی نے مجموعی طور پر کامیابی سے اپنے تخمینوں کے ہدف حاصل کیا اور نئے محتاط 169.25 ملین روپے کی کارکردگی نہ دکھانے والے قرضہ جات (NPLs) کی تخصیصات (provisions) اور حوالہ دیے گئے اسٹاک کی قدر میں کمی ہونے والے نقصان کے لیے 75.02 ملین روپے چارج کرنے کے باوجود 698.5 ملین روپے کا قبل از محصول منافع اور 407.6 ملین روپے کا بعد از محصول منافع دکھایا۔

31 دسمبر 2018 پر حصص کنندگان کا ملکیتی سرمایہ 3.6 فیصد اضافے سے بڑھ کر 12,648.7 ملین روپے ہو گیا۔

Statistical Information

(Rs. in million)

	2014	2015	2016	2017	**2018**
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	3,150.0	2,705.0	3,950.0	4,060.0	5,309.0
Lease Finance	70.0	–	20.0	–	–
Short Term Finance	550.4	450.0	970.0	619.5	1,395.0
Direct Equity/Investement/Placement	–	–	330.0	250.0	–
Gross Funded (a)	3,770.4	3,155.0	5,270.0	4,929.5	6,704.0
Withdrawals (b)	450.0	400.0	200.9	175.0	1,524.0
Net Funded (c)	3,320.4	2,755.0	5,069.1	4,754.5	5,180.0
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)	4,920.4	3,155.0	5,620.0	5,759.5	6,704.0
Withdrawals (b+e)	950.0	400.0	200.9	275.0	1,524.0
Net (Funded & Non-Funded) (c+f)	3,970.4	2,755.0	5,419.1	5,484.5	5,180.0

Net-Financing and Investment Approved: Cumulative as on December 31, 2018

	(Rs. in million)	As Percentage of Funded	As Percentage of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	47,524.2	62.54	57.15
Lease Finance	1,945.8	2.56	2.34
Short Term Finance	19,834.2	26.10	23.85
Direct Equity/Investement/Placement	6,684.2	8.80	8.04
Gross Funded (a)	75,988.4	100.00	91.38
Withdrawals (b)	4,832.6		
Net Funded (c)	71,155.8		
		As Percentage of Non-Funded	
Non-Funded:			
Underwriting of Shares	3,846.0	53.64	4.62
Guarantees	3,324.4	46.36	4.00
Gross Non-Funded (d)	7,170.4	100.00	8.62
Withdrawls (e)	1,337.3		
Net Non-Funded (f)	5,833.1		
Gross Cumulative (Funded & Non-Funded) (a+d)	83,158.8		100.00
Cumulative Withdrawals (b+e)	6,169.9		
Net Cumulative (Funded & Non-Funded) (c+f)	76,988.9		

(Rs. in million)

	2014	2015	2016	2017	2018	Since Inception to December 31, 2018
Disbursement: By Type of Assistance						
Long Term Finance/TFCs	2,309.0	2,275.0	3,177.2	2,975.2	3,582.2	41,184.7
Lease Finance	70.0	–	–	20.0	–	1,833.3
Short Term Finance	452.5	750.0	744.5	845.0	1,145.0	18,284.3
Direct Equity/Investment/Placement	–	–	–	330.0	–	2,407.4
Investment in Associated Company	–	–	–	–	–	4,030.6
Share taken up against underwriting	–	–	–	477.0	–	840.4
Total	**2,831.5**	**3,025.0**	**3,921.7**	**4,647.2**	**4,727.2**	**68,580.7**

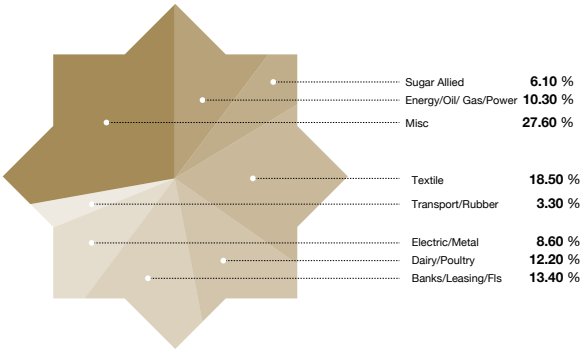
Net Financing and Investment Approved*: Sector Exposure

	2018			Since Inception to December 31, 2018		
Sector	No.	Amount	%	No.	Amount	%
Financial Services	4	510.0	9.85	179	12,051.5	16.94
Power/Oil & Gas	–	–	–	74	8,353.3	11.74
Manufacturing	19	3,920.0	75.68	601	41,646.9	58.53
Services	1	750.0	14.47	71	9,104.1	12.79
Total	**24**	**5,180.0**	**100.00**	**925**	**71,155.8**	**100.00**

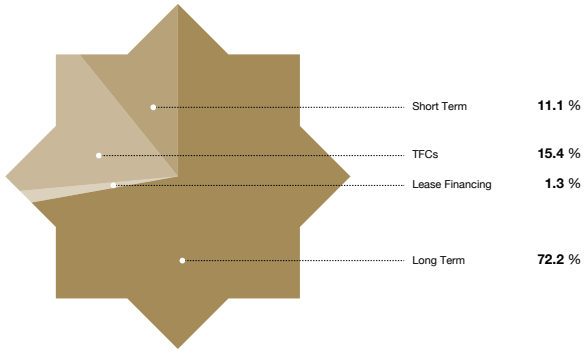
*Excluding underwriting and guarantees

Position as on December 31, 2018

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, 2018 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 five listed companies, including this Company.

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

4. One causal vacancy occurred on the Board during the year ended December 31, 2018. The Government of Pakistan nominated one director namely Mr. Zafar Hasan on April 11, 2018 replacing Mr. Khizar Hayat Gondal on the same day, whose Fit and Proper Test has been approved by the State Bank of Pakistan.

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

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

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

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

9. Five directors have obtained relevant training while one will obtain training in 2019.

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

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

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

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

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

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

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

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

18. The Board has formed Risk Management Committee. It comprises of three (03) Members, of whom all are non executive directors including the Deputy Chairman.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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:
February 26, 2019

Chairman

Statement on Internal Controls

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 management of the Company has adopted an internationally accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan (SBP). 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 both internal and external audit reports and recommends to the Board for desired corrective measures to be taken by the Management, wherever required.

The Company has made efforts during the year 2018 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 all 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.

During the year, some observations and weaknesses were identified which were accordingly reported by the Internal Audit Division along with the suitable recommendations. Subsequently, the Management took necessary steps to rectify such observations. Regular follow-up of 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 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, 2017, endorsed by the Audit Committee of the Board, on March 29, 2018. Annual Assessment Report on ICFR for the year ended December 31, 2018 is to be submitted to SBP at the latest by March 31, 2019 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:
February 26, 2019

Chairman

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, 2018 to comply with the requirements of Regulation G-1 of the Prudential Regulations for the Corporate/ Commercial Banking issued by the State Bank of Pakistan.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternative pricing mechanism. We are only required and have ensured compliance of this requirement 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, 2018.

Chartered Accountants
Islamabad: February 26, 2019
Engagement partner: S. Haider Abbas

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Saudi Pak

Financial Statements

For The Year Ended December 31, 2018

Standalone

pwc

A·F·FERGUSON&Co.

Independent Auditor's Report

To the Members of Saudi Pak Industrial and Agricultural Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the unconsolidated profit, the unconsolidated comprehensive income, the unconsolidated changes in equity and its unconsolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 21.3.1 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.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the unconsolidated financial statements of the Company and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act 2017 (XIX) of 2017 and are in agreement with the books of account and returns:

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is S. Haider Abbas.

Chartered Accountants
Islamabad
Date: February 26, 2019

Unconsolidated Statement of Financial Position

As at December 31, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Cash and balances with treasury banks	7	54,652,113	40,303,180
Balances with other banks	8	326,583,007	123,073,428
Lendings to financial institutions	9	2,818,407,389	–
Investments	10	4,159,039,630	9,468,147,212
Advances	11	7,865,329,442	8,457,894,406
Fixed assets	12	3,111,658,376	2,517,748,116
Intangible assets	13	5,762,311	699,171
Deferred tax assets		–	–
Other assets	14	849,153,274	1,558,819,473
		19,190,585,542	22,166,684,986
LIABILITIES			
Bills payable		–	–
Borrowings	15	5,771,338,282	9,076,845,649
Deposits and other accounts	16	7,500,000	7,500,000
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	17	272,361,026	651,353,904
Other liabilities	18	490,669,964	225,559,300
		6,541,869,272	9,961,258,853
NET ASSETS		12,648,716,270	12,205,426,133
REPRESENTED BY			
Share capital	19	6,600,000,000	6,600,000,000
Statutory reserve		1,008,201,270	926,690,686
Revenue reserve		358,662,940	358,662,940
Surplus on revaluation of assets	20	1,838,548,018	1,573,785,281
Unappropriated/ Unremitted profit		2,843,304,042	2,746,287,226
		12,648,716,270	12,205,426,133
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Unconsolidated Profit and Loss Account

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
Mark-up / Return / Interest Earned	23	1,000,386,743	1,230,375,491
Mark-up / Return/ Interest Expensed	24	397,181,873	487,320,631
Net Mark-up / Interest Income		603,204,870	743,054,860
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	9,544,922	32,353,740
Dividend income		153,811,455	219,218,714
Foreign exchange income		3,652,937	818,933
Income / (loss) from derivatives		–	–
Gain / (loss) on securities	26	74,559,763	333,247,231
Other income	27	204,028,106	146,611,012
Total Non-markup / Interest Income		445,597,183	732,249,630
Total Income		1,048,802,053	1,475,304,490
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	427,576,071	376,788,176
Workers Welfare Fund		–	–
Other charges		–	–
Total Non-markup / Interest Expenses		427,576,071	376,788,176
Profit Before Provisions		621,225,982	1,098,516,314
Provisions and write offs - net	29	(77,234,557)	238,605,539
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		698,460,539	859,910,775
Taxation	30	290,907,620	232,592,963
PROFIT AFTER TAXATION		407,552,919	627,317,812
Basic Earnings per share	31	0.618	0.950
Diluted Earnings per share	32	0.618	0.950

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Unconsolidated Statement of Comprehensive Income

For The Year Ended December 31, 2018

	2018 Rupees	2017 Rupees
Profit after taxation for the year	407,552,919	627,317,812
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	(151,091,790)	(812,725,243)
Reversal of deferred tax liability - prior year	–	–
	(151,091,790)	(812,725,243)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(3,071,980)	(1,237,960)
Movement in surplus on revaluation of operating fixed assets - net of tax	405,474,207	(78,853,562)
Movement in surplus on revaluation of non-banking assets	10,380,320	–
Reversal of prior year excess deferred tax	–	2,237,458
	412,782,547	(77,854,064)
Total comprehensive income / (loss)	669,243,676	(263,261,495)

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Unconsolidated Cash Flow Statement

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		698,460,539	859,910,775
Less: Dividend income		(153,811,455)	(219,218,714)
		544,649,084	640,692,061
Adjustments:			
Depreciation		135,835,549	137,002,582
Amortization	13	1,576,259	–
Provision and write-offs	29	(77,234,557)	238,605,539
(Gain) / loss on sale of fixed assets		(37,494,510)	12,601,472
Charge for defined benefit plan	28.1	5,576,622	5,052,794
Charge for compensated absences	28.1	3,366,125	2,576,945
Unrealized loss/ (gain) - held for trading investments	10.1	–	3,371,084
		31,625,488	399,210,416
		576,274,572	1,039,902,477
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,818,407,389)	340,000,000
Held-for-trading securities		11,826,249	52,051,666
Advances		555,857,604	(117,361,985)
Others assets (excluding advance taxation)		154,109,958	100,408,152
		(2,096,613,578)	375,097,833
Increase/ (decrease) in operating liabilities			
Borrowings from financial institutions		(3,305,507,367)	(1,641,062,175)
Deposits		–	(123,899,425)
Other liabilities (excluding current taxation)		260,895,267	(12,712,024)
		(3,044,612,100)	(1,777,673,624)
Payments against off-balance sheet obligations		–	–
Payment to defined benefit plan		(8,871,042)	(9,848,935)
Income tax paid		(278,276,098)	(342,140,936)
Net cash flow used in operating activities		(4,852,098,246)	(714,663,185)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		5,412,049,037	932,831,310
Net investments in held-to-maturity securities		(168,808,584)	(342,932,905)
Dividends received		181,872,275	177,582,724
Investments in operating fixed assets		(106,510,120)	(43,622,797)
Proceeds from sale of fixed assets		81,354,150	3,760,811
Sale proceeds from disposal of non banking assets		–	–
Net cash flow investing activities		5,399,956,758	727,619,143
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(330,000,000)	–
Net cash flow used in financing activities		(330,000,000)	–
Effects of exchange rate changes on cash and cash equivalents		–	–
Increase in cash and cash equivalents		217,858,512	12,955,958
Cash and cash equivalents at beginning of the year	33	163,376,608	150,420,650
Cash and cash equivalents at end of the year	33	381,235,120	163,376,608

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Unconsolidated Statement of Changes In Equity

For The Year Ended December 31, 2018

	Share capital	Statutory reserve	Revenue reserve	Surplus / (Deficit) on revaluation of Investments	Surplus / (Deficit) on revaluation of Fixed / non banking assets	Unappropriated / unremitted profit	Total
	Rupees						
Balance as at January 1, 2017	6,600,000,000	801,227,124	358,662,940	771,732,415	1,693,631,671	2,160,685,872	12,385,940,022
Profit after taxation for the year ended December 31, 2017	–	–	–	–	–	627,317,812	627,317,812
Other comprehensive income - net of tax	–	–	–	(812,725,243)	(78,853,562)	999,498	(890,579,307)
Transfer to statutory reserve	–	125,463,562	–	–	–	(125,463,562)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	82,747,606	82,747,606
Balance as at December 31, 2017	6,600,000,000	926,690,686	358,662,940	(40,992,828)	1,614,778,109	2,746,287,226	12,205,426,133
Balance as at January 1, 2018	6,600,000,000	926,690,686	358,662,940	(40,992,828)	1,614,778,109	2,746,287,226	12,205,426,133
Profit after taxation for the year ended December 31, 2018	–	–	–	–	–	407,552,919	407,552,919
Other comprehensive income - net of tax	–	–	–	(151,091,790)	415,854,527	(3,071,980)	261,690,757
Transfer to statutory reserve	–	81,510,584	–	–	–	(81,510,584)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	104,046,461	104,046,461
Transactions with owners, recorded directly in equity							
Final dividend 2017: Re 0.5 per ordinary share	–	–	–	–	–	(330,000,000)	(330,000,000)
Balance as at December 31, 2018	6,600,000,000	1,008,201,270	358,662,940	(192,084,618)	2,030,632,636	2,843,304,042	12,648,716,270

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Notes to the Unconsolidated Financial Statements

For The Year Ended December 31, 2018

1. STATUS AND NATURE OF BUSINESS

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 (KSA) 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 markets its products in Pakistan and abroad. The Company has been setup for a period of fifty years which may be extended with approval of both of the Governments.

The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Company is also operating offices in Lahore and Karachi.

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 BPRD Circular No.2 dated January 25, 2018.

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. Approved accounting standards comprise of

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or directives issued by the SBP and SECP differ with the requirements of IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 39,"Financial Instrument: Recognition and Measurement" (IAS 39) and International Accounting Standard 40,"Investment Property" (IAS 40), for Banking Companies/Development Finance Institution till further instructions. Further, according to the notification of SECP dated April 28, 2008, The International Financial Reporting Standard 7,"Financial Instruments: Disclosures" (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.3 The SBP has prescribed format of financial statements for Banks / DFIs vide BPRD Circular 02 of 2018, therefore, requirements of the Fifth Schedule of the Companies Act, 2017 have not been followed in presentation of these financial statements.

3.4 The SBP through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks/DFIs are directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format

prescribed by the State Bank of Pakistan. The adoption of new format has resulted in remeasurement and reclassification of comparative information and inclusion of certain additional disclosures. The adoption of revised format has resulted in following significant changes:

– Surplus on revaluation of assets amounting to Rs. 1,838.5 million (2017: Rs. 1,574 million) which was previously shown below equity has now been included as part of equity;

– Intangibles (note - 13) amounting to Rs. 5.762 million (2017: Rs. 0.699 million) which were previously shown as part of fixed assets (note - 12) are now shown separately on the unconsolidated statement of financial position;

– Certain reclassifications have been made in the unconsolidated profit and loss account which are summarised in note 43.

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

a) Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

b) Standards, interpretations of and amendments to published approved accounting standards that are not yet effective:

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 Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

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

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Ventures	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 1	Presentation of Financial Statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
IAS 12	Income Taxes	January 1, 2019
IAS 19	Employee Benefits - (Amendments)	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investment in Associate (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax	January 1, 2021

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

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 (note 14)
iii) Valuation and impairment of available for sale securities (note 6.3(b))
iv) Valuation and useful life of fixed assets (note 6.6) and non-banking assets acquired in satisfaction of claims
v) Useful life of intangibles (note 6.7)
vi) Taxation (note 6.10)
vii) Present value of staff retirement benefits (note 6.11)

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 respectively 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 in the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant and 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 and subsidiary

Investment in associate and subsidiary 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 Fixed assets

(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 in 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 12.2 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.

Change in accounting policy

Previously, under the repealed Companies Ordinance, 1984, surplus/deficit on revaluation of fixed assets was directly charged to 'Surplus/deficit on revaluation of Assets', presented separately under the shareholders' equity. Any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. This accounting treatment was in deviation from IAS 16. However, consequent to the enactment of the Companies Act, 2017 (the Act), and issuance of new format of financial statements by SBP in January 2018, the accounting for Surplus/Deficit of revaluation of fixed assets has been brought in line with requirements of IAS 16. Resultantly, the Company has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed assets as a result of revaluation is charged to profit and loss account, however the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. However, the management has assessed that this change in accounting policy has no financial impact on prior period financial statements because the revaluation of fixed assets in the previous years did not result in any deficit. Since there is no impact of the above change in accounting policy, the Company has not presented the third statement of financial position for the year prior to last year and neither there is any adjustment required in the value of opening retained earnings.

(b) 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 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 13 to these unconsolidated financial statements to write off cost of the assets over their estimated useful life.

6.8 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.

6.9 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.

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

6.11 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.

6.12 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. Fines / penalties on delayed payments are recorded in the unconsolidated profit and loss account on receipt basis.
- 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.

6.13 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.

6.14 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.

6.15 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.

6.16 Financial instruments

Financial assets and liabilities

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

6.17 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.

6.18 Statutory reserve

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

6.19 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	2018 Rupees	2017 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		272,444	265,251
With State Bank of Pakistan in			
Local currency current accounts	7.1	54,379,669	40,037,929
		54,652,113	40,303,180

7.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

		2018 Rupees	2017 Rupees
8.	**BALANCES WITH OTHER BANKS**		
	In Pakistan		
	In current accounts	130,428,968	3,631,571
	In deposit accounts	196,154,039	119,441,857
		326,583,007	123,073,428

8.1 Deposit accounts include Rs. 177,905,155 (2017: Rs 103,299,978) held in local currency accounts. These accounts carry markup at the rates ranging from 3.75% to 6.50% (2017: 3.75% to 4.00%) per annum.

8.2 Deposit accounts include USD 131,371.81 (2017: USD 146,057.22) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2017: 0.25%) per annum.

		Note	2018 Rupees	2017 Rupees
9.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	9.1	2,318,407,389	–
	Letter based placement	9.2	500,000,000	–
			2,818,407,389	–
	Less: provision held against Lending to Financial Institutions		–	–
	Lending to Financial Institutions - net of provision		2,818,407,389	–

9.1 These are secured against Treasury bills (T-Bills) and carry markup at the rate ranging between 10.10% to 10.50% per annum having maturity on January 2, 2019.

9.2 These carry markup at the rate of 11.30% per annum having maturity on January 25, 2019.

		2018 Rupees	2017 Rupees
9.3	**Particulars of lending**		
	In local currency	2,818,407,389	–

9.4 Securities held as collateral against lending to financial institutions.

		2018			2017		
	Note	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
			Rupees			Rupees	
Market Treasury Bills	9.4.1	2,318,407,389	–	2,318,407,389	–	–	–
Total		2,318,407,389	–	2,318,407,389	–	–	–

9.4.1 These represent the securities obtained under reverse repo transactions.

9.4.2 Market value of securities held as collateral at December 31, 2018 is Rs. 2,343 million.

10. INVESTMENTS

10.1 Investments by type:

	Note	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / Amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
		Rupees				Rupees			
Held-for-trading securities									
Quoted shares		–	–	–	–	15,197,333	–	(3,371,084)	11,826,249
Available-for-sale securities									
Federal Government Securities									
-Pakistan Investment Bonds (PIBs)		–	–	–	–	987,827,349	–	85,989,651	1,073,817,000
-Market Treasury Bills		–	–	–	–	4,554,662,419	–	(89,019)	4,554,573,400
		–	–	–	–	5,542,489,768	–	85,900,632	5,628,390,400
Shares- Quoted securities		2,529,298,947	(503,609,236)	(225,881,510)	1,799,808,201	3,064,581,661	(620,677,019)	(144,563,456)	2,299,341,186
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		772,221,286	(82,835,865)	–	689,385,421	106,497,841	(77,105,520)	764,111	30,156,432
Un-quoted securities		786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
		4,087,853,281	(860,278,141)	(225,881,510)	3,001,693,630	9,499,902,318	(971,615,579)	(57,898,713)	8,470,388,026
Held-to-maturity securities									
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		1,043,331,415	(385,985,415)	–	657,346,000	874,522,831	(388,589,894)	–	485,932,937
Associates									
Saudi Pak Leasing Company Limited									
- Investment in shares	10.1.1	243,467,574	(243,467,574)	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares	10.1.2	333,208,501	(333,208,501)	–	–	333,208,501	(333,208,501)	–	–
		576,676,075	(576,676,075)	–	–	576,676,075	(576,676,075)	–	–
Subsidiaries									
Saudi Pak Real Estate Company Limited	10.1.3	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments		6,207,860,771	(1,822,939,631)	(225,881,510)	4,159,039,630	11,466,298,557	(1,936,881,548)	(61,269,797)	9,468,147,212

10.1.1 This represents the cost of acquisition of 35.06% (2017: 35.06%) shares in the paid up capital of Saudi Pak Leasing Company Limited (SPLCL) incorporated in Pakistan. On the basis of latest available audited financial statements as at June 30, 2015, total assets and liabilities of SPLCL were Rs 1,013.7 million (2014: Rs. 1,222.5 million) and Rs 1,544.7 million (2014: Rs. 1,560 million), while total revenue, loss after taxation and total comprehensive loss were Rs. 60.9 million (2014: Rs. 207.8 million), Rs. 192.9 million (2014: profit after tax Rs 7.2 million), and Rs. 193.3 million (2014: total comprehensive income Rs. 7.3 million) respectively.

10.1.2 These represent 33.321 million preference shares of SPLCL, having face value of Rs. 10 each amounting to Rs. 333.208 million (2017: Rs. 333.208 million).

10.1.3 This represents 50 million shares in Saudi Pak Real Estate Company Limited (SPREL) representing 100% of paid up capital of SPREL which is incorporated in Pakistan. On the basis of latest available audited financial statements of SPREL as at December 31, 2018, total assets and liabilities of SPREL are Rs 758 million (2017: Rs. 797 million) and Rs. 78 million (2017: Rs. 119 million) while total revenue, profit after taxation and total comprehensive income for the year ended December 31, 2018 are Rs. 54.6 million (2017: Rs. 128 million), Rs. 2 million (Rs. 29.6 million) and Rs. 1.85 million (Rs. 29.4 million) respectively.

10.2 Investments by segments:

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Federal Government Securities:								
Market Treasury Bills	–	–	–	–	4,554,662,419	–	(89,019)	4,554,573,400
Pakistan Investment Bonds	–	–	–	–	987,827,349	–	85,989,651	1,073,817,000
	–	–	–	–	5,542,489,768	–	85,900,632	5,628,390,400
Shares:								
Listed Companies	2,529,298,947	(503,609,236)	(225,881,510)	1,799,808,201	3,079,778,994	(620,677,019)	(147,934,540)	2,311,167,435
Unlisted Companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	3,315,631,995	(777,442,276)	(225,881,510)	2,312,308,209	3,866,112,042	(894,510,059)	(147,934,540)	2,823,667,443
Non Government Debt Securities								
Listed TFCs	871,922,950	(182,537,529)	–	689,385,421	208,803,984	(179,411,663)	764,111	30,156,432
Unlisted TFCs	943,629,751	(286,283,751)	–	657,346,000	772,216,688	(286,283,751)	–	485,932,937
	1,815,552,701	(468,821,280)	–	1,346,731,421	981,020,672	(465,695,414)	764,111	516,089,369
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)	–	–
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments	6,207,860,771	(1,822,939,631)	(225,881,510)	4,159,039,630	11,466,298,557	(1,936,881,548)	(61,269,797)	9,468,147,212

		2018 Rupees	2017 Rupees
10.2.1	**Investments given as collateral**		
	Treasury Bills (T-Bills)	–	1,929,936,155
	Pakistan Investment Bonds (PIBs)	–	–
		–	1,929,936,155
10.3	**Provision for diminution in value of investments**		
10.3.1	Opening balance	1,936,881,548	1,614,006,676
	Charge / reversals		
	Charge for the year	84,657,507	482,749,904
	Reversals for the year	(6,511,199)	(159,875,032)
	Reversal on disposals	(192,088,225)	–
		(113,941,917)	322,874,872
	Amounts written off	–	–
	Closing balance	1,822,939,631	1,936,881,548

10.3.2 Particulars of provision against debt securities

	2018		2017	
	NPI	Provision	NPI	Provision
	Rupees		Rupees	
Category of classification				
Domestic				
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	536,321,280	468,821,280	533,195,414	465,695,414
	536,321,280	468,821,280	533,195,414	465,695,414
Overseas	–	–	–	–
Total	536,321,280	468,821,280	533,195,414	465,695,414

10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

	2018	2017
	Cost in Rupees	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	–	4,554,662,419
Pakistan Investment Bonds	–	987,827,349
	–	5,542,489,768
Provincial Government Securities - Government guaranteed	–	–
Shares:		
Listed Companies		
Cable and Electrical Goods	33,183,918	–
Cement	283,480,295	231,868,893
Close - end Mutual Fund	108,540,543	137,030,448
Commercial Banks	397,547,813	829,982,834
Fertilizer	383,674,270	591,026,286
Food and Personal Care Products	33,883,557	67,767,112
Insurance	73,053,352	70,975,035
Oil & Gas Marketing Companies	358,922,534	234,163,108
Oil and Gas Exploration Companies	18,579,627	–
Paper and Board	4,421,702	4,421,702
Power Generation and Distribution	626,899,613	682,161,675
Technology and Communication	33,155,017	32,178,000
Textile Composite	49,154,839	76,551,283
Textile Spinning	–	23,821,380
Transport	124,801,867	82,633,905
	2,529,298,947	3,064,581,661

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees		Rupees	
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	–	50,000,000	–
Alhamra Hills Private Limited	50,000,000	–	50,000,000	–
Ali Paper Board Industries Limited	5,710,000	–	5,710,000	–
Bela Chemical Industries Limited	6,500,000	–	6,500,000	–
Fruit Sap Limited	4,000,000	–	4,000,000	–
Innovative Investment Bank Limited	37,623,048	–	37,623,048	–
ISE Towers - REIT Management Company Limited	2,500,000	41,396,107	2,500,000	35,781,683
Pace Barka Properties Limited	168,750,000	234,176,286	168,750,000	229,760,533
Pak Kuwait Takaful Company	40,000,000	(2,485,549)	40,000,000	(2,485,549)
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	10,920,909
Pakistan GasPort Consortium Limited	330,000,000	377,515,230	330,000,000	331,090,259
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	–	10,000,000	–
Taurus Securities Limited	11,250,000	24,167,169	11,250,000	27,529,780
Trust Investment Bank Limited	20,000,000	–	20,000,000	–
	786,333,048	679,816,253	786,333,048	632,597,615

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

	2018	2017
	Cost in Rupees	
Non Government Debt Securities		
Listed TFCs		
- AA+, AA, AA-	660,000,000	–
- A+, A, A-	–	29,392,321
- BBB+, BBB, BBB-	29,385,421	–
- Unrated	25,578,525	19,848,180
	714,963,946	49,240,501
Unlisted TFCs		
- Unrated	57,257,340	57,257,340
	772,221,286	106,497,841

10.5 The Company does not have any investments in foreign securities as at December 31, 2018 (2017: Nil).

	Note	2018	2017
		Cost in Rupees	
10.6 Particulars relating to Held to Maturity securities are as follows:			
Non Government Debt Securities			
Listed TFCs			
- Unrated	10.6.1	156,959,004	159,563,483
Unlisted TFCs			
- AA+, AA, AA-		199,960,000	–
- A+, A, A-		389,886,000	300,000,000
- BBB+, BBB, BBB-		–	90,000,000
- Unrated		296,526,411	324,959,348
		886,372,411	714,959,348
		1,043,331,415	874,522,831

10.6.1 The market value of listed TFCs classified as held-to-maturity as at December 31, 2018 and December 31, 2017 are not available and these are carried at amortised cost.

11. ADVANCES

		2018	2017	2018	2017	2018	2017
		Performing		Non performing		Total	
	Note	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running finances- gross	11.1	6,918,643,279	7,991,102,782	3,109,538,785	2,592,936,886	10,028,182,064	10,584,039,668
Provision against advances							
- Specific		–	–	(2,162,852,622)	(2,126,145,262)	(2,162,852,622)	(2,126,145,262)
- General		–	–	–	–	–	–
		–	–	(2,162,852,622)	(2,126,145,262)	(2,162,852,622)	(2,126,145,262)
Advances - net of provision		6,918,643,279	7,991,102,782	946,686,163	466,791,624	7,865,329,442	8,457,894,406

11.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five year	Over five year	Total	Not later than one year	Later than one and less than five year	Over five year	Total
	Rupees				Rupees			
Lease rentals receivable	216,534,517	6,659,227	–	223,193,744	220,066,002	11,419,868	–	231,485,870
Residual value	–	–	–	–	–	–	–	–
Minimum lease payments	216,534,517	6,659,227	–	223,193,744	220,066,002	11,419,868	–	231,485,870
Financial charges for future periods	(73,224,079)	(275,406)		(73,499,485)	(73,519,700)	(803,424)	–	(74,323,124)
Present value of minimum lease payments	143,310,438	6,383,821	–	149,694,259	146,546,302	10,616,444	–	157,162,746

	2018 Rupees	2017 Rupees
11.2 Particulars of advances (Gross)		
In local currency	10,012,266,011	10,568,123,615
In foreign currencies	15,916,053	15,916,053
	10,028,182,064	10,584,039,668

11.3 Advances include Rs. 3,109,538,785 (2017: Rs. 2,592,936,886) which have been placed under non-performing status as detailed below:-

	2018		2017	
	Non Performing loans	Provision	Non Performing loans	Provision
	Rupees		Rupees	
Category of classification				
Domestic				
Substandard	683,333,332	–	–	–
Doubtful	–	–	76,667,165	38,333,583
Loss	2,426,205,453	2,162,852,622	2,516,269,721	2,087,811,679
	3,109,538,785	2,162,852,622	2,592,936,886	2,126,145,262
Overseas	–	–	–	–
Total	3,109,538,785	2,162,852,622	2,592,936,886	2,126,145,262

11.4 Particulars of provision against advances

	Note	2018			2017		
		Specific	General	Total	Specific	General	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance		2,126,145,262	–	2,126,145,262	2,210,414,595	–	2,210,414,595
Charge for the year		242,278,693	–	242,278,693	92,829,063	–	92,829,063
Reversals		(205,571,333)	–	(205,571,333)	(177,098,396)	–	(177,098,396)
		36,707,360	–	36,707,360	(84,269,333)	–	(84,269,333)
Amounts written off	11.5	–	–	–	–	–	–
Closing balance		2,162,852,622	–	2,162,852,622	2,126,145,262	–	2,126,145,262

11.4.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
In local currency	2,146,936,569	–	2,146,936,569	2,110,229,209	–	2,110,229,209
In foreign currencies	15,916,053	–	15,916,053	15,916,053	–	15,916,053
	2,162,852,622	–	2,162,852,622	2,126,145,262	–	2,126,145,262

11.4.2 The net FSV benefit already availed has been increased by Rs. 5.728 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. 5.728 million (2017: Rs. 82.524 million) and Rs. 4.067 million (2017: lower by Rs. 57.767 million) respectively. Further, at December 31, 2018, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 308.272 million (2017: Rs. 299.921 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.

		Note	2018 Rupees	2017 Rupees
11.5	**PARTICULARS OF WRITE OFFs:**			
11.5.1	Against Provisions	11.4	–	–
	Directly charged to Profit & Loss account		–	–
			–	–
11.5.2	Write Offs of Rs. 500,000 and above	11.6		
	- Domestic		–	–
	- Overseas		–	–
	Write Offs of Below Rs. 500,000		–	–
			–	–

11.6 Details Of Loan Write Off Of Rs. 500,000/- And Above

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, 2018 is given at Annexure I.

		Note	2018 Rupees	2017 Rupees
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	–	22,143,488
	Property and equipment	12.2	3,111,658,376	2,495,604,628
			3,111,658,376	2,517,748,116
12.1	**Capital work-in-progress**			
	Advances to suppliers		–	22,143,488
			–	22,143,488

12.2 Property and Equipment

	2018												
	Free hold land	Leasehold land	Building karachi office	Building ISE tower Islamabad	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2018													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	34,145,000	884,341,901	16,839,889	48,571,117	93,176,972	132,670,380	43,090,176	8,778,027	174,937,802	2,841,579,384
Accumulated depreciation	–	41,724,000	1,955,194	778,500	70,720,717	14,460,326	41,516,382	59,769,356	39,664,293	12,779,184	2,606,734	60,000,070	345,974,756
Net book value	8,088,120	1,330,776,000	22,484,806	33,366,500	813,621,184	2,379,563	7,054,735	33,407,616	93,006,087	30,310,992	6,171,293	114,937,732	2,495,604,628
Year ended December 31, 2018													
Opening net book value	8,088,120	1,330,776,000	22,484,806	33,366,500	813,621,184	2,379,563	7,054,735	33,407,616	93,006,087	30,310,992	6,171,293	114,937,732	2,495,604,628
Additions	–	27,269,637	–	–	499,000	307,874	5,365,994	29,104,571	1,577,396	36,794,700	93,429	21,001,608	122,014,209
Movement in surplus on assets revalued during the year	–	407,171,319	15,089,791	–	219,657,590	–	–	–	23,882,176	(5,821,468)	629,081	10,347,155	670,955,644
Revaluation adjustment	–	(62,965,956)	(2,932,791)	–	(106,097,226)	–	–	–	(59,209,340)	(17,861,417)	(3,878,727)	(70,326,818)	(323,272,275)
Disposals													
- Cost / Revalued amount	–	–	–	(34,145,000)	(73,265)	(2,303,294)	(8,843,462)	(29,026,412)	(196,565)	(9,201,991)	(99,239)	(991,435)	(84,880,663)
- Accumulated depreciation	–	–	–	940,687	8,790	2,296,787	8,717,045	24,926,898	88,446	3,105,666	44,652	892,052	41,021,023
	–	–	–	(33,204,313)	(64,475)	(6,507)	(126,417)	(4,099,514)	(108,119)	(6,096,325)	(54,587)	(99,383)	(43,859,640)
Depreciation charge	–	(21,241,956)	(977,597)	(162,187)	(35,385,299)	(591,908)	(4,900,266)	(14,949,401)	(19,887,136)	(8,187,899)	(1,328,315)	(25,444,501)	(133,056,465)
Revaluation adjustment	–	62,965,956	2,932,791	–	106,097,226	–	–	–	59,209,340	17,861,417	3,878,727	70,326,818	323,272,275
Closing net book value	8,088,120	1,743,975,000	36,597,000	–	998,328,000	2,089,022	7,394,046	43,463,272	98,470,404	47,000,000	5,510,901	120,742,611	3,111,658,376
At December 31, 2018													
Cost / Revalued amount	8,088,120	1,743,975,000	36,597,000	–	998,328,000	14,844,469	45,093,649	93,255,131	98,724,047	47,000,000	5,522,571	134,968,312	3,226,396,299
Accumulated depreciation	–	–	–	–	–	12,755,447	37,699,603	49,791,859	253,643	–	11,670	14,225,701	114,737,923
Net book value	8,088,120	1,743,975,000	36,597,000	–	998,328,000	2,089,022	7,394,046	43,463,272	98,470,404	47,000,000	5,510,901	120,742,611	3,111,658,376
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

	2017												
	Free hold land	Leasehold land	Building karachi office	Building ISE tower Islamabad	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2017													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	34,145,000	884,101,000	14,907,543	45,325,155	91,228,068	133,111,746	60,820,000	8,778,027	167,482,131	2,844,926,790
Accumulated depreciation	–	20,862,000	977,597	389,250	35,350,021	14,154,426	36,830,982	45,759,545	20,049,679	9,122,996	1,290,089	35,825,079	220,611,664
Net book value	8,088,120	1,351,638,000	23,462,403	33,755,750	848,750,979	753,117	8,494,173	45,468,523	113,062,067	51,697,004	7,487,938	131,657,052	2,624,315,126
Year ended December 31, 2017													
Opening net book value	8,088,120	1,351,638,000	23,462,403	33,755,750	848,750,979	753,117	8,494,173	45,468,523	113,062,067	51,697,004	7,487,938	131,657,052	2,624,315,126
Additions	–	–	–	–	240,901	2,078,932	3,245,962	7,369,778	245,100	537,680	–	7,534,508	21,252,861
Disposals													
- Cost / Revalued amount	–	–	–	–	–	(146,586)	–	(5,420,874)	(686,466)	(18,267,504)	–	(78,837)	(24,600,267)
- Accumulated depreciation	–	–	–	–	–	146,560	–	2,385,228	180,191	5,480,244	–	45,761	8,237,984
	–	–	–	–	–	(26)	–	(3,035,646)	(506,275)	(12,787,260)	–	(33,076)	(16,362,283)
Depreciation charge	–	(20,862,000)	(977,597)	(389,250)	(35,370,696)	(452,460)	(4,685,400)	(16,395,039)	(19,794,805)	(9,136,432)	(1,316,645)	(24,220,752)	(133,601,076)
Closing net book value	8,088,120	1,330,776,000	22,484,806	33,366,500	813,621,184	2,379,563	7,054,735	33,407,616	93,006,087	30,310,992	6,171,293	114,937,732	2,495,604,628
At December 31, 2017													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	34,145,000	884,341,901	16,839,889	48,571,117	93,176,972	132,670,380	43,090,176	8,778,027	174,937,802	2,841,579,384
Accumulated depreciation	–	41,724,000	1,955,194	778,500	70,720,717	14,460,326	41,516,382	59,769,356	39,664,293	12,779,184	2,606,734	60,000,070	345,974,756
Net book value	8,088,120	1,330,776,000	22,484,806	33,366,500	813,621,184	2,379,563	7,054,735	33,407,616	93,006,087	30,310,992	6,171,293	114,937,732	2,495,604,628
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

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					
Building - ISE towers, Islamabad						
ISE Tower Rooms 712 & 713	34,145,000	940,687	33,204,313	70,520,000	Auction	Saif Ur Rehman
Building on leasehold land						
Parking shades	73,265	8,790	64,475	291,214	Auction	Saeed Ullah Khan
Furniture and fixture						
Furniture	2,303,294	2,296,787	6,507	7,000	Auction	Munir Khan
Office equipment						
Computer items	1,073,633	1,073,620	13	21,200	Auction	Zahid Maqbool
Gestetner Multifunctional Printer Mp-2000	848,904	848,901	3	75,000	Auction	Hascombe Business Solutions (Pvt) Ltd.
Dell Latitude E5570	164,115	127,632	36,483	65,646	As per policy *	Muhammad Tanweer
Samsung Glasxy Note-8	67,500	18,746	48,754	48,754	As per policy *	Muhammad Tanweer
Dell Latitude E5570	164,115	123,073	41,042	65,646	As per policy *	Saeed Aziz Khan
Office equipment - Islamabad	3,748,804	3,748,730	74	40,000	Auction	Saeed Ullah Khan
Office equipment - Karachi	1,355,653	1,355,629	24	18,400	Auction	Ghulam Mustafa
Office equipment - Lahore	1,178,038	1,178,017	21	16,000	Auction	Suhail Anwar
Office equipment - BCP Site	242,700	242,697	3	3,000	Auction	Suhail Anwar
	8,843,462	8,717,045	126,417	353,646		
Vehicles						
Toyota Corolla Gli 1.6 - VX-354	1,896,058	1,896,057	1	1,503,000	Auction	Riaz Ahmed
Toyota Corolla Gli 1.3 - WV-951	1,777,724	1,777,723	1	1	As per policy *	Ali Imran
Mercedez Benz E-250 - YA-888	9,911,827	9,911,826	1	1	As per policy *	Kamal Uddin Khan
Toyota Corolla Altis Cvti 1.8 - DZ-888	2,368,460	1,342,127	1,026,333	1,026,333	As per policy *	Kamal Uddin Khan
Toyota Corolla Gli - LEE-12 5448	1,887,090	1,887,089	1	1,307,000	Auction	Muhammad Asim Mumtaz
Honda CD-70 - LEX-12 5725	67,000	66,999	1	13,200	Auction	Ayaz Ul Hassan
Suzuki Cultus - ABB-928	1,108,374	369,457	738,917	738,917	As per policy	Shamsher Choudhary
Toyota Corolla Gli 1.3 - AYC-454	1,693,125	1,693,124	1	1,253,101	Auction	Saeed ur Rehman
Suzuki Cultus - CZ-128	1,064,390	745,073	319,317	319,317	As per policy *	Khawar Ashfaq
Suzuki Cultus - DE-628	1,069,390	730,749	338,641	338,641	As per policy *	Irfan Karim
Suzuki Cultus - ZB-194	1,052,800	1,052,799	1	773,909	Auction	Riaz Ahmed
Suzuki Bolan - ZB-196	703,340	703,339	1	609,091	Auction	Ashfaq Ahmed
Honda Civic Vti.1.8 - CY-623	2,510,610	1,757,427	753,183	753,183	As per policy *	Muhammad Nayeem Akhtar
Honda City - AAS-665	1,846,224	923,110	923,114	923,114	As per policy *	Fozia Fakhar
Honda CD-70 - KFV-8246	70,000	69,999	1	21,150	Auction	Ghulam Haider
	29,026,412	24,926,898	4,099,514	9,579,958		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Heating and air-conditioning						
Heating items	196,565	88,446	108,119	109,000	Auction	Munir Khan
Elevators						
Gold star (1 No.)	9,201,991	3,105,666	6,096,325	333,332	As per policy	Jeewajee Pvt Ltd
Security systems						
Security items	99,239	44,652	54,587	55,000	Auction	Munir Khan
Electrical fittings, fire fighting equipment and others						
Electrical fittings items	47,462	21,354	26,108	27,000	Auction	Munir Khan
Electrical applicances items	153,244	153,204	40	1,000	Auction	Munir Khan
Telephone items	133,638	60,444	73,194	74,000	Auction	Munir Khan
Planter and concrete slabs	160,001	159,980	21	1,000	Auction	Munir Khan
Loose tools	186,240	186,225	15	1,000	Auction	Munir Khan
Miscellaneous items	310,850	310,845	5	1,000	Auction	Munir Khan
	991,435	892,052	99,383	105,000		
	84,880,663	41,021,023	43,859,640	81,354,150		

* These items were sold to employees including key management personnel in accordance with policy of the Company.

12.4 Revaluation of property and equipment

The property and equipment of the Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 670.956 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 2,845.426 million. Had there been no revaluation, the carrying amount of the revalued assets as at December 31, 2018 would have been as follows:

	2018 Rupees	2017 Rupees
Leasehold Land	29,157,295	29,572,137
Building - Karachi office	4,018,931	4,637,164
Building	26,554,202	28,235,979
Heating and air-conditioning system	2,559,420	2,799,350
Elevators	41,821,683	46,811,102
Security system	223,689	313,473
Electrical fittings, fire fighting equipment and others	34,677,703	42,647,346
	139,012,923	155,016,551

		2018 Rupees	2017 Rupees
12.5	**Cost / revalued amount of fully depreciated assets that are still in use:**		
	Furniture and fixture	11,677,330	13,977,943
	Office equipment	30,422,446	33,897,040
	Vehicles	11,863,420	27,422,634
	Heating and air conditioning	253,658	253,658
	Electrical fittings, fire fighting equipment and others	10,273,200	10,986,267
		64,490,054	86,537,542

		2018 Rupees Computer Software	2017 Rupees Computer Software
13.	**INTANGIBLE ASSETS**		
	At January 1		
	Cost	14,924,789	14,698,341
	Accumulated amortisation and impairment	14,225,618	13,603,204
	Net book value	699,171	1,095,137
	Year ended December 31		
	Opening net book value	699,171	1,095,137
	Additions - directly purchased	6,639,399	226,448
	Disposals		
	- Cost	3,119,481	–
	- Accumulated depreciation	(3,119,481)	–
		–	–
	Amortisation charge	1,576,259	622,414
	Closing net book value	5,762,311	699,171
	At December 31		
	Cost	18,444,707	14,924,789
	Accumulated amortisation and impairment	12,682,396	14,225,618
	Net book value	5,762,311	699,171
	Rate of amortisation (percentage)	33.33	33.33
	Useful life (years)	3	3

13.1 Cost of fully amortized intangible assets still in use amount to Rs. 11,227,563 (2017: Rs. 12,972,267).

		Note	2018 Rupees	2017 Rupees
14.	**OTHER ASSETS**			
	Income/ mark-up accrued in local currency - net of provision			
	On investments		58,551,149	84,892,204
	On advances		148,092,711	132,807,868
	On lending to financial institutions		1,530,643	–
			208,174,503	217,700,072
	Advances, deposits, advance rent and other prepayments		26,614,655	167,639,941
	Advance taxation (payments less provisions)		345,471,829	880,568,481
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	14.1	144,819,528	147,598,620
	Dividend receivable		20,825,170	48,885,990
	Receivable from the Ministry of Finance, KSA		15,000,000	15,000,000
	Other receivables		3,124,436	6,683,536
			842,848,016	1,562,894,535
	Less: Provision held against other assets	14.2	(4,075,062)	(4,075,062)
	Other assets (net of provision)		838,772,954	1,558,819,473
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		10,380,320	–
	Other assets - total		849,153,274	1,558,819,473
14.1	Market value of Non-banking assets acquired in satisfaction of claims		155,199,848	153,156,804

The non banking asset acquired from DJM AR Securities represents land located in Gadap Town, Karachi and was initially recorded in the financial statement in July 2009. This asset was last revalued by independent professional valuer M/s Surval in February 2019 at Rs. 84 million which was approximately same as the carrying amount of Rs 83.67 million reflected in the financial statements.

The non banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statement in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants in November 2018 at Rs. 71.5 million.

		2018 Rupees	2017 Rupees
14.1.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening Balance	147,598,620	150,377,712
	Revaluation	10,380,320	–
	Depreciation	(2,779,092)	(2,779,092)
	Closing Balance	155,199,848	147,598,620
14.1.2	During the year, there was no disposal against non banking asset acquired in satisfaction of claim.		
14.2	**Provision held against other assets**		
	Advances, deposits, advance rent & other prepayments	4,075,062	4,075,062

		Note	2018 Rupees	2017 Rupees
14.2.1	**Movement in provision held against other assets**			
	Opening balance		4,075,062	4,075,062
	Charge for the year		–	–
	Reversals		–	–
	Amount Written off		–	–
	Closing balance		4,075,062	4,075,062
15.	**BORROWINGS**			
	Secured			
	Borrowings from State Bank of Pakistan under refinance scheme			
	Long term financing facility (LTFF)	15.1	471,338,282	71,767,799
	Repurchase agreement borrowings	15.2	–	1,930,077,850
	Against book debts/receivables	15.3	5,300,000,000	4,975,000,000
	Morabaha finance	15.4	–	2,100,000,000
	Total secured		5,771,338,282	9,076,845,649
	Total unsecured		–	–
			5,771,338,282	9,076,845,649

15.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rate of 2.00% (2017: 2.00%) per annum. These facilities will mature during January 2019 to October 2028 (2017: May 2018 to August 2024).

15.2 These facilities were secured against government securities (T-Bills/ PIBs). These carried markup at rates ranging from 5.83% to 5.95% per annum having matured in January 2018.

15.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 10,000 million (2017: Rs. 10,400 million). The mark up is charged at varying rates ranging from 8.35% to 11.14% (2017: 6.29% to 6.61%) per annum. These facilities will mature during April 2019 to October 2023 (2017: May 2018 to December 2021).

15.4 This represents morabaha finance arranged from an Islamic Bank. These carried markup at rates ranging from 6.31% to 6.36% per annum having matured in February 2018 to June 2018.

		Note	2018 Rupees	2017 Rupees
15.5	**Particulars of borrowings with respect to Currencies**			
	In local currency		5,771,338,282	9,076,845,649
	In foreign currencies		–	–
			5,771,338,282	9,076,845,649
16.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	- Term deposits (local currency)		7,500,000	7,500,000
16.1	**Composition of deposits**			
	- Non-Banking Financial Institutions	16.2	7,500,000	7,500,000

16.2 These represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs 7.5 million . These COIs carry mark up at the rate of 10.5% (2017: 6.15%) per annum and is repayable in March 2019 (2017: March 2018).

16.3 All deposits are in local currency.

17. DEFERRED TAX LIABILITIES

	2018				
	At January 1, 2018	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2018
			Rupees		
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(3,898,758)	–	–	(1,071,712)	(4,970,470)
Provision for non banking assets acquired in satisfaction of claims	(4,523,839)	4,523,839	–	–	–
Surplus on revaluation of securities - HFT	(505,663)	505,663	–	–	–
Surplus on revaluation of securities - AFS	(16,905,885)	–	–	(16,891,005)	(33,796,890)
Provision on non-performing loans	–	(518,330,000)	–	–	(518,330,000)
Impairment loss on available for sale quoted securities	(68,290,386)	12,799,996	–	–	(55,490,390)
	(94,124,531)	(500,500,502)	–	(17,962,717)	(612,587,750)
Taxable Temporary Differences on					
Accelerated tax depreciation	12,834,791	11,491,393	–	–	24,326,184
Dividend receivable	6,939,149	(3,815,373)	–	–	3,123,776
Net investment in leases	33,656,734	(1,331,400)	–	–	32,325,334
Surplus on revaluation of operating fixed assets	692,047,761	(28,309,248)	(33,142,168)	194,577,137	825,173,482
	745,478,435	(21,964,628)	(33,142,168)	194,577,137	884,948,776
	651,353,904	(522,465,130)	(33,142,168)	176,614,420	272,361,026

	2017				
	At January 1, 2017	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2017
			Rupees		
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(1,130,745)	–	–	(2,768,013)	(3,898,758)
Provision for non banking assets acquired in satisfaction of claims	(4,523,839)	–	–	–	(4,523,839)
Surplus on revaluation of securities - HFT	541,300	(1,046,963)	–	–	(505,663)
Surplus on revaluation of securities - AFS	83,129,127	–	–	(100,035,012)	(16,905,885)
Impairment loss on available for sale quoted securities	(1,354,604)	(66,935,782)	–	–	(68,290,386)
	76,661,239	(67,982,745)	–	(102,803,025)	(94,124,531)
Taxable Temporary Differences on					
Accelerated tax depreciation	16,045,427	(3,210,636)	–	–	12,834,791
Dividend receivable	–	6,939,149	–	–	6,939,149
Net investment in leases	37,440,794	(3,784,060)	–	–	33,656,734
Surplus on revaluation of operating fixed assets	725,842,144	(29,900,340)	(3,894,043)	–	692,047,761
Non banking assets acquired in satisfaction of claims	1,788,585	(1,788,585)	–	–	–
	781,116,950	(31,744,472)	(3,894,043)	–	745,478,435
	857,778,189	(99,727,217)	(3,894,043)	(102,803,025)	651,353,904

		Note	2018 Rupees	2017 Rupees
18.	**OTHER LIABILITIES**			
	Mark-up/ Return/ Interest payable in local currency		83,512,594	49,074,344
	Accrued expenses		36,491,159	36,895,339
	Advance rental income	18.1	194,331,790	93,739,647
	Security deposits against rented properties		27,323,682	23,931,549
	Payable to defined benefit plan	35	9,720,314	6,821,309
	Provision for compensated absences		7,561,742	6,245,350
	Directors' remuneration		3,194,934	3,205,008
	Payable to stock brokers - net		120,296,511	–
	Others	18.2	8,237,238	5,646,754
			490,669,964	225,559,300

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

18.2 This includes security deposits from tenants amounting to Rs. 27.323 million (2017: Rs. 23.932 million) including security deposit from related party amounting to Rs. 0.402 million (2017: Rs. 0.402 million).

19. SHARE CAPITAL

19.1 Authorized Capital

2018	2017		2018	2017
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 share capital

2018	2017		2018	2017
Number of Share			Rupees	
		Ordinary shares		
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 Ministry of Finance, KSA on behalf of Kingdom of Saudi Arabia are equal shareholders of the Company.

		Note	2018 Rupees	2017 Rupees
20.	**SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS**			
	Surplus / (deficit) on revaluation of			
	- Available for sale securities	10.1	(225,881,508)	(57,898,713)
	- Fixed Assets	20.1	2,845,425,798	2,306,825,871
	- Non-banking assets acquired in satisfaction of claims		10,380,320	–
			2,629,924,610	2,248,927,158
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		33,796,890	16,905,885
	- Fixed Assets	20.1	(825,173,482)	(692,047,762)
	- Non-banking assets acquired in satisfaction of claims	20.2	–	–
			(791,376,592)	(675,141,877)
			1,838,548,018	1,573,785,281
20.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets as at January 1		2,306,825,871	2,419,473,818
	Recognised during the year		670,955,644	–
	Realised on disposal during the year - net of deferred tax		(24,318,597)	(9,086,099)
	Related deferred tax liability on surplus realised on disposal		(10,420,945)	(3,894,044)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(69,306,926)	(69,767,463)
	Related deferred tax liability on incremental depreciation charged during the year		(28,309,249)	(29,900,341)
	Surplus on revaluation of fixed assets as at December 31		2,845,425,798	2,306,825,871
	Less: related deferred tax liability on:			
	- revaluation as at January 1		692,047,762	725,842,147
	- revaluation recognised during the year		194,577,137	–
	- surplus realised on disposal during the year		(10,420,945)	(3,894,044)
	- Impact of change in tax rate		(22,721,223)	–
	- incremental depreciation charged during the year		(28,309,249)	(29,900,341)
			825,173,482	692,047,762
			2,020,252,316	1,614,778,109
20.2	**Surplus on revaluation of non-banking assets acquired in satisfaction of claims**			
	Surplus on revaluation as at January 1		–	–
	Recognised during the year		10,380,320	–
	Surplus on revaluation as at December 31		10,380,320	–

		Note	2018 Rupees	2017 Rupees
21.	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	21.1	265,530,000	118,770,000
	-Commitments	21.2	2,145,337,810	2,455,040,060
			2,410,867,810	2,573,810,060
21.1	**Guarantees:**			
	Financial guarantees		265,530,000	118,770,000
21.2	**Commitments:**			
	Commitment for the acquisition of:			
	- Operating fixed assets		15,459,235	19,825,270
	- Intangible assets		878,575	1,734,790
			16,337,810	21,560,060
	Non disbursed commitment for term and working capital finance		2,129,000,000	2,433,480,000
			2,145,337,810	2,455,040,060

21.3 Other contingent liabilities

21.3.1 Tax contingencies

i) The Company has filed income tax returns for and up to tax year 2018 (financial year ended December 31, 2017). 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 certain 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.

ii) 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 said tax years under litigation amounts to Rs 550.825 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 references before the Islamabad High Court. Reference for the years 2004 to 2006 and 2008 to 2010 has been admitted for hearing.

iii) For tax years 2012, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue (ACIR). The Company filed appeal before the 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 favour of 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 ACIR 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 filed an appeal before CIR-Appeals who upheld actions of the assessing officer. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of issues decided against the Company. ATIR decided in favour on the Company on provision of gratuity and compensated absences and remanded the matter of foreign exchange loss and thus the outstanding demand at this stage is Nil.

iv) For tax years 2013, provision for non-performing loans and certain other expenses were disallowed by ACIR. The CIR (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Company filed an appeal before ATIR in respect of issues decided against the Company. ATIR decided in favour of 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. No appeal effect has been received by the Company yet thus the outstanding demand at this stage is nil, but company has recorded provision for NPLs.

v) For tax year 2014, provision for non-performing loans and certain other expenses were disallowed by Deputy Commissioner Inland Revenue (DCIR). The CIR (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 ATIR, which remanded back certain issues to assessing officer. The Officer Inland Revenue, Unit – 07, Zone – II, Large Taxpayers Unit, Islamabad passed appeal effect order dated June 22, 2018 creating demand of Rs 90 million. Subsequently, the Officer Inland Revenue, Unit – 07, Zone – II, Large Taxpayers Unit, Islamabad passed a rectified order dated July 16, 2018 whereby the demand of Rs. 28.2 million was created. The Company has filed appeal before Commissioner Inland Revenue (Appeals-I) which is pending adjudication.

vi) For tax year 2015, ACIR issued a demand notice disallowing certain items. The Company filed appeal before the CIR (Appeals) who remanded majority of the issues but upheld actions of the assessing officer relating to actuarial loss and apportionment of expenses. The Company filed an appeal before ATIR which is pending adjudication. No appeal effect has been received by the Company yet.

vii) The management, based on the opinion of its legal counsel, believes that the above mentioned matters are most likely to be decided in favour of the Company.

21.3.2 Other contingencies

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

The Customer availed a Finance of Rs.125 million in 2003/04 but defaulted in repayments. Subsequently, on his request a settlement package was approved by the Company during 2011. The package involved write-off / waiver of Rs. 72.659 million (comprising 50% of suspended markup of Rs. 28.729 million and liquidated damages of Rs. 43.930 million) subject to the settlement amount of Rs.100.141 million. The Company reported the write off / waiver to State Bank of Pakistan (SBP) in compliance with the e-CIB 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 aganist 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.

ii) 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 aganist the above mentioned four properties, which was rejected. He felt aggrieved and filed subject damages suit aganist the Company in the Sindh High Court in 2014. The suit is being contested by the Company vigorously. It is expected that the suit will be dismissed after due process of law.

22. The Company does not deal in derivative products.

		Note	2018 Rupees	2017 Rupees
23.	**MARK-UP/RETURN/INTEREST EARNED**			
	On loans and advances		700,974,191	623,622,611
	On investments		153,186,830	600,282,122
	On lendings to financial institutions		126,090,860	3,881,725
	On balances with banks		20,134,862	2,589,033
			1,000,386,743	1,230,375,491
24.	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Deposits	24.1	518,917	8,786,799
	Borrowings			
	Securities purchased under repurchase agreements		9,100,508	133,065,017
	Other short term borrowings		127,520,492	136,465,161
	Long term finance for export oriented projects from SBP		3,135,671	10,804,578
	Long term borrowings		255,926,191	196,164,966
			395,682,862	476,499,722
	Brokerage fee		980,094	2,034,110
			397,181,873	487,320,631

24.1 The markup expensed amounting to Rs. 518,917 (2017: Rs. 739,948) relates to Saudi Pak Employees Contributory Fund.

		Note	2018 Rupees	2017 Rupees
25.	**FEE & COMMISSION INCOME**			
	Credit related fees		4,562,609	14,465,140
	Commission on trade		–	14,427,651
	Commission on guarantees		2,463,913	2,165,744
	Others		2,518,400	1,295,205
			9,544,922	32,353,740
26.	**GAIN / (LOSS) ON SECURITIES**			
	Realised	26.1	74,559,763	336,618,315
	Unrealised - held for trading	10.1	–	(3,371,084)
			74,559,763	333,247,231

		Note	2018 Rupees	2017 Rupees
26.1	**Realised gain on:**			
	Federal Government Securities		81,830,611	205,413,779
	Mutual funds		3,074,875	–
	Shares- listed		(10,345,723)	131,204,536
			74,559,763	336,618,315
27.	**OTHER INCOME**			
	Rent on property- net	27.1	164,897,964	157,679,362
	Gain / (loss) on sale of fixed assets-net		37,494,510	(12,601,472)
	Gain on sale of non banking assets - net		–	–
	Others		1,635,632	1,533,122
			204,028,106	146,611,012
27.1	**Rent on property - net**			
	Rental income		344,315,983	314,028,047
	Less: Property expense			
	Salaries, allowances and employee benefits		24,377,836	20,945,162
	Traveling and conveyance		380,789	240,702
	Medical		370,668	327,171
	Janitorial services		9,870,411	8,568,655
	Security services		23,369,376	20,805,152
	Insurance		1,393,618	1,152,901
	Postage, telegraph, telegram and telephone		29,112	42,838
	Printing and stationery		90,976	252,079
	Utilities		11,183,559	(663,475)
	Consultancy and professional charges		210,200	198,000
	Repairs and maintenance		9,380,078	5,491,079
	Rent, rates and taxes		1,024,784	2,122,652
	Depreciation		96,916,159	96,131,008
	Staff training		–	29,000
	Office general expenses		820,453	705,761
			179,418,019	156,348,685
			164,897,964	157,679,362

		Note	2018 Rupees	2017 Rupees
28.	**OPERATING EXPENSES**			
	Total compensation expense	28.1	225,602,407	181,626,495
	Property expense			
	Rent & taxes		16,502,602	13,229,973
	Insurance		202,178	179,933
	Utilities cost		8,513,702	12,836,750
	Security (including guards)		4,329,690	4,079,174
	Repair & maintenance (including janitorial charges)		2,749,526	2,194,294
	Depreciation		13,845,166	15,003,105
			46,142,864	47,523,229
	Information technology expenses			
	Software maintenance		2,644,306	1,657,042
	Hardware maintenance		963,411	909,872
	Amortisation		1,576,259	622,414
	Network charges		3,345,871	2,775,481
			8,529,847	5,964,809
	Other operating expenses			
	Shareholders' fee		3,194,935	3,205,008
	Directors' fees and allowances		15,801,104	13,072,630
	Legal & professional charges		9,287,090	8,655,568
	Consultancy, custodial and rating services		9,331,382	8,853,189
	Outsourced services costs (refer note 34.1)		30,409,796	25,444,215
	Travelling & conveyance		18,441,475	18,991,223
	Depreciation		25,074,232	25,246,055
	Training & development		2,540,975	1,798,101
	Postage & courier charges		786,546	809,182
	Communication		3,615,219	3,820,116
	Stationery & printing		5,063,646	4,302,148
	Marketing, advertisement & publicity		1,840,121	1,933,951
	Donations		400,000	500,000
	Auditors remuneration	28.2	5,300,000	9,581,700
	Repair & maintenance		4,685,540	5,385,468
	Insurance		2,440,815	1,952,116
	Office and general expenses		8,748,153	7,833,488
	Bank charges		339,924	289,485
			147,300,953	141,673,643
			427,576,071	376,788,176

		Note	2018 Rupees	2017 Rupees
28.1	**Total compensation expense**			
	Fees and Allowances etc		–	–
	Managerial Remuneration			
	i) Fixed		91,388,180	71,028,877
	ii) Variable			
	of which;			
	a) Cash Bonus / Awards etc.		28,888,500	20,000,000
	b) Bonus & Awards in Shares etc.		–	–
	Charge for defined benefit plan		5,576,622	5,052,794
	Contribution to defined contribution Plan		7,443,902	6,173,818
	Compensated absences		3,366,125	2,576,944
	Leave fare assistance		2,394,390	3,888,330
	Exgratia		6,511,500	5,143,374
	Rent & house maintenance		42,371,588	36,661,569
	Utilities		8,460,368	7,129,122
	Medical		14,206,571	13,204,792
	Conveyance		14,400,617	9,957,409
	Others		594,044	809,466
	Sub-total		225,602,407	181,626,495
	Sign-on Bonus		–	–
	Severance Allowance		–	–
	Grand Total		225,602,407	181,626,495
28.2	**Auditors' remuneration**			
	Audit fee		945,000	815,000
	Half yearly review		525,000	455,000
	Fee for other statutory certifications		130,000	30,000
	Special certifications and sundry advisory services		–	1,500,000
	Tax services		3,600,000	6,681,700
	Out-of-pocket expenses		100,000	100,000
			5,300,000	9,581,700
29	**PROVISIONS & WRITE OFFS - NET**			
	Provisions for diminution in value of investments- net	10.3.1	(113,941,917)	322,874,872
	Provisions / (reversals) against loans & advances- net	11.4	36,707,360	(84,269,333)
			(77,234,557)	238,605,539

		Note	2018 Rupees	2017 Rupees
30.	**TAXATION**			
	Current tax			
	Current year		196,135,105	288,424,434
	Prior years		617,237,645	43,895,747
			813,372,750	332,320,181
	Deferred tax			
	Current year		(4,135,130)	(99,727,218)
	Prior year		(518,330,000)	–
			(522,465,130)	(99,727,218)
		30.1	290,907,620	232,592,963
30.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		698,460,539	859,910,775
	Tax rate		29%	30%
	Tax on accounting profit		202,553,556	257,973,233
	Tax effect on income subject to lower rate of taxation		(34,509,582)	(17,707,019)
	Tax effect of prior years		125,810,144	43,895,747
	Impact of super tax for current year		16,660,916	–
	Reversal of deferred tax asset for prior year		4,523,839	(1,788,585)
	Permanent differences on			
	Reveral of provision against investment		(20,243,160)	(47,962,510)
	Expenses not claimable against rental income		(2,737,222)	(7,411,550)
	Others		(1,150,871)	5,593,647
			290,907,620	232,592,963
31.	**BASIC / DILUTED EARNINGS PER SHARE**			
	Profit for the year - Rupees		407,552,919	627,317,812
	Weighted average number of ordinary shares		660,000,000	660,000,000
	Basic earnings per share - Rupee		0.618	0.950
32	**DILUTED EARNINGS/ (LOSS) PER SHARE**			
	There are no dilutive instrument, hence basic & diluted earnings are same.			
33	**CASH AND CASH EQUIVALENTS**			
	Cash and Balance with Treasury Banks		54,652,113	40,303,180
	Balance with other banks		326,583,007	123,073,428
			381,235,120	163,376,608

		2018 (Number)	2017 (Number)
34.	**STAFF STRENGTH**		
	Permanent	71	72
	On Company's contract	4	5
	Company's own staff strength at the end of the year	75	77

34.1 In addition to the above, 95 (2017: 92) employees of outsourcing services companies were assigned to the Company as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

35. DEFINED BENEFIT PLAN

35.1 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, 2018 using the Projected unit credit method. Detail of the defined benefit plan are:

35.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018 (Number)	2017 (Number)
Gratuity fund	72	73

35.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
Discount rate	13.25% per annum	8.25% per annum
Expected rate of salary increase	11.25% per annum	6.25% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

		2018 Rupees	2017 Rupees
35.4	**Reconciliation of (receivable from) / payable to defined benefit plans**		
	Present value of obligations	45,698,267	37,696,001
	Fair value of plan assets	(35,977,953)	(30,874,692)
	Net liability payable	9,720,314	6,821,309
35.5	**Movement in defined benefit obligations**		
	Obligations at the beginning of the year	37,696,001	30,778,159
	Current service cost	5,035,733	4,454,227
	Interest cost	3,137,238	2,523,013
	Benefits paid by the company	(4,060,000)	(1,980,000)
	Re-measurement loss	3,889,295	1,920,602
	Obligations at the end of the year	45,698,267	37,696,001

		Note	2018 Rupees	2017 Rupees
35.6	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		30,874,692	23,002,550
	Interest income on plan assets		2,596,349	1,924,446
	Contributions by employer - net		6,821,309	7,775,609
	Actual amount paid by the Fund to the Company		(4,060,000)	(1,980,000)
	Re-measurements: Net return on plan assets			
	over interest income - (loss) / gain	35.8.2	(254,397)	152,087
	Fair value at the end of the year		35,977,953	30,874,692
35.7	**Movement in (receivable) / payable under defined benefit schemes**			
	Opening balance		6,821,309	7,775,609
	Charge for the year		5,576,622	5,052,794
	Benefits paid to outgoing members		(4,060,000)	(1,980,000)
	Contribution by the Company - net		(6,821,309)	(7,775,609)
	Re-measurement loss / (gain) recognised			
	in OCI during the year	35.8.2	4,143,692	1,768,515
	Amount paid by the fund to the Company		4,060,000	1,980,000
	Closing balance		9,720,314	6,821,309
35.8	**Charge for defined benefit plans**			
35.8.1	**Cost recognised in profit and loss**			
	Current service cost		5,035,733	4,454,227
	Net interest on defined benefit asset / liability		540,889	598,567
			5,576,622	5,052,794
35.8.2	**Re-measurements recognised in OCI during the year**			
	Loss / (gain) on obligation			
	- Demographic assumptions		–	–
	- Financial assumptions		1,256,680	54,178
	- Experience adjustments		2,632,615	1,866,424
	Total actuarial loss on obligation		3,889,295	1,920,602
	Return on plan assets over interest income - (loss) / gain		254,397	(152,087)
	Total re-measurements recognised in OCI		4,143,692	1,768,515

		2018 Rupees	2017 Rupees
35.9	**Components of plan assets**		
	Cash and cash equivalents - net	3,022,569	929,673
	Term deposit receipts	32,955,384	29,945,019
		35,977,953	30,874,692

35.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

35.10 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.

	2018 Rupees	2017 Rupees
Discount rate +0.5%	44,541,636	36,686,346
Discount rate -0.5%	46,926,576	38,769,811
Long term salary increase +0.5%	47,048,952	38,876,537
Long term salary increase -0.5%	44,416,160	36,576,841

		2019 Rupees
35.11	**Expected contributions to be paid to the fund in the next financial year**	7,239,386
35.12	**Expected charge / (reversal) for next financial year**	
	Current service cost	6,008,591
	Net interest on defined benefit asset / liability	1,230,795
		7,239,386

		2018 Rupees	2017 Rupees
35.13	**Maturity profile**		
	Distribution of timing of benefit payments (years)		
	- 1	5,623,357	4,360,096
	- 2	18,572,435	13,461,030
	- 3	8,547,221	4,011,333
	- 4	7,585,471	7,246,956
	- 5	4,623,515	5,820,588
	- 6-10	36,995,516	27,563,248
	Weighted average duration of the PBO (years)	5.21	5.52

35.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

35.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underling interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may loose its value due to the increase of general inflation rate.
Life expectancy / Withdrawal rate	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

36. 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. As per latest available financial statements of the Fund, total assets of the Fund as at December 31, 2018 were Rs. 86,977,694 (2017: Rs. 76,046,377).

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

	2018					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	2,042,513	–	13,758,591	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	17,983,871	30,924,610	–
ii) Total Variable of which	–	–	–	–	–	–
a) Cash Bonus / Awards	–	–	–	8,000,000	5,975,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,679,761	2,811,464	–
Contribution to defined contribution plan	–	–	–	1,798,387	2,461,899	–
Compensated absences	–	–	–	–	1,006,483	–
Leave fare assistance	–	–	–	–	2,394,390	–
Exgratia	–	–	–	1,500,000	2,046,000	–
Rent & house maintenance	–	–	–	7,556,774	14,725,604	–
Utilities	–	–	–	2,657,899	2,454,267	–
Medical	–	–	–	408,000	4,881,119	–
Conveyance	–	–	–	3,429,547	5,813,419	–
Total	2,042,513	–	13,758,591	47,014,239	75,494,255	–
Number of Persons	1	0	5	1	15	0

In addition to above, the GM / CEO and certain other key management personnel are provided with the Company maintained vehicles in accordance with their terms of employment.

Items	2017					
	Directors			GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Chairman	Executive (other than CEO)	Non Executive			
	Rupees					
Fees and Allowances etc.	1,735,800	–	11,336,830	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	12,000,000	23,265,426	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	7,000,000	6,728,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,009,057	3,119,057	–
Contribution to defined contribution plan	–	–	–	1,200,000	1,849,373	–
Compensated absences	–	–	–	–	979,317	–
Leave fare assistance	–	–	–	1,000,000	2,926,886	–
Exgratia	–	–	–	1,000,000	1,534,000	–
Rent & house maintenance	–	–	–	6,360,000	11,096,236	–
Utilities	–	–	–	1,200,000	1,849,373	–
Medical	–	–	–	408,000	3,552,824	–
Conveyance	–	–	–	786,438	4,688,153	–
Total	1,735,800	–	11,336,830	31,963,495	61,588,645	–
Number of Persons	1	0	5	1	14	0

In addition to above, the GM / CEO and certain other key management personnel are provided with the Company maintained vehicles in accordance with their terms of employment.

37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2018					
			Meeting Fees and Allowances Paid For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection & recruitment committee	Total amount paid
		Rupees					
1	Mohammed W. Al-Harby	1,725,325	–	–	317,188	–	2,042,513
2	Mohammed Al-Jarbou	1,725,325	1,217,838	317,188	–	–	3,260,351
3	Musaad A. Al Fakhri	1,725,325	1,217,838	–	317,188	–	3,260,351
4	Khizar Hayat Gondal	405,300	–	–	–	–	405,300
5	Shujat Ali	1,725,325	1,075,838	–	317,188	–	3,118,351
6	Qumar Sarwar Abbasi	1,058,900	934,375	317,188	–	–	2,310,463
7	Zafar Hasan	1,066,275	–	168,750	168,750	–	1,403,775
	Total Amount Paid	9,431,775	4,445,889	803,126	1,120,314	–	15,801,104

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the company and are included in travelling expenses under other operating expenses.

Sr. No.	Name of Directors	2017					
			Meeting Fees and Allowances Paid For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection recruitment committee	Total amount paid
		Rupees					
1	Mohammed W. Al-Harby	1,600,987	–	–	134,813	–	1,735,800
2	Mohammed Al-Jarbou	1,354,550	564,975	241,225	–	241,225	2,401,975
3	Musaad A. Al Fakhri	1,867,862	591,938	–	134,813	268,188	2,862,801
4	Khizar Hayat Gondal	1,677,600	–	268,188	134,813	–	2,080,601
5	Shujat Ali	1,514,350	537,251	–	134,813	268,188	2,454,602
6	Qumar Sarwar Abbasi	863,350	403,876	134,813	–	134,812	1,536,851
	Total Amount Paid	8,878,699	2,098,040	644,226	539,252	912,413	13,072,630

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the company and are included in travelling expenses under other operating expenses.

38. FAIR VALUE MEASUREMENTS

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, other than subsidiary and associates, is determined on the basis of break up value of these investments as per the latest available audited financial statements. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, 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 Fair value of financial assets

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 leasehold land, building and non-banking assets acquired in satisfaction of claims.

	2018			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	1,799,808,201	–	–	1,799,808,201
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	1,346,731,421	1,346,731,421
Unquoted Securities	–	–	512,500,008	512,500,008
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

	2017			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	5,628,390,400	–	5,628,390,400
Shares	2,311,167,435	–	–	2,311,167,435
Non-Government Debt Securities	–	30,156,432	–	30,156,432
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	485,932,937	485,932,937
Unquoted Securities	–	–	512,500,008	512,500,008
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Debentures and corporate debt instruments	Market rates of these securities are not available on MUFAP as at December 31, 2018, therefore, these securities are classified level 3.
Unquoted Investment	There are no observable inputs in respect of fair market valuation of unquoted investment, hence these securities are valued at lower of cost or breakup value. These securities are classified under level 3.

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

38.3 Fair value of non-financial assets

38.4 The property and equipment of the Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non-banking assets acquired from DJM AR Securities were last revalued by independent professional valuer in February 2019. The revaluation was carried out by M/s Surval on the basis of professional assessment of recent market values. The non banking assets acquired from Irfan Textile were last revalued by independent professional valuer in November 2018. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2018			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building & others)	–	–	3,047,366,036	3,047,366,036
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	155,199,848	155,199,848

	2017			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building & others)	–	–	2,440,455,025	2,440,455,025
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	153,156,804	153,156,804

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

39. SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2018			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	521,790,559	81,414,311	–	603,204,870
Non mark-up / return / interest income	9,544,922	269,519,657	166,532,604	445,597,183
Total Income	531,335,481	350,933,968	166,532,604	1,048,802,053
Segment direct expenses	257,502,218	170,073,853	–	427,576,071
Total expenses	257,502,218	170,073,853	–	427,576,071
Reversals / (Provisions)	39,833,226	(117,067,783)	–	(77,234,557)
Profit before tax	234,000,037	297,927,898	166,532,604	698,460,539
Balance Sheet				
Cash & Bank balances	–	381,235,120	–	381,235,120
Investments	657,346,000	3,501,693,630	–	4,159,039,630
Lendings to financial institutions	–	2,818,407,389	–	2,818,407,389
Advances - performing	6,918,643,279	–	–	6,918,643,279
- non-performing net of provision	946,686,163	–	–	946,686,163
Others	651,986,308	390,178,268	2,924,409,385	3,966,573,961
Total Assets	9,174,661,750	7,091,514,407	2,924,409,385	19,190,585,542
Borrowings	3,349,855,098	2,421,483,184	–	5,771,338,282
Deposits & other accounts	4,353,221	3,146,779	–	7,500,000
Others	(385,978,930)	105,978,648	1,043,031,272	763,030,990
Total liabilities	2,968,229,389	2,530,608,611	1,043,031,272	6,541,869,272
Equity	–	–	–	12,648,716,270
Total Equity & liabilities	2,968,229,389	2,530,608,611	1,043,031,272	19,190,585,542
Contingencies & Commitments	2,395,947,150	1,024,404	13,896,256	2,410,867,810

	2017			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	485,042,865	258,011,995	–	743,054,860
Non mark-up / return / interest income	17,926,089	555,111,057	159,212,484	732,249,630
Total Income	502,968,954	813,123,052	159,212,484	1,475,304,490
Segment direct expenses	143,996,586	232,791,590	–	376,788,176
Total expenses	143,996,586	232,791,590	–	376,788,176
Provisions	(159,769,365)	398,374,904	–	238,605,539
Profit before tax	518,741,733	181,956,558	159,212,484	859,910,775
Balance Sheet				
Cash & Bank balances	–	163,376,608	–	163,376,608
Investments	485,932,937	8,982,214,275	–	9,468,147,212
Lendings to financial institutions	–	–	–	–
Advances - performing	7,991,102,782	–	–	7,991,102,782
- non-performing	466,791,624	–	–	466,791,624
Others	644,117,116	1,074,942,110	2,358,207,534	4,077,266,760
Total Assets	9,587,944,459	10,220,532,993	2,358,207,534	22,166,684,986
Borrowings	4,586,887,046	4,489,958,603	–	9,076,845,649
Deposits & other accounts	3,790,045	3,709,955	–	7,500,000
Others	98,910,134	(19,439,598)	797,442,668	876,913,204
Total liabilities	4,689,587,225	4,474,228,960	797,442,668	9,961,258,853
Equity	–	–	–	12,205,426,133
Total Equity & liabilities	4,689,587,225	4,474,228,960	797,442,668	22,166,684,986
Contingencies & Commitments	2,562,169,407	9,709,794	1,930,859	2,573,810,060

39.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2018		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up/return/profit	603,204,870	–	603,204,870
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	445,597,183	–	445,597,183
Total Income	1,048,802,053	–	1,048,802,053
Segment direct expenses	427,576,071	–	427,576,071
Inter segment expense allocation	–	–	–
Total expenses	427,576,071	–	427,576,071
Provisions	(77,234,557)	–	(77,234,557)
Profit before tax	698,460,539	–	698,460,539
Balance Sheet			
Cash & Bank balances	381,235,120	–	381,235,120
Investments	4,159,039,630	–	4,159,039,630
Net inter segment lendings	–	–	–
Lendings to financial institutions	2,818,407,389	–	2,818,407,389
Advances - performing	6,918,643,279	–	6,918,643,279
- non-performing net of provision	946,686,163	–	946,686,163
Others	3,966,573,961	–	3,966,573,961
Total Assets	19,190,585,542	–	19,190,585,542
Borrowings	5,771,338,282	–	5,771,338,282
Deposits & other accounts	7,500,000	–	7,500,000
Net inter segment borrowing	–	–	–
Others	763,030,990	–	763,030,990
Total liabilities	6,541,869,272	–	6,541,869,272
Equity	12,648,716,270	–	12,648,716,270
Total Equity & liabilities	19,190,585,542	–	19,190,585,542
Contingencies & Commitments	2,410,867,810	–	2,410,867,810

	2017		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up/return/profit	743,054,860	–	743,054,860
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	732,249,630	–	732,249,630
Total Income	1,475,304,490	–	1,475,304,490
Segment direct expenses	376,788,176	–	376,788,176
Inter segment expense allocation	–	–	–
Total expenses	376,788,176	–	376,788,176
Provisions	238,605,539	–	238,605,539
Profit before tax	859,910,775	–	859,910,775
Balance Sheet			
Cash & Bank balances	163,376,608	–	163,376,608
Investments	9,468,147,212	–	9,468,147,212
Net inter segment lendings	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing	7,991,102,782	–	7,991,102,782
- non-performing net of provision	466,791,624	–	466,791,624
Others	4,077,266,760	–	4,077,266,760
Total Assets	22,166,684,986	–	22,166,684,986
Borrowings	9,076,845,649	–	9,076,845,649
Deposits & other accounts	7,500,000	–	7,500,000
Net inter segment borrowing	–	–	–
Others	876,913,204	–	876,913,204
Total liabilities	9,961,258,853	–	9,961,258,853
Equity	12,205,426,133	–	12,205,426,133
Total Equity & liabilities	22,166,684,986	–	22,166,684,986
Contingencies & Commitments	2,573,810,060	–	2,573,810,060

40. RELATED PARTY TRANSACTIONS

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.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Investments					
Opening balance	–	–	500,000,000	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Closing balance	–	–	500,000,000	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	36,250,784	–	–	–
Addition during the year	–	26,738,500	–	–	–
Repaid during the year	–	(15,919,964)	–	–	–
Transfer in / (out) - net	–	(20,772,909)	–	–	–
Closing balance	–	26,296,411	–	–	–
Provision held against advances	–	–	–	–	–
Other assets - Ministry of Finance - KSA representing Government of Kingdom of Saudi Arabia	–	–	–	–	15,000,000
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	7,500,000
Received during the year	–	–	–	–	30,000,000
Withdrawn during the year	–	–	–	–	(30,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	7,500,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	32,363
Payable to defined benefit plan	–	–	–	–	9,720,314
Security deposit	–	–	401,960	–	–
Rent received in advance	–	–	1,065,194	–	–
Income					
Mark-up / return / interest earned	–	1,619,345	–	–	–
Dividend income	–	–	–	–	–
Rental income	–	–	5,034,549	660,000	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	518,917
Contribution to employees' funds	–	–	–	–	7,666,302
Directors' fees and allowances	15,801,104	–	–	–	–
Shareholders' fee	–	–	–	–	3,194,935
Operating expenses	–	122,508,494	–	348,638	–

	2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Investments					
Opening balance	–	–	500,000,000	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Closing balance	–	–	500,000,000	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	29,959,095	–	–	–
Addition during the year	–	16,510,800	–	–	–
Repaid during the year	–	(12,060,406)	–	–	–
Transfer in / (out) - net	–	1,841,295	–	–	–
Closing balance	–	36,250,784	–	–	–
Provision held against advances	–	–	–	–	–
Other assets - Ministry of Finance - KSA representing Government of Kingdom of Saudi Arabia	–	–	–	–	15,000,000
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	12,500,000
Received during the year	–	–	–	–	30,000,000
Withdrawn during the year	–	–	–	–	(35,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	7,500,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	17,692
Payable to defined benefit plan	–	–	–	–	6,821,309
Security deposit	–	–	401,960	–	–
Rent received in advance	–	–	1,004,900	–	–
Income					
Mark-up / return / interest earned	–	949,305	–	–	–
Dividend income	–	–	25,000,000	–	–
Rental income	–	–	4,473,027	610,169	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	739,948
Contribution to employees' funds	–	–	–	–	6,371,216
Directors' fees and allowances	13,072,630	–	–	–	–
Shareholders' fee	–	–	–	–	3,205,008
Operating expenses	–	93,552,140	–	328,402	–

		2018 Rs '000'	2017 Rs '000'
41.	**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**		
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	10,000,000	10,000,000
	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	10,390,995	10,624,575
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	Total Eligible Tier 1 Capital	10,390,995	10,624,575
	Eligible Tier 2 Capital	1,607,216	1,400,669
	Total Eligible Capital (Tier 1 + Tier 2)	11,998,211	12,025,244
	Risk Weighted Assets (RWAs):		
	Credit Risk	20,428,417	19,862,703
	Market Risk	2,726,899	4,752,341
	Operational Risk	2,344,868	2,376,726
	Total	25,500,184	26,991,770
	Common Equity Tier 1 Capital Adequacy ratio	40.75%	39.36%
	Tier 1 Capital Adequacy Ratio	40.75%	39.36%
	Total Capital Adequacy Ratio	47.05%	44.55%

As of December 2018, the Bank must meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 12.5% respectively.

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

	2018 Rs '000'	2017 Rs '000'
Leverage Ratio (LR):		
Eligible Tier-1 Capital	10,390,995	10,624,575
Total Exposures	21,601,453	24,740,495
Leverage Ratio	48.10%	42.94%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	3,176,049	4,547,727
Total Net Cash Outflow	1,176,076	3,518,430
Liquidity Coverage Ratio	270.05%	129.25%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	17,671,704	18,920,744
Total Required Stable Funding	14,924,384	14,861,249
Net Stable Funding Ratio	118.41%	127.32%

41.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios is available at https://www.saudipak.com

42. RISK MANAGEMENT

Saudi Pak Industrial & Agricultural Investment Co. Ltd. (the Company) defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Company is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Company recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Company's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Company with regard to risk.

The Company's overall appetite for risk is governed by its Board of Directors (Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Company. The Company's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Company's overall risk management culture and awareness.

The Company recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Company has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Company's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Credit Risk Management Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year 2018 revealed that the Company's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

42.1 Credit Risk

Credit risk is the risk of loss to the Company's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Company's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Company, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Company's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk and facility risk are carefully evaluated using internal risk rating methodologies, as articulated in the Company's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment,

monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Credit Risk Management Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional Credit & Investment Committee, and review by independent functions, including RMD, CD, and Law Division (LD);
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to FIs in place and regularly reviewed;
- Clear lines of authority for Treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits in place and reviewed annually ;
- Policies & procedures circulated amongst concerned functionaries through the Company's intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Company adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Company may consider subjective criteria in determining account classification. The Company determines provisioning requirements for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. Write-offs are made when there is no realistic prospect of recovery.

The Company employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Company recognizes JCR-VIS and PACRA as approved rating agencies, and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. In absence of external ratings, the exposures are treated as unrated and relevant risk weights are applied. The Company follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Company is presently not involved in securitization activities.

The Company's maximum credit risk exposure as at December 31, 2018 amounted to:

	2018 without benfit of collateral Rupees	2018 with benfit of collateral Rupees
Lending to financial institutions	500,000,000	2,318,407,389
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	–	1,346,731,421
Advances	–	7,865,329,442
	500,000,000	11,530,468,252

Particulars of Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

		2018	2017	2018	2017	2018	2017
		Gross lendings		Non-performing lendings		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
42.1.1	**Lendings to financial institutions**						
	Credit risk by public / private sector						
	Public/ Government	–	–	–	–	–	–
	Private	2,818,407,389	–	–	–	–	–
		2,818,407,389	–	–	–	–	–

		2018	2017	2018	2017	2018	2017
		Gross Investments		Non-performing Investments		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
42.1.2	**Investment in debt securities**						
	Credit risk by industry sector						
	Textile	204,114,140	204,114,140	204,114,140	204,114,140	136,614,140	136,614,140
	Chemical and Pharmaceuticals	286,283,751	314,716,688	286,283,751	286,283,751	286,283,751	286,283,751
	Transport, Storage and Communication	42,174,889	39,049,023	42,174,889	39,049,023	42,174,889	39,049,023
	Financial	1,282,979,921	423,140,821	3,748,500	3,748,500	3,748,500	3,748,500
		1,815,552,701	981,020,672	536,321,280	533,195,414	468,821,280	465,695,414
	Credit risk by public / private sector						
	Public/ Government	–	–	–	–	–	–
	Private	1,815,552,701	981,020,672	536,321,280	533,195,414	468,821,280	465,695,414
		1,815,552,701	981,020,672	536,321,280	533,195,414	468,821,280	465,695,414

		2018	2017	2018	2017	2018	2017
		Gross Advances		Non-performing Advances		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
42.1.3	**Advances**						
	Credit risk by industry sector						
	Textile	1,970,084,946	1,652,682,820	1,092,029,389	1,092,029,389	912,501,693	820,152,570
	Chemical and Pharmaceuticals	14,972,941	20,472,941	14,972,941	20,472,941	14,972,941	14,972,941
	Cement	172,487,393	188,193,569	116,206,923	116,206,923	116,206,923	116,206,923
	Sugar	715,114,473	453,114,473	243,114,473	243,114,473	159,289,338	92,033,250
	Automobile and transportation equipment	209,278,212	249,278,212	209,278,212	249,278,212	209,278,212	249,278,212
	Electronics and electrical appliances	726,500,000	500,000,000	–	–	–	–
	Construction	305,752,705	472,419,373	205,752,708	205,752,708	205,752,708	205,752,708
	Power (electricity), Gas, Water, Sanitary	1,211,585,347	1,687,021,364	165,028,752	241,695,917	165,028,752	203,362,335
	Transport, Storage and Communication	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152
	Financial	294,699,410	395,990,147	89,406,858	91,000,000	89,406,858	91,000,000
	Services	342,030,294	432,030,294	32,030,294	32,030,294	32,030,294	32,030,294
	Paper board and products	302,486,423	464,986,423	33,736,423	33,736,423	33,736,423	33,736,423
	Rubber and plastic products	166,189,723	194,442,691	–	–	–	–
	Basic metals	287,916,209	536,627,747	69,937,328	112,908,454	69,937,328	112,908,454
	Others	3,296,622,836	3,324,318,462	825,583,332	142,250,000	142,250,000	142,250,000
		10,028,182,064	10,584,039,668	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262

	2018	2017	2018	2017	2018	2017
	Gross Advances		Non-performing Advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Credit risk by public / private sector						
Public/ Government	–	–	–	–	–	–
Private	10,028,182,064	10,584,039,668	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262
	10,028,182,064	10,584,039,668	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262

		2018 Rupees	2017 Rupees
42.1.4	**Contingencies and Commitments**		
	Credit risk by industry sector		
	Textile	815,530,000	218,770,000
	Cement	820,000,000	820,000,000
	Sugar	–	35,480,000
	Electronics and electrical appliances	186,000,000	–
	Construction	–	100,000,000
	Power (electricity), Gas, Water, Sanitary	573,000,000	573,000,000
	Financial	–	805,000,000
	Others	16,337,810	21,560,060
		2,410,867,810	2,573,810,060
	Credit risk by public / private sector		
	Public/ Government	–	–
	Private	2,410,867,810	2,573,810,060
		2,410,867,810	2,573,810,060

42.1.5 Concentration of Advances

Top 10 exposures of the Company on the basis of total (funded and non-funded exposures) aggregated to Rs 5,569 million (2017: Rs. 5,312 million) as follows:

	2018 Rupees	2017 Rupees
Funded	5,322,234,551	5,311,576,315
Non Funded	246,760,000	–
Total Exposure	5,568,994,551	5,311,576,315

	2018		2017	
	Amount	Provision held	Amount	Provision held
	Rupees			
Total funded classified therein				
OAEM	–	–	–	–
Substandard	683,333,332	–	–	–
Doubtful	–	–	–	–
Loss	719,909,649	540,381,953	719,909,649	448,032,830
Total	1,403,242,981	540,381,953	719,909,649	448,032,830

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	3,423,241,570	3,423,241,570	–	–	–	–	–
Sindh	180,000,000	–	180,000,000	–	–	–	–
KPK including FATA	100,000,000	–	–	100,000,000	–	–	–
Balochistan	–	–	–	–	–	–	–
Islamabad	164,000,000	–	–	–	–	164,000,000	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,867,241,570	3,423,241,570	180,000,000	100,000,000	–	164,000,000	–

	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	2,583,172,022	2,583,172,022	–	–	–	–	–
Sindh	747,000,000	–	747,000,000	–	–	–	–
KPK including FATA	100,000,000	–	–	100,000,000	–	–	–
Balochistan	–	–	–	–	–	–	–
Islamabad	20,000,000	–	–	–	–	20,000,000	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,450,172,022	2,583,172,022	747,000,000	100,000,000	–	20,000,000	–

42.2 Market Risk

Market risk is the risk of loss to the Company's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Company is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes HFT & AFS investments in debt & listed equity instruments, and open position in foreign currency.

The market risk strategy of the Company is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Company's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk /Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Company on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Company's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of risk-adjusted performance of the investment portfolio.

The Company uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBP), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Company calculates its VaR with a 1-day and 10-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further back tested on daily basis against next day's P&L based on actual observed movements in market risk factors. Back testing results suggest that the model is currently providing a conservative estimate of the risk. For interest rate risk in the banking book, the Company primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

42.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
		Rupees			Rupees	
Cash and balances with treasury banks	54,652,113	–	54,652,113	40,303,180	–	40,303,180
Balances with other banks	326,583,007	–	326,583,007	123,073,428	–	123,073,428
Lendings to financial institutions	2,818,407,389	–	2,818,407,389	–	–	–
Investments	2,359,231,429	1,799,808,201	4,159,039,630	1,528,589,377	7,939,557,835	9,468,147,212
Advances	7,865,329,442	–	7,865,329,442	8,457,894,406	–	8,457,894,406
Fixed assets	3,111,658,376	–	3,111,658,376	2,517,748,116	–	2,517,748,116
Intangible assets	5,762,311	–	5,762,311	699,171	–	699,171
Deferred tax assets	–	–	–	–	–	–
Other assets	849,153,274	–	849,153,274	1,558,819,473	–	1,558,819,473
	17,390,777,341	1,799,808,201	19,190,585,542	14,227,127,151	7,939,557,835	22,166,684,986

42.2.2 Foreign Exchange Risk

The Company does not actively deal in foreign currency. Its aggregate foreign currency exposure is limited to USD-denominated bank balance, as represented in the table below. As such, the Company's direct exposure to foreign currency risk is minimal, with a favourable impact in case of PKR depreciation.

The foreign exchange exposures during the year of the Company is given as follows:

	2018				2017			
	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure
		Rupees				Rupees		
United States Dollar	18,248,884	–	–	18,248,884	16,141,879	–	–	16,141,879

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
		Rupees		
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	182,489	–	161,419	–
- Other comprehensive income	–	–	–	–

42.2.3 Equity position Risk

The Company's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Company's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Company's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. Senior Management's Quoted Securities Monitoring Committee reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. Unquoted Investments Monitoring Committee is also in place to monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly summary reports to ALCO and periodic risk/return performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees			
Impact of 5% change in equity prices on				
- Profit and loss account	–	–	–	591,312
- Other comprehensive income	–	89,990,410	–	114,967,059

42.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Company's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of HFT & AFS investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Company's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Company does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Company has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Company for the trading book includes marking-to-market, price value of basis point (PVBP), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective, as well as stress testing.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees			
Impact of 1% change in interest rates on				
- Profit and loss account	57,948,762	2,272,293	36,957,670	98,318
- Other comprehensive income	–	–	–	–

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

	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	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	54,652,113	–	–	–	–	–	–	–	–	–	54,652,113
Balances with other banks	6.50	326,583,007	196,154,039	–	–	–	–	–	–	–	–	130,428,968
Lending to financial institutions	10.47	2,818,407,389	2,818,407,389	–	–	–	–	–	–	–	–	–
Investments	10.11	4,159,039,630	67,500,000	30,000	1,279,201,421	–	–	–	–	–	–	2,812,308,209
Advances	11.49	7,865,329,442	782,346,421	3,404,359,433	3,548,222,598	65,935,171	7,065,100	–	–	57,400,719	–	–
Other assets	–	232,124,109	–	–	–	–	–	–	–	–	–	232,124,109
		15,456,135,690	3,864,407,849	3,404,389,433	4,827,424,019	65,935,171	7,065,100	–	–	57,400,719	–	3,229,513,399
Liabilities												
Borrowings	9.05	5,771,338,282	58,566,425	972,708,231	4,281,274,656	12,549,312	25,098,624	65,887,716	131,775,432	223,477,886	–	–
Deposits and other accounts	10.50	7,500,000	–	7,500,000	–	–	–	–	–	–	–	–
Other liabilities	–	279,056,118	–	–	–	–	–	–	–	–	–	279,056,118
		6,057,894,400	58,566,425	980,208,231	4,281,274,656	12,549,312	25,098,624	65,887,716	131,775,432	223,477,886	–	279,056,118
On-balance sheet gap		9,398,241,290	3,805,841,424	2,424,181,202	546,149,363	53,385,859	(18,033,524)	(65,887,716)	(131,775,432)	(166,077,167)	–	2,950,457,281
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield/Interest Risk Sensitivity Gap			3,805,841,424	2,424,181,202	546,149,363	53,385,859	(18,033,524)	(65,887,716)	(131,775,432)	(166,077,167)	–	2,950,457,281
Cumulative Yield/Interest Risk Sensitivity Gap			3,805,841,424	6,230,022,626	6,776,171,989	6,829,557,848	6,811,524,324	6,745,636,608	6,613,861,176	6,447,784,009	6,447,784,009	–

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	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
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	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		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield/Interest Risk Sensitivity Gap			(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	

42.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events
- Employment practices & workplace safety events
- Clients, products & business practices events
- Damage to physical assets events
- Business disruption and system failures events
- Execution, delivery & process management events

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Company's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Company. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Company has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Company also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

42.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Company is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Company's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Company's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Company overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

	2018													
	Total	Upto 1 day	over 1 to 7 days	over 7 to 14 days	over 14 days to 1 month	over 1 to 2 months	over 2 to 3 months	over 3 to 6 months	over 6 to 9 months	over 9 months to 1 year	over 1 to 2 years	over 2 to 3 years	over 3 to 5 years	over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	54,652,113	54,652,113	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	326,583,007	326,583,007	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	2,818,407,389	–	2,318,407,389	–	500,000,000	–	–	–	–	–	–	–	–	–
Investments	4,159,039,630	67,500,000	–	–	–	30,000	-	58,000	30,000	1,829,251,622	176,000	176,000	397,663,000	1,864,155,008
Advances	7,865,329,442	688,491,360	75,230,867	–	18,624,194	65,338,599	248,536,764	756,345,955	705,500,601	357,861,257	2,442,759,557	805,796,911	944,076,777	756,766,601
Fixed assets	3,111,658,376	318,343	1,910,059	2,228,402	5,093,490	9,550,295	9,550,295	28,650,885	28,650,885	28,650,886	114,603,540	114,603,533	224,193,478	2,543,654,285
Intangible assets	5,762,311	10,670	37,345	74,689	37,345	106,699	213,397	480,144	480,144	480,143	1,920,576	1,921,159	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	849,153,274	2,899,702	20,297,913	40,595,826	23,197,615	35,749,213	71,498,426	129,064,974	257,734,642	268,114,963	–	–	–	–
	19,190,585,542	1,140,455,195	2,415,883,573	42,898,917	546,952,644	110,774,806	329,798,882	914,599,958	992,396,272	2,484,358,871	2,559,459,673	922,497,603	1,565,933,255	5,164,575,894
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	5,771,338,282	–	–	58,333,333	233,092	129,748,391	201,293,173	1,289,607,989	389,607,989	189,607,989	1,458,431,956	1,099,221,052	731,775,432	223,477,886
Deposits and other accounts	7,500,000	–	–	–	–	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	272,361,026	75,661	529,625	1,059,249	605,285	2,269,709	4,539,417	6,809,126	4,539,306	9,078,612	27,236,169	27,236,169	54,472,339	133,910,359
Other liabilities	490,669,964	1,778,925	12,452,477	24,904,954	14,231,402	35,578,505	71,157,011	118,346,977	97,468,829	97,468,829	–	–	5,184,617	12,097,438
	6,541,869,272	1,854,586	12,982,102	84,297,536	15,069,779	167,596,605	284,489,601	1,414,764,092	491,616,124	296,155,430	1,485,668,125	1,126,457,221	791,432,388	369,485,683
Net assets	12,648,716,270	1,138,600,609	2,402,901,471	(41,398,619)	531,882,865	(56,821,799)	45,309,281	(500,164,134)	500,780,148	2,188,203,441	1,073,791,548	(203,959,618)	774,500,867	4,795,090,211
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,366,864,210													
Unappropriated/ Unremitted profit	2,843,304,042													
Surplus/(Deficit) on revaluation of assets	1,838,548,018													
	12,648,716,270													

	2017													
	Total	Upto 1 day	over 1 to 7 days	over 7 to 14 days	over 14 days to 1 month	over 1 to 2 months	over 2 to 3 months	over 3 to 6 months	over 6 to 9 months	over 9 months to 1 year	over 1 to 2 years	over 2 to 3 years	over 3 to 5 years	over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	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	2,313,100	16,191,700	32,383,400	18,504,800	1,523,393,216	3,046,786,433	6,277,077	1,171,172,239	1,171,172,239	1,077,663,000	96,000	22,629,000	1,379,565,008
Advances	8,457,894,406	15,661,619	109,631,332	219,262,663	125,292,950	68,181,125	136,362,250	266,168,102	649,648,557	649,648,557	3,284,667,195	1,704,744,140	620,152,929	608,472,987
Fixed assets	2,517,748,116	533,581	7,032,615	14,068,697	8,503,299	5,323,329	10,666,078	23,984,113	23,984,113	23,984,113	95,936,453	95,936,448	187,142,311	2,020,652,966
Intangible assets	699,171	694	4,161	4,855	9,710	19,420	19,420	58,258	58,258	58,258	233,031	233,106	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	1,558,819,473	4,128,736	28,901,150	57,802,299	33,029,885	48,550,342	97,100,684	166,838,251	561,234,063	561,234,063	–	–	–	–
	22,166,684,986	186,014,338	161,760,958	323,521,914	185,340,644	1,645,467,432	3,290,934,865	463,325,801	2,406,097,230	2,406,097,230	4,458,499,679	1,801,009,694	829,924,240	4,008,690,961
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	9,076,845,649	64,335,928	450,351,498	900,702,997	514,687,427	241,666,667	483,333,333	3,277,760,300	339,979,108	339,979,108	1,011,041,200	911,041,200	522,082,400	19,884,483
Deposits and other accounts	7,500,000	–	–	–	–	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	651,353,904	91,077	546,462	637,539	1,275,079	2,290,649	2,290,649	5,426,405	1,119,485	1,119,485	4,893,113	5,417,440	74,373,384	551,873,138
Other liabilities	225,559,300	862,893	6,040,248	12,080,496	6,903,141	17,257,852	34,515,703	53,123,160	40,854,574	40,854,574	–	–	3,919,998	9,146,661
	9,961,258,853	65,289,898	456,938,208	913,421,032	522,865,647	261,215,168	527,639,685	3,336,309,865	381,953,167	381,953,167	1,015,934,313	916,458,640	600,375,782	580,904,282
Net assets	12,205,426,133	120,724,440	(295,177,250)	(589,899,118)	(337,525,003)	1,384,252,264	2,763,295,180	(2,872,984,064)	2,024,144,063	2,024,144,063	3,442,565,366	884,551,054	229,548,458	3,427,786,679
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,285,353,626													
Unappropriated/ Unremitted profit	2,746,287,226													
Surplus/(Deficit) on revaluation of assets	1,573,785,281													
	12,205,426,133													

42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2018									
	Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6 months to 1 Year	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	54,652,113	54,652,113	–	–	–	–	–	–	–	–
Balances with other banks	326,583,007	326,583,007	–	–	–	–	–	–	–	–
Lending to financial institutions	2,818,407,389	2,818,407,389	–	–	–	–	–	–	–	–
Investments	4,159,039,630	67,500,000	30,000	58,000	1,829,281,622	176,000	176,000	397,663,000	1,364,155,008	500,000,000
Advances	7,865,329,442	782,346,421	313,875,363	756,345,955	1,063,361,857	2,442,759,557	805,796,911	944,076,777	756,766,601	–
Fixed assets	3,111,658,376	9,550,295	19,100,590	28,650,885	57,301,770	114,603,540	114,603,533	224,193,478	379,131,678	2,164,522,607
Intangible assets	5,762,311	160,048	320,096	480,144	960,288	1,920,576	1,921,159	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	849,153,274	86,991,056	107,247,639	129,064,974	525,849,605	–	–	–	–	–
	19,190,585,542	4,146,190,329	440,573,688	914,599,958	3,476,755,142	2,559,459,673	922,497,603	1,565,933,255	2,500,053,287	2,664,522,607
Liabilities										
Bills payable	–	–	–	–	–	–	–	–	–	–
Borrowings	5,771,338,282	58,566,425	331,041,564	1,289,607,989	579,215,978	1,458,431,956	1,099,221,052	731,775,432	223,477,886	–
Deposits and other accounts	7,500,000	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	272,361,026	2,269,820	6,809,126	6,809,126	13,617,918	27,236,169	27,236,169	54,472,339	68,090,257	65,820,102
Other liabilities	490,669,964	53,367,758	106,735,516	118,346,977	194,937,657	5,184,617	12,097,439	–	–	–
	6,541,869,272	114,204,003	452,086,206	1,414,764,092	787,771,553	1,490,852,742	1,138,554,660	786,247,771	291,568,143	65,820,102
Net assets	12,648,716,270	4,031,986,326	(11,512,518)	(500,164,134)	2,688,983,589	1,068,606,931	(216,057,057)	779,685,484	2,208,485,144	2,598,702,505
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,366,864,210									
Unappropriated/ Unremitted profit	2,843,304,042									
Surplus/(Deficit) on revaluation of assets	1,838,548,018									
	12,648,716,270									

	Total	2017								
		Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6 months to 1 Year	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	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	–
Fixed assets	2,517,748,116	8,329,913	16,659,825	47,133,227	49,979,477	99,958,955	99,958,878	195,439,810	329,813,998	1,670,474,033
Intangible assets	699,171	19,419	38,839	58,258	116,516	233,031	233,108	–	–	–
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/ Head office capital account	6,600,000,000									
Reserves	1,285,353,626									
Unappropriated/ Unremitted profit	2,746,287,226									
Surplus/(Deficit) on revaluation of assets	1,573,785,281									
	12,205,426,133									

42.5 Derivative Risk

The Company does not presently have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

43. RECLASSIFICATION OF CORRESPONDING FIGURES

To comply with the requirements of new format of financial statements prescribed by SBP vide BPRD Circular No. 2 dated January 25, 2018, corresponding figures for the prior year have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances for the purpose of comparison. Significant rearrangements and reclassifications in the financial statements are as follows:

From	To	Rupees
Statement of Financial Position		
Fixed assets	Intangible assets	699,171
Profit and loss account		
Gain on sale of securities - net	Gain on securities	336,618,315
Unrealised loss on revaluation of investments classified as held for trading	Gain on securities	(3,371,084)
(Reversal)/Provision against non-performing loans and advances - net	Provisions and writes off	322,874,872
Provision for diminution in the value of investments - net	Provisions and writes off	(84,269,333)
Other income	Operating expenses	(15,003,105)

44 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 26 February 2019.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2018

(Rupees in million)

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with CNIC No.)	Fathers' / Husband Name	Outstanding Liabilities at the Beginning of Year				Principal Written off	Interest Mark up Waived (Note)	Other financial Relief Provided	Total
				Principal	Interest / Mark-up	Other than Interest/ Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
NIL											
Total:											

Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

Saudi Pak

Financial Statements

For The Year Ended December 31, 2018

Consolidated

Independent Auditor's Report

To the Members of Saudi Pak Industrial and Agricultural Investment Company Limited

Opinion

We have audited the annexed consolidated financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary company, Saudi Pak Real Estate Limited, (herein-after referred to as 'the Group'), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 22.3.1 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in directors' report, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and The Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk>

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is S. Haider Abbas

Chartered Accountants
Islamabad
Date: February 26, 2019

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Consolidated Statement of Financial Position

As at December 31, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Cash and balances with treasury banks	7	54,688,164	40,327,154
Balances with other banks	8	360,191,365	285,287,037
Lendings to financial institutions	9	2,818,407,389	–
Investments	10	3,925,361,179	9,133,899,147
Advances	11	7,865,730,442	8,458,110,408
Fixed assets	12	3,296,060,467	2,677,395,125
Intangible assets	13	5,762,311	699,171
Deferred tax assets		–	–
Other assets	14	907,399,975	1,620,498,197
Development properties	15	213,625,822	246,160,698
		19,447,227,114	22,462,376,937
LIABILITIES			
Bills payable		–	–
Borrowings	16	5,846,338,282	9,176,845,649
Deposits and other accounts	17	7,500,000	7,500,000
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	18	272,361,026	651,353,904
Other liabilities	19	492,309,916	243,099,227
		6,618,509,224	10,078,798,780
NET ASSETS		12,828,717,890	12,383,578,157
REPRESENTED BY			
Share capital	20	6,600,000,000	6,600,000,000
Statutory reserve		1,008,201,270	926,690,686
Revenue reserve		358,662,940	358,662,940
Surplus on revaluation of assets	21	1,838,548,018	1,573,785,281
Unappropriated/ Unremitted profit		3,023,305,662	2,924,439,250
		12,828,717,890	12,383,578,157
CONTINGENCIES AND COMMITMENTS	22		

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

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Consolidated Profit and Loss Account

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
Mark-up / Return / Interest Earned	24	1,017,413,081	1,245,295,806
Mark-up / Return / Interest Expensed	25	405,634,085	492,569,289
Net Mark-up / Interest Income		611,778,996	752,726,517
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	9,544,922	32,353,740
Dividend income		153,811,455	194,218,714
Foreign exchange income		3,652,937	818,933
Income / (loss) from derivatives		–	–
Gain / (loss) on securities	27	79,237,006	337,312,905
Other income	28	229,579,751	196,294,747
Total Non-markup / Interest Income		475,826,071	760,999,039
Total Income		1,087,605,067	1,513,725,556
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	462,420,877	404,977,340
Workers Welfare Fund		–	–
Other charges		–	–
Total Non-markup / Interest Expenses		462,420,877	404,977,340
Profit Before Provisions		625,184,190	1,108,748,216
Provisions and write offs - net	30	(77,234,557)	238,605,539
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		702,418,747	870,142,677
Taxation	31	292,759,827	238,243,453
PROFIT AFTER TAXATION		409,658,920	631,899,224
Basic Earnings per share	32	0.621	0.957
Diluted Earnings per share	33	0.621	0.957

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

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Consolidated Statement of Comprehensive Income

For The Year Ended December 31, 2018

	2018 Rupees	2017 Rupees
Profit after taxation for the year	409,658,920	631,899,224
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	(151,091,790)	(812,725,243)
Reversal of deferred tax liability - prior year	–	–
	(151,091,790)	(812,725,243)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(3,328,385)	(1,431,642)
Movement in surplus on revaluation of operating fixed assets - net of tax	405,474,207	(78,853,562)
Movement in surplus on revaluation of non-banking assets	10,380,320	–
Reversal of prior year excess deferred tax	–	2,237,458
	412,526,142	(78,047,746)
Total comprehensive income / (loss)	671,093,272	(258,873,765)

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

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Consolidated Cash Flow Statement

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		702,418,747	870,142,677
Less: Dividend income		(153,811,455)	(194,218,714)
		548,607,292	675,923,963
Adjustments:			
Depreciation		137,621,651	138,522,915
Amortization	13	1,576,259	622,414
Provision and write-offs	30	(77,234,557)	238,605,539
(Gain) / loss on sale of fixed assets		(38,051,528)	12,601,472
Charge for defined benefit plan	29.1	6,237,372	5,636,028
Charge for compensated absences	29.1	3,366,125	2,576,945
Unrealized loss / (gain) held for trading investments	10.1	–	2,297,181
		33,515,322	400,862,494
		582,122,614	1,076,786,457
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,818,407,389)	340,000,000
Held-for-trading securities		100,020,662	111,935,245
Development properties		32,534,876	(116,171,632)
Advances		555,672,606	(117,322,484)
Others assets (excluding advance taxation)		162,096,663	210,122,846
		(1,968,082,582)	428,563,975
Decrease in operating liabilities			
Borrowings from financial institutions		(3,330,507,367)	(1,541,062,175)
Deposits		–	(123,899,425)
Other liabilities (excluding current taxation)		244,904,901	(14,555,206)
		(3,085,602,466)	(1,679,516,806)
Payments against off-balance sheet obligations		–	–
Payment to defined benefit plan		(9,697,806)	(10,656,572)
Income tax paid		(284,682,987)	(351,199,137)
Net cash flow used in operating activities		(4,765,943,227)	(536,022,083)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		5,412,049,037	932,831,310
Net investments in held-to-maturity securities		(357,572,611)	(355,233,989)
Dividends received		181,872,275	152,582,724
Investments in operating fixed assets		(134,721,786)	(58,074,763)
Proceeds from sale of fixed assets		83,581,650	3,760,811
Sale proceeds from disposal of non banking assets		–	–
Net cash flow from investing activities		5,185,208,565	675,866,093
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(330,000,000)	–
Net cash flow used in financing activities		(330,000,000)	–
Effects of exchange rate changes on cash and cash equivalents		–	–
Increase in cash and cash equivalents		89,265,338	139,844,010
Cash and cash equivalents at beginning of the year	34	325,614,191	185,770,181
Cash and cash equivalents at end of the year	34	414,879,529	325,614,191

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

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Consolidated Statement of Changes In Equity

For The Year Ended December 31, 2018

	Share capital	Statutory reserve	Revenue reserve	Surplus / (Deficit) on revaluation of Investments	Surplus / (Deficit) on revaluation of Fixed / non banking assets	Unappropriated / unremitted profit	Total
	Rupees						
Balance as at January 1, 2017	6,600,000,000	801,227,124	358,662,940	771,732,415	1,693,631,671	2,334,450,166	12,559,704,316
Profit after taxation for the year ended December 31, 2017	–	–	–	–	–	631,899,224	631,899,224
Other comprehensive income - net of tax	–	–	–	(812,725,243)	(78,853,562)	805,816	(890,772,989)
Transfer to statutory reserve	–	125,463,562	–	–	–	(125,463,562)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	82,747,606	82,747,606
Balance as at December 31, 2017	6,600,000,000	926,690,686	358,662,940	(40,992,828)	1,614,778,109	2,924,439,250	12,383,578,157
Balance as at January 1, 2018	6,600,000,000	926,690,686	358,662,940	(40,992,828)	1,614,778,109	2,924,439,250	12,383,578,157
Profit after taxation for the year ended December 31, 2018	–	–	–	–	–	409,658,920	409,658,920
Other comprehensive income - net of tax	–	–	–	(151,091,790)	415,854,527	(3,328,385)	261,434,352
Transfer to statutory reserve	–	81,510,584	–	–	–	(81,510,584)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	104,046,461	104,046,461
Transactions with owners, recorded directly in equity							
Final dividend 2017 : Re 0.5 per ordinary share	–	–	–	–	–	(330,000,000)	(330,000,000)
Balance as at December 31, 2018	6,600,000,000	1,008,201,270	358,662,940	(192,084,618)	2,030,632,636	3,023,305,662	12,828,717,890

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

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

1. STATUS AND NATURE OF BUSINESS

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 markets its 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 Holding Company is also operating offices in Lahore and Karachi.

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 (now the Companies Act, 2017). The principal place of business of the subsidiary 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 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 vide BPRD Circular No.2 dated January 25, 2018.

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. Approved accounting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or directives issued by the SBP and SECP differ with the requirements of IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 39,"Financial Instrument: Recognition and Measurement" (IAS 39) and International Accounting Standard 40,"Investment Property" (IAS 40), for banking companies/ Development finance institution till further instructions. Further, according to the notification of SECP dated April 28, 2008, The International Financial Reporting Standard 7,"Financial Instruments: Disclosures" (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.3 The SBP has prescribed format of financial statements for Banks / DFIs vide BPRD Circular 02 of 2018, therefore, requirements of the Fifth Schedule of the Companies Act, 2017 have not been followed in presentation of these financial statements.

3.4 The SBP through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks / DFIs are directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Bank has prepared these consolidated financial statements on the new format prescribed by the SBP. The adoption of new format has resulted in remeasurement and reclassification of comparative information and inclusion of certain additional disclosures. The adoption of revised format has resulted in following significant changes:

- Surplus on revaluation of assets amounting to Rs. 1,838.5 million (2017: Rs. 1,574 million) which was previously shown below equity has now been included as part of equity;
- Intangibles (note - 13) amounting to Rs. 5,762 million (2017: Rs. 0.699 million) which were previously shown as part of fixed assets (note - 12) are now shown separately on the consolidated statement of financial position;
- Certain reclassifications have been made in the consolidated profit and loss account which are summarised in note 44.

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

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

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 Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

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

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Ventures	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
IAS 12	Income Taxes	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investment in Associate (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax	January 1, 2021

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

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 (note 14)
iii) Valuation and impairment of available for sale securities (note 6.5(b))
iv) Valuation and useful life of fixed assets (note 6.8) and non-banking assets acquired in satisfaction of claims (note 6.10)
v) Useful life of intangibles (note 6.9)
vi) Taxation (note 6.13)
vii) Present value of staff retirement benefits (note 6.14)

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 share Holding of SPLCL. SPLCL's license 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, 2018. The SECP vide its letter No. CLD/CCD/Co. 237/1/2017- 138 dated January 18, 2019 granted the aforementioned exemption to the Holding Company. Accordingly, investment in SPLCL as at December 31, 2018 has been carried at cost less impairment loss in these consolidated financial statements.

6.2 Basis of consolidation

These 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 2018. 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 loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.
- The assets and liabilities of subsidiary 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% or more of the voting power of another entity unless it can be clearly demonstrated that this is not the case. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method of accounting. These consolidated financial statement does not include the Group's share of result of the associate as described in note 6.1 above.

6.3 Cash and cash equivalents

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

6.4 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 respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to the 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 SBP 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 in 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 SBP 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 Fixed assets

(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 in the shareholders' equity in the consolidated statement of financial position.

In making estimates of the depreciation, 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 charge.

Depreciation is provided on straight line method at rates specified in note 12.2 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.

Change in accounting policy

Previously, under the repealed Companies Ordinance, 1984, surplus / deficit on revaluation of fixed asset was directly charged 'Surplus / Deficit on Revaluation of Assets' presented separately under the shareholders' equity and any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. This accounting treatment was in deviation from IAS 16. However, consequent to the enactment of the Companies Act, 2017 (the Act), and issuance of new format of financial statements by SBP in January 2018, the accounting for surplus / deficit on revaluation of fixed assets has been brought in line with requirements of IAS 16. Resultantly, the Group has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed assets as a result of revaluation is charged to profit and loss account, however the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. However, the management has assessed that this change in accounting policy has no financial impact on prior period financial statements because the revaluation of fixed assets in the previous years did not result in any deficit. Since there is no impact of the above change in accounting policy, the Group has not presented the third statement of financial position for the year prior to last year and neither there is any adjustment required in the value of opening retained earnings.

(b) 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 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 13 to these consolidated financial statements to write off cost of the assets over their estimated useful life.

6.10 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 Group's policy.

6.11 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.

6.12 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.

6.13 Taxation

Income tax on the profit and 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 in equity, in which case it is recognised in other comprehensive income or in 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.

6.14 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.

6.15 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. Fines / penalities on delayed payment are recorded in the consolidated profit and loss account on receipt basis.
- 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.

6.16 Foreign currency transactions

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

6.17 Impairment

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

6.18 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.

6.19 Financial instruments

Financial assets and liabilities

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

6.20 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.

6.21 Statutory reserve

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

6.22 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 SBP. 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 Services & Real State**

This segment undertakes the purchase, development and sale of 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	2018 Rupees	2017 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		308,495	289,225
With State Bank of Pakistan in			
Local currency current accounts	7.1	54,379,669	40,037,929
		54,688,164	40,327,154

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

		2018 Rupees	2017 Rupees
8.	**BALANCES WITH OTHER BANKS**		
	In Pakistan		
	In current accounts	130,508,968	5,252,436
	In deposit accounts	229,682,397	280,034,601
		360,191,365	285,287,037

8.1 Deposit accounts include local currency accounts amounting to Rs. 211,433,513 (2017: Rs. 263,892,722) held in local currency accounts. These accounts carry markup at the rates ranging from 2.69% to 10.30% (2017: 2.15% to 7.25%) per annum.

8.2 Deposit accounts include USD 131,371.81 (2017: USD 146,057.22) held in foreign currency accounts. These accounts carry markup at the rate 0.25 % (2017: 0.25%) per annum.

		Note	2018 Rupees	2017 Rupees
9.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	9.1	2,318,407,389	–
	Letter based placement	9.2	500,000,000	–
			2,818,407,389	–
	Less: provision held against Lending to Financial Institutions		–	–
	Lending to Financial Institutions - net of provision		2,818,407,389	–

9.1 These are secured against Treasury bills (T-Bills) and carry markup at the rate ranging between 10.10% to 10.50% per annum having maturity on January 2, 2019 .

9.2 These carry markup at the rate of 11.30% per annum having maturity on January 25, 2019.

		2018 Rupees	2017 Rupees
9.3	**Particulars of lending**		
	In local currency	2,818,407,389	–

9.4 Securities held as collateral against Lending to financial institutions

		2018			2017		
	Note	Held by the Group	Further given as collateral Rupees	Total	Held by the Group	Further given as collateral Rupees	Total
Market Treasury Bills	9.4.1	2,318,407,389	–	2,318,407,389	–	–	–
Total		2,318,407,389	–	2,318,407,389	–	–	–

9.4.1 These represent the securities obtained under reverse repo transactions.

9.4.2 Market value of securities held as collateral at December 31, 2018 is Rs. 2,343 million.

10. INVESTMENTS

10.1 Investments by type:

	Note	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying value	2017 Cost / Amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
		Rupees				Rupees			
Held-for-trading securities									
Quoted shares		–	–	–	–	15,197,333	–	(3,371,084)	11,826,249
Mutual funds		–	–	–	–	87,120,510	–	1,073,903	88,194,413
Available-for-sale securities									
Federal Government Securities									
-Pakistan Investment Bonds (PIBs)		–	–	–	–	987,827,349	–	85,989,651	1,073,817,000
-Market Treasury Bills		–	–	–	–	4,554,662,419	–	(89,019)	4,554,573,400
		–	–	–	–	5,542,489,768	–	85,900,632	5,628,390,400
Shares- Quoted securities		2,529,298,947	(503,609,236)	(225,881,510)	1,799,808,201	3,064,581,661	(620,677,019)	(144,563,456)	2,299,341,186
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		772,221,286	(82,835,865)	–	689,385,421	106,497,841	(77,105,520)	764,111	30,156,432
Un-quoted securities		786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
		4,087,853,281	(860,278,141)	(225,881,510)	3,001,693,630	9,499,902,318	(971,615,579)	(57,898,713)	8,470,388,026
Held-to-maturity securities									
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		1,043,331,415	(385,985,415)	–	657,346,000	874,522,831	(388,589,894)	–	485,932,937
-Certificate of Investment (COI)	10.1.1	77,941,641	–	–	77,941,641	77,557,522	–	–	77,557,522
-Term Deposit Certificate		65,372,192	–	–	65,372,192	–	–	–	–
Federal Government Securities									
-Market Treasury Bills		123,007,716	–	–	123,007,716	–	–	–	–
Associates									
Saudi Pak Leasing Company Limited									
- Investment in shares	10.1.2	243,467,574	(243,467,574)	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares	10.1.3	333,208,501	(333,208,501)	–	–	333,208,501	(333,208,501)	–	–
		576,676,075	(576,676,075)	–	–	576,676,075	(576,676,075)	–	–
Total Investments		5,974,182,320	(1,822,939,631)	(225,881,510)	3,925,361,179	11,130,976,589	(1,936,881,548)	(60,195,894)	9,133,899,147

10.1.1 COI's include amount of Rs 12.334 million under lien with a financial institution against a long term finance facility obtained by the subsidiary company as reflected in note 16.5 of these financial statements.

10.1.2 This represents the cost of acquisition of 35.06% (2017: 35.06%) shares in the paid up capital of Saudi Pak Leasing Company Limited (SPLCL) incorporated in Pakistan. On the basis of latest available audited financial statements as at June 30, 2015, total assets and liabilities of SPLCL were Rs. 1,013.7 million (2014: Rs. 1,222.5 million) and Rs. 1,544.7 million (2014: Rs. 1,560 million), while total revenue, loss after taxation and total comprehensive loss were Rs. 60.9 million (2014: Rs. 207.8 million), Rs. 192.9 million (2014: profit after tax Rs 7.2 million), and Rs. 193.3 million (2014: total comprehensive income Rs. 7.3 million) respectively

10.1.3 This represents 33.321 million preference shares of SPLC having face value of Rs. 10 each amounting to Rs. 333.208 million (2017: Rs. 333.208 million).

10.2 Investments by segments:

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Federal Government Securities:								
Market Treasury Bills	123,007,716	–	–	123,007,716	4,554,662,419	–	(89,019)	4,554,573,400
Pakistan Investment Bonds	–	–	–	–	987,827,349	–	85,989,651	1,073,817,000
	123,007,716	–	–	123,007,716	5,542,489,768	–	85,900,632	5,628,390,400
Shares:								
Listed Companies	2,529,298,947	(503,609,236)	(225,881,510)	1,799,808,201	3,079,778,994	(620,677,019)	(147,934,540)	2,311,167,435
Unlisted Companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	3,315,631,995	(777,442,276)	(225,881,510)	2,312,308,209	3,866,112,042	(894,510,059)	(147,934,540)	2,823,667,443
Non Government Debt Securities								
Listed TFCs	871,922,950	(182,537,529)	–	689,385,421	208,803,984	(179,411,663)	764,111	30,156,432
Unlisted TFCs	943,629,751	(286,283,751)	–	657,346,000	772,216,688	(286,283,751)	–	485,932,937
	1,815,552,701	(468,821,280)	–	1,346,731,421	981,020,672	(465,695,414)	764,111	516,089,369
Other investments								
Mutual funds	–	–	–	–	87,120,510	–	1,073,903	88,194,413
Certificate of Invetsment (COI)	77,941,641	–	–	77,941,641	77,557,522	–	–	77,557,522
Term Deposit Certificate	65,372,192	–	–	65,372,192	–	–	–	–
	143,313,833	–	–	143,313,833	164,678,032	–	1,073,903	165,751,935
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)	–	–
Total Investments	5,974,182,320	(1,822,939,631)	(225,881,510)	3,925,361,179	11,130,976,589	(1,936,881,548)	(60,195,894)	9,133,899,147

		2018 Rupees	2017 Rupees
10.2.1	**Investments given as collateral**		
	Treasury Bills (T-Bills)	–	1,929,936,155
	Pakistan Investment Bonds (PIBs)	–	–
		–	1,929,936,155
10.3	**Provision for diminution in value of investments**		
10.3.1	Opening balance	1,936,881,548	1,614,006,676
	Charge / reversals		
	Charge for the year	84,657,507	482,749,904
	Reversals for the year	(6,511,199)	(159,875,032)
	Reversal on disposals	(192,088,225)	–
		(113,941,917)	322,874,872
	Amounts written off	–	–
	Closing balance	1,822,939,631	1,936,881,548

10.3.2 Particulars of provision against debt securities

	2018		2017	
	NPI	Provision	NPI	Provision
	Rupees		Rupess	
Category of classification				
Domestic				
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	536,321,280	468,821,280	533,195,414	465,695,414
	536,321,280	468,821,280	533,195,414	465,695,414
Overseas	–	–	–	–
Total	536,321,280	468,821,280	533,195,414	465,695,414

10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

	2018	2017
	Cost in Rupees	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	–	4,554,662,419
Pakistan Investment Bonds	–	987,827,349
	–	5,542,489,768
Provincial Government Securities - Government guaranteed	–	–
Shares		
Listed Companies		
Cable and Electrical Goods	33,183,918	–
Cement	283,480,295	231,868,893
Close - end Mutual Fund	108,540,543	137,030,448
Commercial Banks	397,547,813	829,982,834
Fertilizer	383,674,270	591,026,286
Food and Personal Care Products	33,883,557	67,767,112
Insurance	73,053,352	70,975,035
Oil & Gas Marketing Companies	358,922,534	234,163,108
Oil and Gas Exploration Companies	18,579,627	–
Paper and Board	4,421,702	4,421,702
Power Generation and Distribution	626,899,613	682,161,675
Technology and Communication	33,155,017	32,178,000
Textile Composite	49,154,839	76,551,283
Textile Spinning	–	23,821,380
Transport	124,801,867	82,633,905
	2,529,298,947	3,064,581,661

	2018		2017	
	Cost Rupees	Breakup value Rupees	Cost Rupees	Breakup value Rupees
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	–	50,000,000	–
Alhamra Hills Private Limited	50,000,000	–	50,000,000	–
Ali Paper Board Industries Limited	5,710,000	–	5,710,000	–
Bela Chemical Industries Limited	6,500,000	–	6,500,000	–
Fruit Sap Limited	4,000,000	–	4,000,000	–
Innovative Investment Bank Limited	37,623,048	–	37,623,048	–
ISE Towers - REIT Management Company Limited	2,500,000	41,396,107	2,500,000	35,781,683
Pace Barka Properties Limited	168,750,000	234,176,286	168,750,000	229,760,533
Pak Kuwait Takaful Company	40,000,000	(2,485,549)	40,000,000	(2,485,549)
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	10,920,909
Pakistan GasPort Consortium Limited	330,000,000	377,515,230	330,000,000	331,090,259
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	–	10,000,000	–
Taurus Securities Limited	11,250,000	24,167,169	11,250,000	27,529,780
Trust Investment Bank Limited	20,000,000	–	20,000,000	–
	786,333,048	679,816,253	786,333,048	632,597,615

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

	2018	2017
	Cost in Rupees	
Non Government Debt Securities		
Listed TFCs		
- AA+, AA, AA-	660,000,000	–
- A+, A, A-	–	29,392,321
- BBB+, BBB, BBB-	29,385,421	–
- Unrated	25,578,525	19,848,180
	714,963,946	49,240,501
Unlisted TFCs		
- Unrated	57,257,340	57,257,340
	772,221,286	106,497,841

10.5 The Group does not have any investments in foreign securities as at December 31, 2018 and December 31, 2017.

	Note	2018	2017
		Cost in Rupees	
10.6 Particulars relating to Held to Maturity securities are as follows:			
Federal Government Securities - Government guaranteed			
- Market Treasury Bills		123,007,716	–
Non Government Debt Securities			
Listed TFCs			
- Unrated	10.6.1	156,959,004	159,563,483
Unlisted TFCs			
- AA+, AA, AA-		199,960,000	–
- A+, A, A-		389,886,000	300,000,000
- BBB+, BBB, BBB-		–	90,000,000
- Unrated		296,526,411	324,959,348
		886,372,411	714,959,348
Others			
- Unrated		143,313,833	77,557,522
		1,309,652,964	952,080,353

10.6.1 The market value of listed TFCs classified as held-to-maturity as at December 31, 2018 and December 31, 2017 are not available and these are carried at amortised cost.

11. ADVANCES

	Note	2018	2017	2018	2017	2018	2017
		Performing		Non performing		Total	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running finances- gross	11.1	6,919,044,279	7,991,318,784	3,109,538,785	2,592,936,886	10,028,583,064	10,584,255,670
Provision against advances							
- Specific		–	–	(2,162,852,622)	(2,126,145,262)	(2,162,852,622)	(2,126,145,262)
- General		–	–	–	–	–	–
		–	–	(2,162,852,622)	(2,126,145,262)	(2,162,852,622)	(2,126,145,262)
Advances - net of provision		6,919,044,279	7,991,318,784	946,686,163	466,791,624	7,865,730,442	8,458,110,408

11.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five year	Over five year	Total	Not later than one year	Later than one and less than five year	Over five year	Total
	Rupees				Rupees			
Lease rentals receivable	216,534,517	6,659,227	–	223,193,744	220,066,002	11,419,868	–	231,485,870
Residual value	–	–	–	–	–	–	–	–
Minimum lease payments	216,534,517	6,659,227	–	223,193,744	220,066,002	11,419,868	–	231,485,870
Financial charges for future periods	(73,224,079)	(275,406)		(73,499,485)	(73,519,700)	(803,424)	–	(74,323,124)
Present value of minimum lease payments	143,310,438	6,383,821	–	149,694,259	146,546,302	10,616,444	–	157,162,746

	2018 Rupees	2017 Rupees
11.2 Particulars of advances (Gross)		
In local currency	10,012,667,011	10,568,339,617
In foreign currencies	15,916,053	15,916,053
	10,028,583,064	10,584,255,670

11.3 Advances include Rs. 3,109,538,785 (2017: Rs. 2,592,936,886) which have been placed under non-performing status as detailed below:-

	2018		2017	
	Non Performing loans	Provision	Non Performing loans	Provision
	Rupees		Rupees	
Category of classification				
Domestic				
Substandard	683,333,332	–	–	–
Doubtful	–	–	76,667,165	38,333,583
Loss	2,426,205,453	2,162,852,622	2,516,269,721	2,087,811,679
	3,109,538,785	2,162,852,622	2,592,936,886	2,126,145,262
Overseas	–	–	–	–
Total	3,109,538,785	2,162,852,622	2,592,936,886	2,126,145,262

11.4 Particulars of provision against advances

	Note	2018			2017		
		Specific	General	Total	Specific	General	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance		2,126,145,262	–	2,126,145,262	2,210,414,595	–	2,210,414,595
Charge for the year		242,278,693	–	242,278,693	92,829,063	–	92,829,063
Reversals		(205,571,333)	–	(205,571,333)	(177,098,396)	–	(177,098,396)
		36,707,360	–	36,707,360	(84,269,333)	–	(84,269,333)
Amounts written off	11.5	–	–	–	–	–	–
Closing balance		2,162,852,622	–	2,162,852,622	2,126,145,262	–	2,126,145,262

11.4.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
In local currency	2,146,936,569	–	2,146,936,569	2,110,229,209	–	2,110,229,209
In foreign currencies	15,916,053	–	15,916,053	15,916,053	–	15,916,053
	2,162,852,622	–	2,162,852,622	2,126,145,262	–	2,126,145,262

11.4.2 The net FSV benefit already availed by the Holding Company has been increased by Rs. 5.728 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. 5.728 million (2017: Rs. 82.524 million) and Rs. 4.067 million (2017: lower by Rs. 57.767 million) respectively. Further, at December 31, 2018, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 308.272 million (2017: Rs. 299.921 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.

		Note	2018 Rupees	2017 Rupees
11.5	**PARTICULARS OF WRITE OFFs:**			
11.5.1	Against Provisions	11.4	–	–
	Directly charged to Profit & Loss account		–	–
			–	–
11.5.2	Write Offs of Rs. 500,000 and above	11.6		
	- Domestic		–	–
	- Overseas		–	–
	Write Offs of Below Rs. 500,000		–	–
			–	–

11.6 Details of loan write off of Rs. 500,000/- and above

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, 2018 is given at Annexure I.

		Note	2018 Rupees	2017 Rupees
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	–	22,143,488
	Property and equipment	12.2	3,296,060,467	2,655,251,637
			3,296,060,467	2,677,395,125
12.1	**Capital work-in-progress**			
	Advances to suppliers		–	22,143,488
			–	22,143,488

12.2 Property and Equipment

	2018												
	Free hold land	Leasehold land	Building Karachi office	Other Buildings	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2018													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	188,850,500	884,341,901	21,014,437	50,806,534	99,734,163	132,670,380	43,090,176	8,778,027	177,872,271	3,012,186,509
Accumulated depreciation	–	41,724,000	1,955,194	778,500	70,720,717	16,795,997	42,635,109	66,093,479	39,664,293	12,779,184	2,606,734	61,181,665	356,934,872
Net book value	8,088,120	1,330,776,000	22,484,806	188,072,000	813,621,184	4,218,440	8,171,425	33,640,684	93,006,087	30,310,992	6,171,293	116,690,606	2,655,251,637
Year ended December 31, 2018													
Opening net book value	8,088,120	1,330,776,000	22,484,806	188,072,000	813,621,184	4,218,440	8,171,425	33,640,684	93,006,087	30,310,992	6,171,293	116,690,606	2,655,251,637
Additions	–	27,269,637	–	24,702,500	499,000	307,874	5,519,144	32,460,587	1,577,396	36,794,700	93,429	21,001,608	150,225,875
Movement in surplus on assets revalued during the year	–	407,171,319	15,089,791	–	219,657,590	–	–	–	23,882,176	(5,821,468)	629,081	10,347,155	670,955,644
Revaluation adjustment	–	(62,965,956)	(2,932,791)	–	(106,097,226)	–	–	–	(59,209,340)	(17,861,417)	(3,878,727)	(70,326,818)	(323,272,275)
Disposals													
- Cost / Revalued amount	–	–	–	(34,145,000)	(73,265)	(5,002,672)	(9,292,212)	(30,778,412)	(196,565)	(9,201,991)	(99,239)	(991,435)	(89,780,791)
- Accumulated depreciation	–	–	–	940,687	8,790	3,573,740	8,917,739	26,678,897	88,446	3,105,666	44,652	892,052	44,250,669
	–	–	–	(33,204,313)	(64,475)	(1,428,932)	(374,473)	(4,099,515)	(108,119)	(6,096,325)	(54,587)	(99,383)	(45,530,122)
Depreciation charge	–	(21,241,956)	(977,597)	(162,187)	(35,385,299)	(1,000,034)	(5,303,924)	(15,556,649)	(19,887,136)	(8,187,899)	(1,328,315)	(25,811,571)	(134,842,567)
Revaluation adjustment	–	62,965,956	2,932,791	–	106,097,226	–	–	–	59,209,340	17,861,417	3,878,727	70,326,818	323,272,275
Closing net book value	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	2,097,348	8,012,172	46,445,107	98,470,404	47,000,000	5,510,901	122,128,415	3,296,060,467
At December 31, 2018													
Cost / Revalued amount	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	16,319,639	47,033,466	101,416,338	98,724,047	47,000,000	5,522,571	137,902,781	3,420,314,962
Accumulated depreciation	–	–	–	–	–	14,222,291	39,021,294	54,971,231	253,643	–	11,670	15,774,366	124,254,495
Net book value	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	2,097,348	8,012,172	46,445,107	98,470,404	47,000,000	5,510,901	122,128,415	3,296,060,467
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

	2017												
	Free hold land	Leasehold land	Building Karachi office	Other Buildings	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2017													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	174,937,500	884,101,000	19,082,091	47,021,606	97,785,259	133,111,746	60,820,000	8,778,027	170,416,600	3,001,081,949
Accumulated depreciation	–	20,862,000	977,597	389,250	35,350,021	15,575,833	37,684,646	51,460,745	20,049,679	9,122,996	1,290,089	36,639,605	229,402,461
Net book value	8,088,120	1,351,638,000	23,462,403	174,548,250	848,750,979	3,506,258	9,336,960	46,324,514	113,062,067	51,697,004	7,487,938	133,776,995	2,771,679,488
Year ended December 31, 2017													
Opening net book value	8,088,120	1,351,638,000	23,462,403	174,548,250	848,750,979	3,506,258	9,336,960	46,324,514	113,062,067	51,697,004	7,487,938	133,776,995	2,771,679,488
Additions	–	–	–	13,913,000	240,901	2,078,932	3,784,928	7,369,778	245,100	537,680	–	7,534,508	35,704,827
Disposals													
- Cost / Revalued amount	–	–	–	–	–	(146,586)	–	(5,420,874)	(686,466)	(18,267,504)	–	(78,837)	(24,600,267)
- Accumulated depreciation	–	–	–	–	–	146,560	–	2,385,228	180,191	5,480,244	–	45,761	8,237,984
	–	–	–	–	–	(26)	–	(3,035,646)	(506,275)	(12,787,260)	–	(33,076)	(16,362,283)
Depreciation charge	–	(20,862,000)	(977,597)	(389,250)	(35,370,696)	(1,366,724)	(4,950,463)	(17,017,962)	(19,794,805)	(9,136,432)	(1,316,645)	(24,587,821)	(135,770,395)
Closing net book value	8,088,120	1,330,776,000	22,484,806	188,072,000	813,621,184	4,218,440	8,171,425	33,640,684	93,006,087	30,310,992	6,171,293	116,690,606	2,655,251,637
At December 31, 2017													
Cost / Revalued amount	8,088,120	1,372,500,000	24,440,000	188,850,500	884,341,901	21,014,437	50,806,534	99,734,163	132,670,380	43,090,176	8,778,027	177,872,271	3,012,186,509
Accumulated depreciation	–	41,724,000	1,955,194	778,500	70,720,717	16,795,997	42,635,109	66,093,479	39,664,293	12,779,184	2,606,734	61,181,665	356,934,872
Net book value	8,088,120	1,330,776,000	22,484,806	188,072,000	813,621,184	4,218,440	8,171,425	33,640,684	93,006,087	30,310,992	6,171,293	116,690,606	2,655,251,637
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

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					
Building - ISE towers, Islamabad						
ISE Tower Rooms 712 & 713	34,145,000	940,687	33,204,313	70,520,000	Auction	Saif Ur Rehman
Building on Lease hold land						
Parking Shades	73,265	8,790	64,475	291,214	Auction	Saeed Ullah Khan
Furniture, fixture and fittings						
Furniture	2,303,294	2,296,787	6,507	7,000	Auction	Munir Khan
Furniture	2,418,638	1,147,071	1,271,567	1,370,540	Auction	Abdul Waheed Akbar
Paintings	151,680	65,742	85,938	92,425	Auction	Abdul Waheed Akbar
Window blinds	129,060	64,141	64,919	70,068	Auction	Abdul Waheed Akbar
	5,002,672	3,573,740	1,428,932	1,540,033		
Office equipment						
Computer items	1,073,633	1,073,620	13	21,200	Auction	Zahid Maqbool
Gestetner Multifunctional Printer Mp-2000	848,904	848,901	3	75,000	Auction	Hascombe Business Solutions (Pvt) Ltd.
Dell Latitude E5570	164,115	127,632	36,483	65,646	As per policy *	Muhammad Tanweer
Samsung Glasxy Note-8	67,500	18,746	48,754	48,754	As per policy *	Muhammad Tanweer
Dell Latitude E5570	164,115	123,073	41,042	65,646	As per policy *	Saeed Aziz Khan
Office equipment - Islamabad	3,748,804	3,748,730	74	40,000	Auction	Saeed Ullah Khan
Office equipment - Karachi	1,355,653	1,355,629	24	18,400	Auction	Ghulam Mustafa
Office equipment - Lahore	1,178,038	1,178,017	21	16,000	Auction	Suhail Anwar
Office equipment - BCP Site	242,700	242,697	3	3,000	Auction	Suhail Anwar
Refrigrator	89,017	43,216	45,801	49,399	Negotiation	Abdul Waheed Akbar
Microwave oven	74,983	36,401	38,582	41,612	Negotiation	Abdul Waheed Akbar
Air conditioners	284,750	121,077	163,673	175,956	Negotiation	Abdul Waheed Akbar
	9,292,212	8,917,739	374,473	620,613		
Motor vehicles						
Toyota Corolla Gli 1.6 - VX-354	1,896,058	1,896,057	1	1,503,000	Auction	Riaz Ahmed
Toyota Corolla Gli 1.3 - WV-951	1,777,724	1,777,723	1	1	As per policy *	Ali Imran
Mercedez Benz E-250 - YA-888	9,911,827	9,911,826	1	1	As per policy *	Kamal Uddin Khan
Toyota Corolla Altis Cvti 1.8 - DZ-888	2,368,460	1,342,127	1,026,333	1,026,333	As per policy *	Kamal Uddin Khan
Toyota Corolla Gli - LEE-12 5448	1,887,090	1,887,089	1	1,307,000	Auction	Muhammad Asim Mumtaz
Honda CD-70 - LEX-12 5725	67,000	66,999	1	13,200	Auction	Ayaz Ul Hassan
Suzuki Cultus - ABB-928	1,108,374	369,457	738,917	738,917	As per policy *	Shamsher Choudhary
Toyota Corolla Gli 1.3 - AYC-454	1,693,125	1,693,124	1	1,253,101	Auction	Saeed ur Rehman
Suzuki Cultus - CZ-128	1,064,390	745,073	319,317	319,317	As per policy *	Khawar Ashfaq
Suzuki Cultus - DE-628	1,069,390	730,749	338,641	338,641	As per policy *	Irfan Karim
Suzuki Cultus - ZB-194	1,052,800	1,052,799	1	773,909	Auction	Riaz Ahmed
Suzuki Bolan - ZB-196	703,340	703,339	1	609,091	Auction	Ashfaq Ahmed
Honda Civic Vti.1.8 - CY-623	2,510,610	1,757,427	753,183	753,183	As per policy *	Muhammad Nayeem Akhtar
Honda City - AAS-665	1,846,224	923,110	923,114	923,114	As per policy *	Fozia Fakhar
Honda CD-70 - KFV-8246	70,000	69,999	1	21,150	Auction	Ghulam Haider
Toyota Corolla Gli	1,752,000	1,751,999	1	427,500	As per policy *	Mian Faisal Ashraf
	30,778,412	26,678,897	4,099,515	10,007,458		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Heating and air-conditioning						
Heating Items	196,565	88,446	108,119	109,000	Auction	Munir Khan
Elevators						
Gold star (1 No.)	9,201,991	3,105,666	6,096,325	333,332	As per policy	Jeewajee Pvt Ltd
Security systems						
Security Items	99,239	44,652	54,587	55,000	Auction	Munir Khan
Electrical fittings, fire fighting equipment and others						
Electrical Fittings Items	47,462	21,354	26,108	27,000	Auction	Munir Khan
Electrical Applicances Items	153,244	153,204	40	1,000	Auction	Munir Khan
Telephone Items	133,638	60,444	73,194	74,000	Auction	Munir Khan
Planter and Concrete Slabs	160,001	159,980	21	1,000	Auction	Munir Khan
Loose Tools	186,240	186,225	15	1,000	Auction	Munir Khan
Miscellaneous Items	310,850	310,845	5	1,000	Auction	Munir Khan
	991,435	892,052	99,383	105,000		
	89,780,791	44,250,669	45,530,122	83,581,650		

* These items were sold to employees including key management personnel in accordance with policy of the Group.

12.4 Revaluation of property and equipment

The property and equipment of the Holding Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus on revaluation od assets by Rs. 670.956 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 2,845.426 million. Had there been no revaluation, the carrying amount of the revalued assets as at December 31, 2018 would have been as follows:

	2018 Rupees	2017 Rupees
Leasehold Land	29,157,295	29,572,137
Building - Karachi office	4,018,931	4,637,164
Building	26,554,202	28,235,979
Heating and Air-conditioning System	2,559,420	2,799,350
Elevators	41,821,683	46,811,102
Security System	223,689	313,473
Electrical fittings, fire fighting equipment and others	34,677,703	42,647,346
	139,012,923	155,016,551

		2018 Rupees	2017 Rupees
12.5	**Cost / revalued amount of fully depreciated assets that are still in use:**		
	Furniture and fixture	11,677,330	13,977,943
	Office equipment	30,422,446	33,897,040
	Vehicles	11,863,420	27,422,634
	Heating and air conditioning	253,658	253,658
	Electrical fittings, fire fighting equipment and others	10,273,200	10,986,267
		64,490,054	86,537,542

		2018 Rupees Computer Software	2017 Rupees Computer Software
13.	**INTANGIBLE ASSETS**		
	At January 1		
	Cost	14,924,789	14,698,341
	Accumulated amortisation and impairment	14,225,618	13,603,204
	Net book value	699,171	1,095,137
	Year ended December 31		
	Opening net book value	699,171	1,095,137
	Additions - directly purchased	6,639,399	226,448
	Disposals		
	- Cost	3,119,481	–
	- Accumulated depreciation	(3,119,481)	–
		–	–
	Amortisation charge	1,576,259	622,414
	Closing net book value	5,762,311	699,171
	At December 31		
	Cost	18,444,707	14,924,789
	Accumulated amortisation and impairment	12,682,396	14,225,618
	Net book value	5,762,311	699,171
	Rate of amortisation (percentage)	33.33	33.33
	Useful life (years)	3	3

13.1 Cost of fully amortized intangible assets still in use amounts to Rs. 11,227,563 (2017: Rs. 12,972,267).

		Note	2018 Rupees	2017 Rupees
14.	**OTHER ASSETS**			
	Income/ Mark-up accrued in local currency - net of provision			
	On investments		58,551,149	84,892,204
	On advances		148,092,711	132,807,868
	On lending to financial institutions		1,530,643	–
	On saving bank accounts		97,965	32,869
			208,272,468	217,732,941
	Income/ Mark-up accrued in foreign currency - net of provision		–	–
	Advances, deposits, advance rent and other prepayments		26,993,509	175,971,067
	Advance taxation (payments less provisions)		352,129,554	882,671,524
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	14.1	144,819,528	147,598,620
	Dividend receivable		20,825,170	48,885,990
	Receivable from Ministry of Finance, KSA		15,000,000	15,000,000
	Receivable from National Accountability Bureau (NAB)	14.2	51,112,157	51,211,686
	Other receivables		3,124,436	6,683,536
			901,094,717	1,624,573,259
	Less: Provision held against other assets	14.3	(4,075,062)	(4,075,062)
	Other Assets (Net of Provision)		897,019,655	1,620,498,197
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		10,380,320	–
	Other Assets - total		907,399,975	1,620,498,197
14.1	Market value of Non-banking assets acquired in satisfaction of claims		155,199,848	153,156,804

The non banking asset acquired from DJM AR Securities represents land located in Gadap Town, Karachi and was initially recorded in the financial statement in July 2009. This asset was last revalued by independent professional valuer M/s Surval in February 2019 at Rs. 84 million which was approximately same as the carrying amount of Rs 83.67 million reflected in the financial statements.

The non banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statement in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants in November 2018 at Rs. 71.5 million.

		2018 Rupees	2017 Rupees
14.1.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening Balance	147,598,620	150,377,712
	Revaluation	10,380,320	–
	Depreciation	(2,779,092)	(2,779,092)
	Closing Balance	155,199,848	147,598,620

14.1.2 During the year, there was no disposal against non banking asset acquired in satisfaction of claim.

14.2 The subsidiary company filed a law suit in the civil court Lahore for recovery of Rs. 335.328 million due from Divine Developers Private Limited (DDPL) in respect of sale of 90 houses in 2011. This matter was also referred to National Accountability Bureau (NAB) for recovery. During October 2015, DDPL offered payment under voluntary return scheme subject to certain conditions which

were accepted by the management of the subsidiary company. The settlement terms were also approved by the Executive Board of NAB on February 9, 2016. As per the agreed terms, the amount was to be recovered by NAB on behalf of the subsidiary company from DDPL in three installments. As at December 31 , 2018, NAB has recovered whole amount of Rs. 335.328 million from DDPL and has released Rs. 284.116 million to the subsidiary company. Amount of Rs 99,529 deducted by NAB from third installment was written off by the subsidiary company and remaining balance of Rs. 51.112 million is carried as receivable from NAB. The subsidiary company's management is pursuing this matter with NAB and the Ministry of Finance and is confident of full recovery of the balance. Accordingly, no provision there against has been carried in the financial statements.

		Note	2018 Rupees	2017 Rupees
14.3	**Provision held against other assets**			
	Advances, deposits, advance rent & other prepayments	14.3.1	4,075,062	4,075,062
14.3.1	**Movement in provision held against other assets**			
	Opening balance		4,075,062	4,075,062
	Charge for the year		–	–
	Reversals		–	–
	Amount written off		–	–
	Closing balance		4,075,062	4,075,062
15	**DEVELOPMENT PROPERTIES**			
	Balance at beginning of the year		246,160,698	129,962,494
	Additions during the year		12,327,728	194,615,788
	Cost of plots / house sold during the year		(44,862,604)	(78,417,584)
	Balance at end of the year		213,625,822	246,160,698
	Breakup of the closing balance of development properties is as follows:			
	- Residential houses in Paragon City, Lahore		–	31,286,253
	- Grey structure houses in Paragon City, Lahore		15,415,659	23,595,581
	- Plots in Paragon City, Lahore		–	4,993,664
	- Plots in Royal Residencia Scheme, Lahore		198,210,163	186,285,200
			213,625,822	246,160,698
16	**BORROWINGS**			
	Holding Company - In Pakistan			
	Secured			
	Borrowings from State Bank of Pakistan under refinance scheme			
	Long term financing facility (LTFF)	16.1	471,338,282	71,767,799
	Repurchase agreement borrowings	16.2	–	1,930,077,850
	Against book debts/receivables	16.3	5,300,000,000	4,975,000,000
	Morabaha finance	16.4	–	2,100,000,000
			5,771,338,282	9,076,845,649
	Subsidiary company - In Pakistan	16.5	75,000,000	100,000,000
	Total secured		5,846,338,282	9,176,845,649
	Total unsecured		–	–
			5,846,338,282	9,176,845,649

16.1 These represent facilities obtained against SBP refinance schemes under LTFF. The mark up is charged at the rate of 2.00% (2017: 2.00%) per annum. These facilities will mature during January 2019 to October 2028 (2017: May 2018 to August 2024).

16.2 These facilities were secured against government securities (T-Bills/ PIBs). These carried markup at rates ranging from 5.83% to 5.95% having matured in January 2018.

16.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 10,000 million (2017: Rs. 10,400 million). The mark up is charged at varying rates ranging from 8.35% to 11.14% (2017: 6.29% to 6.61%) per annum. These facilities will mature during April 2019 to October 2023 (2017: May 2018 to December 2021).

16.4 This represents morabaha finance arranged from an Islamic Bank. These carried markup at rates ranging from 6.31% to 6.36% per annum having matured in February 2018 to June 2018.

16.5 This represents term finance facility obtained in May 2017 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 is repayable in eight quarterly installments starting from August 2018 after a grace period of one year. The facility will expire on May 10, 2020 and carries markup at annual rate of three month KIBOR + 2% payable quarterly. The facility is secured by way of first charge through equitable mortgage of corporate offices owned by the subsidiary company at Tricon Corporate Center, Lahore as well as by way of hypothecation charge on present and future furniture, fixtures, fittings, equipments and all present and future receivables of the subsidiary company. Further, deposits equivalent to Rs 12.334 million with Pak Oman Investment company Limited are also under lien during tenor of the facility.

	Note	2018 Rupees	2017 Rupees
16.6 Particulars of borrowings with respect to currencies			
In local currency		5,846,338,282	9,176,845,649
In foreign currencies		–	–
		5,846,338,282	9,176,845,649
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits (local currency)		7,500,000	7,500,000
17.1 Composition of deposits			
- Non-Banking Financial Institutions	17.2	7,500,000	7,500,000

17.2 This represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs 7.5 million by the Holding Company. These COIs carry mark up at the rate of 10.5% (2017: 6.15%) per annum and is repayable in March 2019 (2017: March 2018).

17.3 All deposits are in local currency.

18. DEFERRED TAX LIABILITIES

	Note	At January 1, 2018	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2018
		2018				
		Rupees				
Deductible Temporary Differences on						
Acturial loss on defined benefit plan		(3,997,636)	(71,061)	–	(1,071,712)	(5,140,409)
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)	–	–	–	(175,430)
Unused tax losses		(1,502,073)	(5,500,887)	–	–	(7,002,960)
Surplus on revaluation of securities- HFT		(237,187)	237,187	–	–	–
Surplus on revaluation of securities- AFS		(16,905,885)	–	–	(16,891,005)	(33,796,890)
Provision on non-performing loans		–	(518,330,000)	–	–	(518,330,000)
Impairment loss on available for sale quoted securities		(68,290,386)	12,799,996	–	–	(55,490,390)
		(95,632,436)	(506,340,926)	–	(17,962,717)	(619,936,079)
Taxable Temporary Differences on						
Accelerated tax depreciation		11,496,772	11,712,309	–	–	23,209,081
Dividend receivable		6,939,149	(3,815,373)	–	–	3,123,776
Net investment in leases		33,656,734	(1,331,400)	–	–	32,325,334
Surplus on revaluation of operating fixed assets		692,047,761	(28,309,248)	(33,142,168)	194,577,137	825,173,482
Non banking assets acquired in satisfaction of claims		–	–	–	–	–
		744,140,416	(21,743,712)	(33,142,168)	194,577,137	883,831,673
Excess deferred tax asset of the subsidiary company not recognized	18.1	2,845,924	5,619,508	–	–	8,465,432
		651,353,904	(522,465,130)	(33,142,168)	176,614,420	272,361,026

	Note	At January 1, 2017	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2017
		2017				
		Rupees				
Deductible Temporary Differences on						
Acturial loss on defined benefit plan		(1,171,518)	(58,105)	–	(2,768,013)	(3,997,636)
Provision for non banking assets acquired in satisfaction of claims		(4,523,839)	–	–	–	(4,523,839)
Alternative corporate tax in excess of corporate tax		(1,427,336)	1,251,906	–	–	(175,430)
Unused tax losses		(5,839,707)	4,337,634	–	–	(1,502,073)
Surplus on revaluation of securities- HFT		691,913	(929,100)	–	–	(237,187)
Surplus on revaluation of securities- AFS		83,129,127	–	–	(100,035,012)	(16,905,885)
Impairment loss on available for sale quoted securities		(1,354,604)	(66,935,782)	–	–	(68,290,386)
		69,504,036	(62,333,447)	–	(102,803,025)	(95,632,436)
Taxable Temporary Differences on						
Accelerated tax depreciation		14,891,116	(3,394,344)	–	–	11,496,772
Dividend receivable		-	6,939,149	–	–	6,939,149
Net investment in leases		37,440,794	(3,784,060)	–	–	33,656,734
Surplus on revaluation of operating fixed assets		733,112,585	(37,170,781)	(3,894,043)	–	692,047,761
Non banking assets acquired in satisfaction of claims		1,788,585	(1,788,585)	–	–	–
		787,233,080	(39,198,621)	(3,894,043)	–	744,140,416
Excess deferred tax asset of the subsidiary company not recognized	18.1	1,041,073	1,804,851	–	–	2,845,924
		857,778,189	(99,727,217)	(3,894,043)	(102,803,025)	651,353,904

18.1 Deferred tax asset to the extent of Rs 8,465,432 (2017: Rs 2,845,924) related to the the subsidiary company has not been recognized by its management in view of uncertainty related to taxable profits in foreseeable future.

	Note	2018 Rupees	2017 Rupees
19. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		84,699,915	50,214,508
Accrued expenses		36,827,510	37,469,039
Advance rental income	19.1	193,266,596	92,734,747
Security deposit against rented properties		26,921,722	23,529,589
Payable to defined benefit plan	36	9,784,290	6,786,518
Provision for compensated absences		8,412,885	7,104,869
Directors' remuneration		3,194,934	3,205,008
Payable to stock brokers - net		120,296,511	–
Others	19.2	8,905,553	22,054,949
		492,309,916	243,099,227

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

19.2 This includes amount of Rs Nil (2017: Rs. 15,787,500) 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.

20. SHARE CAPITAL

20.1 Authorized Capital

2018 Number of Share	2017 Number of Share		2018 Rupees	2017 Rupees
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

20.2 Issued, subscribed and paid up share capital

2018 Number of Share	2017 Number of Share		2018 Rupees	2017 Rupees
		Ordinary shares		
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

20.3 State Bank of Pakistan on behalf of the Government of Pakistan and Ministry of Finance, KSA on behalf of Government of Kingdom of Saudi Arabia are equal shareholders of the Company.

		Note	2018 Rupees	2017 Rupees
21.	**SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**			
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities	10.1	(225,881,508)	(57,898,713)
	- Fixed assets	21.1	2,845,425,798	2,306,825,871
	- Non-banking assets acquired in satisfaction of claims	21.2	10,380,320	–
			2,629,924,610	2,248,927,158
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		33,796,890	16,905,885
	- Fixed assets	21.1	(825,173,482)	(692,047,762)
	- Non-banking assets acquired in satisfaction of claims		–	–
			(791,376,592)	(675,141,877)
			1,838,548,018	1,573,785,281
21.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets as at January 1		2,306,825,871	2,419,473,818
	Recognised during the year		670,955,644	–
	Realised on disposal during the year - net of deferred tax		(24,318,597)	(9,086,099)
	Related deferred tax liability on surplus realised on disposal		(10,420,945)	(3,894,044)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(69,306,926)	(69,767,463)
	Related deferred tax liability on incremental depreciation charged during the year		(28,309,249)	(29,900,341)
	Surplus on revaluation of fixed assets as at December 31		2,845,425,798	2,306,825,871
	Less: related deferred tax liability on:			
	- revaluation as at January 1		692,047,762	725,842,147
	- revaluation recognised during the year		194,577,137	–
	- surplus realised on disposal during the year		(10,420,945)	(3,894,044)
	- impact of change in tax rate		(22,721,223)	–
	- incremental depreciation charged during the year		(28,309,249)	(29,900,341)
			825,173,482	692,047,762
			2,020,252,316	1,614,778,109
21.2	**Surplus on revaluation of non-banking assets acquired in satisfaction of claims**			
	Surplus on revaluation as at January 01		–	–
	Recognised during the year		10,380,320	–
	Surplus on revaluation as at December 31		10,380,320	–

		Note	2018 Rupees	2017 Rupees
22.	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	22.1	265,530,000	118,770,000
	-Commitments	22.2	2,145,337,810	2,455,040,060
			2,410,867,810	2,573,810,060
22.1	**Guarantees:**			
	Financial guarantees		265,530,000	118,770,000
22.2	**Commitments:**			
	Commitment for the acquisition of:			
	- Operating fixed assets		15,459,235	19,825,270
	- Intangible assets		878,575	1,734,790
			16,337,810	21,560,060
	Non disbursed commitment for term and working capital finance		2,129,000,000	2,433,480,000
			2,145,337,810	2,455,040,060

22.3 Other contingent liabilities

22.3.1 Tax contingencies - Holding Companies

i) The Holding Company has filed income tax returns for and up to tax year 2018 (financial year ended December 31, 2017). 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 certain 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.

ii) 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 said tax years under litigation amounts to Rs 550.825 million. The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the holding company's grounds of appeal in respect of tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. The Holding Company has filed tax references before the Islamabad High Court. Reference for the years 2004 to 2006 and 2008 to 2010 has been admitted for hearing.

iii) For tax year 2012, provision for non-performing loans and certain other expenses were disallowed by Additional Commissioner Inland Revenue (ACIR). The Holding Company filed appeal before the 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 (ATIR) in respect of issues decided against the holding company. ATIR decided in favour of 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 ACIR 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 filed an appeal before CIR-Appeals who upheld actions of the assessing officer. The Holding Company filed an appeal before (ATIR) in respect of issues decided against the holding company. ATIR decided in favour on the Holding Company on provision of gratuity and compensated absences and remanded the matter of foreign exchange loss and thus the outstanding demand at this stage is Nil.

iv) For tax year 2013, provision for non-performing loans and certain other expenses were disallowed by ACIR. The CIR (Appeals) upheld certain actions of the assessing officer and remanded certain issues. The Holding Company filed an appeal before ATIR in respect of issues decided against the holding company. ATIR decided in favour of 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, but Holding Company has recorded provision for NPLs.

v) For tax year 2014, provision for non-performing loans and certain other expenses were disallowed by Deputy Commissioner Inland Revenue (DCIR). The CIR (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 ATIR, which remanded back certain issues to assessing officer. The Officer Inland Revenue, Unit – 07, Zone – II, Large Taxpayers Unit, Islamabad passed appeal effect order dated June 22, 2018 creating demand of Rs 90 million. Subsequently, the Officer Inland Revenue, Unit – 07, Zone – II, Large Taxpayers Unit, Islamabad passed a rectified order dated July 16, 2018 whereby the demand of Rs. 28.2 million was created. The Holding Company has filed appeal before Commissioner Inland Revenue (Appeals-I) which is pending adjudication.

vi) For tax year 2015, ACIR issued a demand notice disallowing certain items. The Holding Company filed appeal before the CIR (Appeals) who remanded majority of the issues but upheld actions of the assessing officer relating to actuarial loss and apportionment of expenses. The Holding Company filed an appeal before ATIR which is pending adjudication. No appeal effect has been received by the Holding Company yet.

vii) The management, based on the opinion of its legal counsel, believes that the above mentioned matters are most likely to be decided in favour of the holding company.

22.3.2 Tax contingencies- the subsidiary company

During the year 2017, the subsidiary company was selected for tax audit u/s 177 of the 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 tax refundable by the subsidiary company.

22.3.3 Other contingencies - Holding Company

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

The Customer availed a Finance of Rs.125 million in 2003/04 but defaulted in repayments. Subsequently, on his request a settlement package was approved by the Holding Company during 2011. The package involved write-off / waiver of Rs. 72.659 million (comprising 50% of suspended markup of Rs. 28.729 million and liquidated damages of Rs. 43.930 million) subject to the settlement amount of Rs.100.141 million. The Holding Company reported the write off / waiver to State Bank of Pakistan (SBP) in compliance with the e-CIB circulars. Customer requested the Holding Company and SBP to remove its name from e-CIB. Neither the Holding Company nor SBP agreed. The Customer aggrieved and filed the subject suit aganist 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 Holding 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 aganist the above mentioned four properties, which was rejected. He felt aggrieved and filed subject damages suit aganist the Holding Company in the Sindh High Court in 2014. The suit is being contested by the Holding Company vigorously. It is expected that the suit will be dismissed after due process of law.

23 Derivative products

The Company does not deal in derivative products.

	Note	2018 Rupees	2017 Rupees
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		700,974,191	623,622,611
On investments		161,908,865	604,672,578
On lendings to financial institutions		126,090,860	3,881,725
On balances with banks		28,439,165	13,118,892
		1,017,413,081	1,245,295,806
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	25.1	518,917	8,786,799
Borrowings			
Securities purchased under repurchase agreements		9,100,508	133,065,017
Other short term borrowings		127,520,492	136,465,161
Long term finance for export oriented projects from SBP		3,135,671	10,804,578
Long term borrowings		264,378,403	201,413,624
		404,135,074	481,748,380
Brokerage fee		980,094	2,034,110
		405,634,085	492,569,289

25.1 The markup expensed amounting to Rs. 518,917 (2017: Rs. 739,948) relates to Saudi Pak Employees Contributory Fund.

	2018 Rupees	2017 Rupees
26. FEE & COMMISSION INCOME		
Credit related fees	4,562,609	14,465,140
Commission on trade	–	14,427,651
Commission on guarantees	2,463,913	2,165,744
Others	2,518,400	1,295,205
	9,544,922	32,353,740

		Note	2018 Rupees	2017 Rupees
27.	**GAIN / (LOSS) ON SECURITIES**			
	Realised	27.1	79,237,006	339,610,086
	Unrealised - held for trading	10.1	–	(2,297,181)
			79,237,006	337,312,905
27.1	**Realised gain on:**			
	Federal Government Securities		81,830,611	205,413,779
	Mutual funds		7,752,118	2,991,771
	Shares- listed		(10,345,723)	131,204,536
			79,237,006	339,610,086
28.	**OTHER INCOME**			
	Rent on property - net	28.1	159,863,415	152,703,731
	Gain / (loss) on sale of fixed assets - net		38,051,528	(12,601,472)
	Gain on sale of non banking assets - net		–	–
	Others		31,664,808	56,192,488
			229,579,751	196,294,747
28.1	**Rent on property - net**			
	Rental income		339,281,434	309,052,416
	Less: Property expense			
	Salaries, allowances and employee benefits		24,377,836	20,945,162
	Traveling and conveyance		380,789	240,702
	Medical		370,668	327,171
	Janitorial services		9,870,411	8,568,655
	Security services		23,369,376	20,805,152
	Insurance		1,393,618	1,152,901
	Postage, telegraph, telegram and telephone		29,112	42,838
	Printing and stationery		90,976	252,079
	Utilities		11,183,559	(663,475)
	Consultancy and professional charges		210,200	198,000
	Repairs and maintenance		9,380,078	5,491,079
	Rent, rates and taxes		1,024,784	2,122,652
	Depreciation		96,916,159	96,131,008
	Staff training		–	29,000
	Office general expenses		820,453	705,761
			179,418,019	156,348,685
			159,863,415	152,703,731

		Note	2018 Rupees	2017 Rupees
29.	**OPERATING EXPENSES**			
	Total compensation expense	29.1	244,671,314	199,753,968
	Property expense			
	Rent & taxes		16,502,602	13,229,973
	Insurance		202,178	179,933
	Utilities cost		8,957,352	12,999,943
	Security (including guards)		4,329,690	4,079,174
	Repair & maintenance (including janitorial charges)		2,749,526	2,194,294
	Depreciation		13,845,166	15,003,105
			46,586,514	47,686,422
	Information technology expenses			
	Software maintenance		2,644,306	1,657,042
	Hardware maintenance		963,411	909,872
	Amortisation		1,576,259	622,414
	Network charges		3,345,871	2,775,481
			8,529,847	5,964,809
	Other operating expenses			
	Shareholder's fees		3,194,935	3,205,008
	Directors' fees and allowances		15,801,104	13,072,630
	Legal & professional charges		12,375,054	9,698,077
	Consultancy, custodial and rating services		9,380,182	8,909,689
	Outsourced services costs (refer note 35.1)		30,409,796	25,444,215
	Travelling & conveyance		23,706,491	22,314,228
	Depreciation		26,860,335	27,388,802
	Training & development		2,573,831	2,001,581
	Postage & courier charges		786,546	809,182
	Communication		3,754,645	3,938,062
	Stationery & printing		5,140,330	4,398,133
	Marketing, advertisement & publicity		2,542,981	3,248,391
	Donations		400,000	500,000
	Auditors remuneration	29.2	6,025,000	10,256,700
	Repair & maintenance		7,258,067	5,650,231
	Insurance		2,791,800	2,249,823
	Office and general expenses		9,261,139	8,164,888
	Bank charges		370,966	322,501
			162,633,202	151,572,141
			462,420,877	404,977,340

		Note	2018 Rupees	2017 Rupees
29.1	**Total compensation expense**			
	Fees and Allowances etc		–	–
	Managerial Remuneration			
	i) Fixed		109,218,814	88,048,336
	ii) Variable			
	of which;			
	a) Cash Bonus / Awards etc.		28,888,500	20,000,000
	b) Bonus & Awards in Shares etc.		–	–
	Charge for defined benefit plan		6,237,372	5,636,028
	Contribution to defined contribution Plan		8,021,425	6,698,598
	Compensated absences		3,366,125	2,576,944
	Leave fare assistance		2,394,390	3,888,330
	Exgratia		6,511,500	5,143,374
	Rent & house maintenance		42,371,588	36,661,569
	Utilities		8,460,368	7,129,122
	Medical		14,206,571	13,204,792
	Conveyance		14,400,617	9,957,409
	Others		594,044	809,466
	Sub-total		244,671,314	199,753,968
	Sign-on Bonus		–	–
	Severance Allowance		–	–
	Grand Total		244,671,314	199,753,968
29.2	**Auditors' remuneration**			
	Audit fee		1,395,000	1,265,000
	Half yearly review		725,000	605,000
	Fee for other statutory certifications		130,000	30,000
	Special certifications and sundry advisory services		–	1,500,000
	Tax services		3,600,000	6,681,700
	Out-of-pocket expenses		175,000	175,000
			6,025,000	10,256,700
30	**PROVISIONS & WRITE OFFS - NET**			
	Provisions for diminution in value of investments - net	10.3.1	(113,941,917)	322,874,872
	Provisions / (reversals) against loans & advances - net	11.4	36,707,360	(84,269,333)
			(77,234,557)	238,605,539

		Note	2018 Rupees	2017 Rupees
31.	**TAXATION**			
	Current tax			
	Current year		197,987,228	294,074,924
	Prior year		617,237,729	43,895,747
			815,224,957	337,970,671
	Deferred tax			
	Current year		(4,135,130)	(99,727,218)
	Prior year		(518,330,000)	–
			(522,465,130)	(99,727,218)
		31.1	292,759,827	238,243,453
31.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		702,418,747	870,142,677
	Tax rate		29%	30%
	Tax on accounting profit		203,701,437	261,042,803
	Tax effect on income subject to lower rate of taxation		(34,509,582)	(17,707,019)
	Impact of change in tax rate for prior year		–	–
	Tax effect of prior years		125,810,144	43,895,747
	Impact of super tax for prior year		16,660,916	–
	Reversal of deferred tax asset for prior year		4,523,839	(1,788,585)
	Minimum tax of subsidiary company		1,852,207	–
	Permanent differences			
	on reveral of provision against investment		(20,243,160)	(47,962,510)
	expenses not claimable against rental income		(2,737,222)	(7,411,550)
	Others		(2,298,752)	8,174,567
			292,759,827	238,243,453
32.	**BASIC EARNINGS PER SHARE**			
	Profit for the year - Rupees		409,658,920	631,899,224
	Weighted average number of ordinary shares		660,000,000	660,000,000
	Basic earnings per share - Rupee		0.621	0.957
33	**DILUTED EARNINGS/ (LOSS) PER SHARE**			
	There was no dilutive instrument, hence basic & diluted earnings are same.			
34	**CASH AND CASH EQUIVALENTS**			
	Cash and Balance with treasury banks		54,688,164	40,327,154
	Balance with other banks		360,191,365	285,287,037
			414,879,529	325,614,191

		2018 (Number)	2017 (Number)
35.	**STAFF STRENGTH**		
	Permanent	81	82
	On Group's contract	4	5
	Group's own staff strength at the end of the year	85	87

35.1 In addition to the above, 95 (2017: 92) employees of outsourcing services companies were assigned to the group as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

36. DEFINED BENEFIT PLAN

36.1 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, 2018 using the projected unit credit method. Detail of the defined benefit plan are:

36.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2018 (Number)	2017 (Number)
Gratuity fund	82	83

36.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
Discount rate	13.25% per annum	8.25% per annum
Expected rate of salary increase - (the Holding Company)	11.25% per annum	6.25% per annum
Expected rate of salary increase - (the subsidary company)	12.25% per annum	7.25% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

		2018 Rupees	2017 Rupees
36.4	**Reconciliation of (receivable from) / payable to defined benefit plans**		
	Present value of obligations	49,991,223	40,867,872
	Fair value of plan assets	(40,206,933)	(34,081,354)
	Net liability payable	9,784,290	6,786,518
36.5	**Movement in defined benefit obligations**		
	Obligations at the beginning of the year	40,867,872	33,081,128
	Current service cost	5,733,112	5,070,092
	Interest cost	3,398,917	2,707,251
	Benefits paid by the group	(4,060,000)	(1,980,000)
	Re-measurement loss	4,051,322	1,989,401
	Obligations at the end of the year	49,991,223	40,867,872

		Note	2018 Rupees	2017 Rupees
36.6	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		34,081,354	25,309,590
	Interest income on plan assets		2,894,657	2,141,315
	Contributions by employer - net		7,639,697	8,583,245
	Actual amount paid by the Fund to the group		(4,060,000)	(1,980,000)
	Re-measurements: Net return on plan assets over interest income - (loss) / gain	36.8.2	(348,775)	27,204
	Fair value at the end of the year		40,206,933	34,081,354
36.7	**Movement in (receivable) / payable under defined benefit schemes**			
	Opening balance		6,786,518	7,771,538
	Charge for the year		6,237,372	5,636,028
	Benefits paid to outgoing members		(4,060,000)	(1,980,000)
	Contribution by the group - net		(7,639,697)	(8,583,245)
	Re-measurement loss / (gain) recognised in OCI during the year	36.8.2	4,400,097	1,962,197
	Amount paid by the Fund to the group		4,060,000	1,980,000
	Closing balance		9,784,290	6,786,518
36.8	**Charge for defined benefit plans**			
36.8.1	**Cost recognised in profit and loss**			
	Current service cost		5,733,112	5,070,092
	Net interest on defined benefit asset / liability		504,260	565,936
			6,237,372	5,636,028
36.8.2	**Re-measurement loss/ (gain) recognised in OCI during the year**			
	Loss / (gain) on obligation			
	- Demographic assumptions		–	–
	- Financial assumptions		1,323,074	56,857
	- Experience adjustments		2,728,248	1,932,544
	Total acturial loss on obligation		4,051,322	1,989,401
	Return on plan assets over interest income - (loss) / gain		348,775	(27,204)
	Total re-measurements recognised in OCI		4,400,097	1,962,197

		2018 Rupees	2017 Rupees
36.9	**Components of plan assets**		
	Cash and cash equivalents - net	3,022,569	929,673
	Term deposit receipts	32,955,384	29,945,019
	Investment in mutual funds	923,858	880,775
	Deposit with banks	3,305,122	2,325,887
		40,206,933	34,081,354

36.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

36.10 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.

	2018 Rupees	2017 Rupees
Discount rate +0.5%	44,541,636	36,686,346
Discount rate -0.5%	46,926,576	38,769,811
Long term salary increase +0.5%	47,048,952	38,876,537
Long term salary increase -0.5%	44,416,160	36,576,841

		2019 Rupees
36.11	**Expected contributions to be paid to the funds in the next financial year**	8,019,057
36.12	**Expected charge / (reversal) for next financial year**	
	Current service cost	6,788,262
	Net interest on defined benefit asset / liability	1,230,795
		8,019,057

		2018 Rupees	2017 Rupees
36.13	**Maturity profile**		
	Distribution of timing of benefit payments (years)		
	- 1	6,225,881	4,859,771
	- 2	20,429,815	13,927,312
	- 3	9,087,612	5,593,994
	- 4	8,106,297	7,627,871
	- 5	4,623,515	6,172,970
	- 6-10	40,026,577	29,063,192
	Weighted average duration of the PBO (years)	5.21	5.52

36.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

36.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underling interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may loose its value due to the increase of general inflation rate.
Life expectancy / Withdrawal rate	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

37. 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. As per latest available financial statements of the Fund, total assets of the Fund as at December 31, 2018 were Rs. 92,120,965 (2017: Rs. 79,670,549).

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2018					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	2,042,513	–	13,758,591	500,000	–	–
Managerial Remuneration						
i) Fixed	–	–	–	22,393,871	36,655,340	–
ii) Total Variable	–	–	–	–	–	
of which						
a) Cash Bonus / Awards	–	–	–	8,000,000	5,975,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,679,761	3,277,025	–
Contribution to defined contribution plan	–	–	–	1,798,387	2,822,332	–
Compensated absences	–	–	–	-	1,006,483	–
Leave fare assistance	–	–	–	-	2,394,390	–
Exgratia	–	–	–	1,700,000	2,346,361	–
Rent & house maintenance	–	–	–	7,556,774	14,725,604	–
Utilities	–	–	–	2,657,899	2,454,267	–
Medical	–	–	–	408,000	5,512,621	–
Conveyance	–	–	–	3,429,547	5,813,419	–
Total	2,042,513	–	13,758,591	52,124,239	82,982,842	–
Number of Persons	1	0	5	2	17	0

In addition to above, the GM / CEO of the Holding Company and certain other key management personnel are provided with company maintained vehicles in accordance with their terms of employment.

Items	2017					
	Directors			GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Chairman	Executive (other than CEO)	Non Executive			
	Rupees					
Fees and Allowances etc.	1,735,800	–	11,336,830	220,000	–	–
Managerial Remuneration						
i) Fixed	–	–	–	16,200,000	28,562,742	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	7,000,000	6,728,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,009,057	3,548,500	–
Contribution to defined contribution plan	–	–	–	1,200,000	2,181,844	–
Compensated absences	–	–	–	–	979,317	–
Leave fare assistance	–	–	–	1,000,000	2,926,886	–
Exgratia	–	–	–	1,700,000	2,411,059	–
Rent & house maintenance	–	–	–	6,360,000	11,096,236	–
Utilities	–	–	–	1,200,000	1,849,373	–
Medical	–	–	–	408,000	4,137,723	–
Conveyance	–	–	–	786,438	4,688,153	–
Total	1,735,800	–	11,336,830	37,083,495	69,109,833	–
Number of Persons	1	0	5	2	16	0

In addition to above, the GM / CEO of the Holding Company and certain other key management personnel are provided with company maintained vehicles in accordance with their terms of employment.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2018					
		For board meetings	Meeting Fees and Allowances Paid For Board Committees				Total amount paid
			Audit committee	Risk management committee	Human Resource committee	Selection recruitment committee	
		Rupees					
1	Mohammed W. Al-Harby	1,725,325	–	–	317,188	–	2,042,513
2	Mohammed Al-Jarbou	1,725,325	1,217,838	317,188	–	–	3,260,351
3	Musaad A. Al Fakhri	1,725,325	1,217,838	–	317,188	–	3,260,351
4	Khizar Hayat Gondal	405,300	–	–	–	–	405,300
5	Shujat Ali	1,725,325	1,075,838	–	317,188	–	3,118,351
6	Qumar Sarwar Abbasi	1,058,900	934,375	317,188	–	–	2,310,463
7	Zafar Hasan	1,066,275	–	168,750	168,750	–	1,403,775
	Total Amount Paid	9,431,775	4,445,889	803,126	1,120,314	–	15,801,104

In addition to the above, boarding / lodging expenses of the Directors' for meetings are borne by the Company and are included in travelling expenses under other operating expenses.

Sr. No.	Name of Directors	2017					
		Meeting Fees and Allowances Paid For Board Committees					
		For board meetings	Audit committee	Risk management committee	Human Resource committee	Selection recruitment committee	Total amount paid
		Rupees					
1	Mohammed W. Al-Harby	1,600,987	–	–	134,813	–	1,735,800
2	Mohammed Al-Jarbou	1,354,550	564,975	241,225	–	241,225	2,401,975
3	Musaad A. Al Fakhri	1,867,862	591,938	–	134,813	268,188	2,862,801
4	Khizar Hayat Gondal	1,677,600	–	268,188	134,813	–	2,080,601
5	Shujat Ali	1,514,350	537,251	–	134,813	268,188	2,454,602
6	Qumar Sarwar Abbasi	863,350	403,876	134,813	–	134,812	1,536,851
	Total Amount Paid	8,878,699	2,098,040	644,226	539,252	912,413	13,072,630

In addition to the above, boarding/ lodging expenses of the Directors' for meetings are borne by the Company and are included in travelling expenses under other operating expenses.

39. FAIR VALUE MEASUREMENTS

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. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, 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 6.6.

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 Fair value of financial assets

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 leasehold land, building, certain other fixed assets and non-banking assets acquired in satisfaction of claims.

	2018			
	Level 1	Level 2	Level 3	Total
	Rupees			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	1,799,808,201	–	–	1,799,808,201
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	1,346,731,421	1,346,731,421
Unquoted Securities	–	–	512,500,008	512,500,008
Federal Government Securities	–	–	123,077,716	123,077,716
Certfificate of Invetsment	–	–	77,941,641	77,941,641
Term deposit certificate	–	–	65,372,192	65,372,192
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

	2017			
	Level 1	Level 2	Level 3	Total
	Rupees			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	5,628,390,400	–	5,628,390,400
Shares	2,311,167,435	–	–	2,311,167,435
Non-Government Debt Securities	–	30,156,432	–	30,156,432
Mutual Funds	–	88,194,413	–	88,194,413
Foreign Securities	–	–	–	–
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	485,932,937	485,932,937
Unquoted Securities	–	–	512,500,008	512,500,008
Certfificate of Invetsment	–	–	77,557,522	77,557,522
Off-balance sheet financial instruments measured at fair value	–	–	–	–

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Debentures and corporate debt instruments	Market rates of these securities are not available on MUFAP as at December 31, 2018, therefore, these securities are classified level 3.
Unquoted Investment	There are no observable inputs in respect of fair market valuation of unquoted investment, hence these securities are valued at lower of cost or breakup value. These securities are classified under level 3.

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.

39.3 Fair value of non-financial assets

39.4 The property and equipment of the Holding Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non banking assets acquired from DJM AR Securities were last revalued by independent professional valuer in February 2019. The revaluation was carried out by M/s Surval on the basis of professional assessment of recent market values. The non banking assets acquired from Irfan Textile were last revalued by independent professional valuer in November 2018. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2018			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building & others certain other assets)	–	–	3,226,774,036	3,226,774,036
Other assets				
Non-banking assets acquired in satisfaction of claims	–	–	155,199,848	155,199,848

	2017			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building & others certain other assets)	–	–	2,595,160,525	2,595,160,525
Other assets				
Non-banking assets acquired in satisfaction of claims	–	–	153,156,804	153,156,804

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

40. SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2018			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up / return / profit	521,790,559	81,414,311	8,574,126	611,778,996
Non mark-up / return / interest income	9,544,922	269,519,665	196,761,484	475,826,071
Total Income	531,335,481	350,933,976	205,335,610	1,087,605,067
Segment direct expenses	257,502,210	170,073,861	34,844,806	462,420,877
Total expenses	257,502,210	170,073,861	34,844,806	462,420,877
Reversals / (Provisions)	39,833,226	(117,067,783)	–	(77,234,557)
Profit before tax	234,000,045	297,927,898	170,490,804	702,418,747
Balance Sheet				
Cash & Bank balances	–	381,235,120	33,644,409	414,879,529
Investments	657,346,000	3,001,693,630	266,321,549	3,925,361,179
Lendings to financial institutions	–	2,818,407,389	–	2,818,407,389
Advances - performing	6,918,643,279	–	401,000	6,919,044,279
- non-performing net of provision	946,686,163	–	–	946,686,163
Others	667,555,066	400,461,047	3,354,832,462	4,422,848,575
Total Assets	9,190,230,508	6,601,797,186	3,655,199,420	19,447,227,114
Borrowings	3,434,314,888	2,337,023,394	75,000,000	5,846,338,282
Deposits & other accounts	4,462,979	3,037,021	–	7,500,000
Others	(385,393,977)	102,068,396	1,047,996,523	764,670,942
Total liabilities	3,053,383,891	2,442,128,810	1,122,996,523	6,618,509,224
Equity				12,828,717,890
Total Equity & liabilities				19,447,227,114
Contingencies & Commitments	2,395,947,150	1,024,404	13,896,256	2,410,867,810

	2017			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up / return / profit	480,390,750	257,415,452	14,920,315	752,726,517
Non mark-up / return / interest income	17,926,089	530,111,057	212,961,893	760,999,039
Total Income	498,316,839	787,526,509	227,882,208	1,513,725,556
Segment direct expenses	146,020,814	230,767,362	28,189,164	404,977,340
Total expenses	146,020,814	230,767,362	28,189,164	404,977,340
Provisions	(159,769,365)	398,374,904	–	238,605,539
Profit before tax	512,065,390	158,384,243	199,693,044	870,142,677
Balance Sheet				
Cash & Bank balances	–	163,376,609	162,237,582	325,614,191
Investments	485,932,937	8,482,214,275	165,751,935	9,133,899,147
Lendings to financial institutions	–	–	–	–
Advances - performing	7,991,102,782	–	216,002	7,991,318,784
- non-performing	466,791,624	–	–	466,791,624
Others	705,536,610	1,155,635,290	2,683,581,291	4,544,753,191
Total Assets	9,649,363,953	9,801,226,174	3,011,786,810	22,462,376,937
Borrowings	4,196,388,624	3,942,483,172	1,037,973,853	9,176,845,649
Deposits & other accounts	3,429,601	3,222,090	848,309	7,500,000
Others	106,525,401	(14,905,559)	802,833,289	894,453,131
Total liabilities	4,306,343,625	3,930,799,703	1,841,655,452	10,078,798,780
Equity				12,383,578,157
Total Equity & liabilities				22,462,376,937
Contingencies & Commitments	2,562,169,407	9,709,794	1,930,859	2,573,810,060

40.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2018		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up / return / profit	611,778,996	–	611,778,996
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	475,826,071	–	475,826,071
Total Income	1,087,605,067	–	1,087,605,067
Segment direct expenses	462,420,877	–	462,420,877
Inter segment expense allocation	–	–	–
Total expenses	462,420,877	–	462,420,877
Provisions	(77,234,557)	–	(77,234,557)
Profit before tax	702,418,747	–	702,418,747
Balance Sheet			
Cash & Bank balances	414,879,529	–	414,879,529
Investments	3,925,361,179	–	3,925,361,179
Net inter segment lendings	–	–	–
Lendings to financial institutions	2,818,407,389	–	2,818,407,389
Advances - performing	6,919,044,279	–	6,919,044,279
- non-performing net of provision	946,686,163	–	946,686,163
Others	4,422,848,575	–	4,422,848,575
Total Assets	19,447,227,114	–	19,447,227,114
Borrowings	5,846,338,282	–	5,846,338,282
Deposits & other accounts	7,500,000	–	7,500,000
Net inter segment borrowing	–	–	–
Others	764,670,942	–	764,670,942
Total liabilities	6,618,509,224	–	6,618,509,224
Equity	12,828,717,890	–	12,828,717,890
Total Equity & liabilities	19,447,227,114	–	19,447,227,114
Contingencies & Commitments	2,410,867,810	–	2,410,867,810

	2017		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up / return / profit	752,726,517	–	752,726,517
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	760,999,039	–	760,999,039
Total Income	1,513,725,556	–	1,513,725,556
Segment direct expenses	404,977,340	–	404,977,340
Inter segment expense allocation	–	–	–
Total expenses	404,977,340	–	404,977,340
Provisions	238,605,539	–	238,605,539
Profit before tax	870,142,677	–	870,142,677
Balance Sheet			
Cash & Bank balances	325,614,191	–	325,614,191
Investments	9,133,899,147	–	9,133,899,147
Net inter segment lendings	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing	7,991,318,784	–	7,991,318,784
- non-performing	466,791,624	–	466,791,624
Others	4,544,753,191	–	4,544,753,191
Total Assets	22,462,376,937	–	22,462,376,937
Borrowings	9,176,845,649	–	9,176,845,649
Deposits & other accounts	7,500,000	–	7,500,000
Net inter segment borrowing	–	–	–
Others	894,453,131	–	894,453,131
Total liabilities	10,078,798,780	–	10,078,798,780
Equity	12,383,578,157	–	12,383,578,157
Total Equity & liabilities	22,462,376,937	–	22,462,376,937
Contingencies & Commitments	2,573,810,060	–	2,573,810,060

41. RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Government of 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 hospitalisation is also provided to staff and executives. In addition to this, majority of the executives of the company have been provided with company maintained car.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Investments					
Opening balance	–	–	–	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Closing balance	–	–	–	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	36,250,784	–	–	–
Addition during the year	–	26,738,500	–	–	–
Repaid during the year	–	(15,919,964)	–	–	–
Transfer in / (out) - net	–	(20,772,909)	–	–	–
Closing balance	–	26,296,411	–	–	–
Provision held against advances	–	–	–	–	–
Other receivable - Ministry of Finance - KSA representing Governement of Kindom of Saudi Arabia	–	–	–	–	15,000,000
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	7,500,000
Received during the year	–	–	–	–	30,000,000
Withdrawn during the year	–	–	–	–	(30,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	7,500,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	32,363
Payable to defined benefit plan	–	–	–	–	9,784,290
Income					
Mark-up / return / interest earned	–	1,619,345	–	–	–
Rental income	–	–	–	660,000	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	518,917
Contribution to employees' funds	–	–	–	–	8,243,825
Directors' fees and allowances	15,801,104	–	–	–	–
Shareholders' fees	–	–	–	–	3,194,935
Operating expenses	–	135,107,081	–	348,638	–

	2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees				
Investments					
Opening balance	–	–	–	576,676,075	-
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Closing balance	–	–	–	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	29,959,095	–	–	–
Addition during the year	–	16,510,800	–	–	–
Repaid during the year	–	(12,060,406)	–	–	–
Transfer in / (out) - net	–	1,841,295	–	–	–
Closing balance	–	36,250,784	–	–	–
Provision held against advances	–	–	–	–	–
Other receivable - Ministry of Finance - KSA representing Governement of Kindom of Saudi Arabia	–	–	–	–	15,000,000
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	12,500,000
Received during the year	–	–	–	–	30,000,000
Withdrawn during the year	–	–	–	–	(35,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	7,500,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	17,692
Payable to defined benefit plan	–	–	–	–	6,786,518
Income					
Mark-up / return / interest earned	–	949,305	–	–	–
Rental income	–	–	–	610,169	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	739,948
Contribution to employees' funds	–	–	–	–	6,895,996
Directors' fees and allowances	13,072,630	–	–	–	–
Shareholders' fees	–	–	–	–	3,205,008
Operating expenses	–	106,193,328	–	328,402	–

		2018 Rs '000'	2017 Rs '000'
42.	**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**		
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	10,000,000	10,000,000
	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	10,390,995	10,624,575
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	Total Eligible Tier 1 Capital	10,390,995	10,624,575
	Eligible Tier 2 Capital	1,607,216	1,400,669
	Total Eligible Capital (Tier 1 + Tier 2)	11,998,211	12,025,244
	Risk Weighted Assets (RWAs):		
	Credit Risk	20,428,417	19,862,703
	Market Risk	2,726,899	4,752,341
	Operational Risk	2,344,868	2,376,726
	Total	25,500,184	26,991,770
	Common Equity Tier 1 Capital Adequacy ratio	40.75%	39.36%
	Tier 1 Capital Adequacy Ratio	40.75%	39.36%
	Total Capital Adequacy Ratio	47.05%	44.55%

As of December 2018, the bank must meet Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 12.5% respectively.

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

	2018 Rs '000'	2017 Rs '000'
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	10,390,995	10,624,575
Total Exposures	21,601,453	24,740,495
Leverage Ratio	48.10%	42.94%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	3,176,049	4,547,727
Total Net Cash Outflow	1,176,076	3,518,430
Liquidity Coverage Ratio	270.05%	129.25%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	17,671,704	18,920,744
Total Required Stable Funding	14,924,384	14,861,249
Net Stable Funding Ratio	118.41%	127.32%

42.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios is avialable at https://www.saudipak.com

43. RISK MANAGEMENT

The Group defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Group is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Group recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Group's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Group with regard to risk.

The Group's overall appetite for risk is governed by its Board of Directors (the Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Group. The Group's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Group's overall risk management culture and awareness.

The Group recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Group has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Group's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Credit Risk Management Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year 2018 revealed that the Group's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

43.1 Credit Risk

Credit risk is the risk of loss to the Group's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Group's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Group, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Group's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk and facility risk are carefully evaluated using internal risk rating methodologies, as articulated in the Group's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment,

monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Credit Risk Management Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional Credit & Investment Committee, and review by independent functions, including RMD, CD, and Law Division (LD);
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to FIs in place and regularly reviewed;
- Clear lines of authority for Treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits in place and reviewed annually ;
- Policies & procedures circulated amongst concerned functionaries through the Group intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Group adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Group may consider subjective criteria in determining account classification. The Group determines provisioning requirements for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. Write-offs are made when there is no realistic prospect of recovery.

The Group employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Group recognizes JCR-VIS and PACRA as approved rating agencies, and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. In absence of external ratings, the exposures are treated as unrated and relevant risk weights are applied. The Group follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Company is presently not involved in securitization activities.

The Company's maximum credit risk exposure as at December 31, 2018 amounted to:

	2018 without benfit of collateral Rupees	2018 with benfit of collateral Rupees
Lending to financial institutions	500,000,000	2,318,407,389
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	–	1,346,731,421
Advances	–	7,865,730,442
	500,000,000	11,530,869,252

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

		2018	2017	2018	2017	2018	2017
		Gross lendings		Non-performing lendings		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
43.1.1	**Lendings to financial institutions**						
	Credit risk by public / private sector						
	Public/ Government	–	–	–	–	–	–
	Private	2,818,407,389	–	–	–	–	–
		2,818,407,389	–	–	–	–	–

		2018	2017	2018	2017	2018	2017
		Gross Investments		Non-performing Investments		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
43.1.2	**Investment in debt securities**						
	Credit risk by industry sector						
	Textile	204,114,140	204,114,140	204,114,140	204,114,140	136,614,140	136,614,140
	Chemical and Pharmaceuticals	286,283,751	314,716,688	286,283,751	286,283,751	286,283,751	286,283,751
	Transport, Storage and Communication	42,174,889	39,049,023	42,174,889	39,049,023	42,174,889	39,049,023
	Financial	1,426,293,754	500,698,343	3,748,500	3,748,500	3,748,500	3,748,500
		1,958,866,534	1,058,578,194	536,321,280	533,195,414	468,821,280	465,695,414
	Credit risk by public / private sector						
	Public/ Government	123,007,716	5,542,489,768	–	–	–	–
	Private	1,958,866,534	1,058,578,194	536,321,280	533,195,414	468,821,280	465,695,414
		2,081,874,250	6,601,067,962	536,321,280	533,195,414	468,821,280	465,695,414

		2018	2017	2018	2017	2018	2017
		Gross Advances		Non-performing Advances		Provision held	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
43.1.3	**Advances**						
	Credit risk by industry sector						
	Textile	1,970,084,946	1,652,682,820	1,092,029,389	1,092,029,389	912,501,693	820,152,570
	Chemical and Pharmaceuticals	14,972,941	20,472,941	14,972,941	20,472,941	14,972,941	14,972,941
	Cement	172,487,393	188,193,569	116,206,923	116,206,923	116,206,923	116,206,923
	Sugar	715,114,473	453,114,473	243,114,473	243,114,473	159,289,338	92,033,250
	Automobile and transportation equipment	209,278,212	249,278,212	209,278,212	249,278,212	209,278,212	249,278,212
	Electronics and electrical appliances	726,500,000	500,000,000	–	–	–	–
	Construction	305,752,705	472,419,373	205,752,708	205,752,708	205,752,708	205,752,708
	Power (electricity), Gas, Water, Sanitary	1,211,585,347	1,687,021,364	165,028,752	241,695,917	165,028,752	203,362,335
	Transport, Storage and Communication	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152
	Financial	294,699,410	395,990,147	89,406,858	91,000,000	89,406,858	91,000,000
	Services	342,030,294	432,030,294	32,030,294	32,030,294	32,030,294	32,030,294
	Paper board and products	302,486,423	464,986,423	33,736,423	33,736,423	33,736,423	33,736,423
	Rubber and plastic products	166,189,723	194,442,691	–	–	–	–
	Basic metals	287,916,209	536,627,747	69,937,328	112,908,454	69,937,328	112,908,454
	Others	3,297,023,836	3,324,534,464	825,583,332	142,250,000	142,250,000	142,250,000
		10,028,583,064	10,584,255,670	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262

	2018	2017	2018	2017	2018	2017
	Gross Advances		Non-performing Advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Credit risk by public / private sector						
Public/ Government	–	–	–	–	–	–
Private	10,028,583,064	10,584,255,670	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262
	10,028,583,064	10,584,255,670	3,109,538,785	2,592,936,886	2,162,852,622	2,126,145,262

		2018 Rupees	2017 Rupees
43.1.4	**Contingencies and Commitments**		
	Credit risk by industry sector		
	Textile	815,530,000	218,770,000
	Cement	820,000,000	820,000,000
	Sugar	–	35,480,000
	Electronics and electrical appliances	186,000,000	–
	Construction	–	100,000,000
	Power (electricity), Gas, Water, Sanitary	573,000,000	573,000,000
	Financial	–	805,000,000
	Others	16,337,810	21,560,060
		2,410,867,810	2,573,810,060
	Credit risk by public / private sector	–	–
	Public/ Government	–	–
	Private	2,410,867,810	2,573,810,060
		2,410,867,810	2,573,810,060

43.1.5 Concentration of Advances

Top 10 exposures of the Company, on the basis of total funded and non-funded expsoures, aggregated to Rs 5,569 million (2017: Rs. 5,312 million) as follows:

	2018 Rupees	2017 Rupees
Funded	5,322,234,551	5,311,576,315
Non Funded	246,760,000	–
Total Exposure	5,568,994,551	5,311,576,315

	2018		2017	
	Amount	Provision held	Amount	Provision held
	Rupees			
Total funded classified therein				
OAEM	–	–	–	–
Substandard	683,333,332	–	–	–
Doubtful	–	–	–	–
Loss	719,909,649	540,381,953	719,909,649	448,032,830
Total	1,403,242,981	540,381,953	719,909,649	448,032,830

43.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	3,423,241,570	3,423,241,570	–	–	–	–	–
Sindh	180,000,000	–	180,000,000	–	–	–	–
KPK including FATA	100,000,000	–	–	100,000,000	–	–	–
Balochistan	–	–	–	–	–	–	–
Islamabad	164,000,000	–	–	–	–	164,000,000	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,867,241,570	3,423,241,570	180,000,000	100,000,000	–	164,000,000	–

	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	2,583,172,022	2,583,172,022	–	–	–	–	–
Sindh	747,000,000	–	747,000,000	–	–	–	–
KPK including FATA	100,000,000	–	–	100,000,000	–	–	–
Balochistan	–	–	–	–	–	–	–
Islamabad	20,000,000	–	–	–	–	20,000,000	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,450,172,022	2,583,172,022	747,000,000	100,000,000	-	20,000,000	–

43.2 Market Risk

Market risk is the risk of loss to the Group's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Group is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes HFT & AFS investments in debt & listed equity instruments, and open position in foreign currency.

The market risk strategy of the Group is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Group's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk /Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Group on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Group's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of risk-adjusted performance of the investment portfolio.

The Group uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBP), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Group calculates its VaR with a 1-day and 10-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further backtested on daily basis against next day's P&L based on actual observed movements in market risk factors. Backtesting results suggest that the model is currently providing a conservative estimate of the risk. For interest rate risk in the banking book, the Group primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

43.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	54,688,164	–	54,688,164	40,327,154	–	40,327,154
Balances with other banks	360,191,365	–	360,191,365	285,287,037	–	285,287,037
Lendings to financial institutions	2,818,407,389	–	2,818,407,389	–	–	–
Investments	2,125,552,978	1,799,808,201	3,925,361,179	1,194,341,312	7,939,557,835	9,133,899,147
Advances	7,865,730,442	–	7,865,730,442	8,458,110,408	–	8,458,110,408
Fixed assets	3,296,060,467	–	3,296,060,467	2,677,395,125	–	2,677,395,125
Intangible assets	5,762,311	–	5,762,311	699,171	–	699,171
Deferred tax assets	–	–	–	–	–	–
Other assets	907,399,975	–	907,399,975	1,620,498,197	–	1,620,498,197
Development Properties	213,625,822	–	213,625,822	246,160,698	–	246,160,698
	17,647,418,913	1,799,808,201	19,447,227,114	14,522,819,102	7,939,557,835	22,462,376,937

43.2.2 Foreign Exchange Risk

The Group does not actively deal in foreign currency. Its aggregate foreign currency exposure is limited to USD-denominated bank balance, as represented in the table below. As such, the Group's direct exposure to foreign currency risk is minimal, with a favourable impact in case of PKR depreciation.

The foreign exchange exposures during the year of the Group is given as follows:

	2018				2017			
	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees				Rupees			
United States Dollar	18,248,884	–	–	18,248,884	16,141,879	–	–	16,141,879

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	182,489	–	161,419	–
- Other comprehensive income	–	–	–	–

43.2.3 Equity position Risk

The Group's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Group's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Group's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. Senior Management's Quoted Securities Monitoring Committee reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. Unquoted Investments Monitoring Committee is also in place to monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly summary reports to ALCO and periodic risk/return performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 5% change in equity prices on				
- Profit and loss account	–	–	–	591,312
- Other comprehensive income	–	89,990,410	–	114,967,059

43.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Group's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of HFT & AFS investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Group's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Group does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Group has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Group for the trading book includes marking-to-market, price value of basis point (PVBP), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective, as well as stress testing.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in interest rates on				
- Profit and loss account	57,948,762	2,272,293	36,957,670	98,318
- Other comprehensive income	–	–	–	–

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

	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	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	54,688,164	–	–	–	–	–	–	–	–	–	54,688,164
Balances with other banks	6.50	360,191,365	229,682,397	–	–	–	–	–	–	–	–	130,508,968
Lending to financial institutions	10.47	2,818,407,389	2,818,407,389	–	–	–	–	–	–	–	–	–
Investments	10.11	3,925,361,179	67,500,000	266,351,549	1,279,201,421	–	–	–	–	–	–	2,312,308,209
Advances	11.49	7,865,730,442	782,346,421	3,404,359,433	3,548,222,598	65,935,171	7,466,100	–	–	57,400,719	–	–
Other assets	–	232,124,109	–	–	–	–	–	–	–	–	–	232,124,109
		15,256,502,648	3,897,936,207	3,670,710,982	4,827,424,019	65,935,171	7,466,100	–	–	57,400,719	–	2,729,629,450
Liabilities												
Borrowings	9.05	5,846,338,282	58,566,425	985,208,231	4,293,774,656	37,549,312	50,098,624	65,887,716	131,775,432	223,477,886	–	–
Deposits and other accounts	10.50	7,500,000	–	7,500,000	–	–	–	–	–	–	–	–
Other liabilities	–	281,697,288	–	–	–	–	–	–	–	–	–	281,697,288
		6,135,535,570	58,566,425	992,708,231	4,293,774,656	37,549,312	50,098,624	65,887,716	131,775,432	223,477,886	–	281,697,288
On-balance sheet gap		9,120,967,078	3,839,369,782	2,678,002,751	533,649,363	28,385,859	(42,632,524)	(65,887,716)	(131,775,432)	(166,077,167)	–	2,447,932,162
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			3,839,369,782	2,678,002,751	533,649,363	28,385,859	(42,632,524)	(65,887,716)	(131,775,432)	(166,077,167)	–	2,447,932,162
Cumulative Yield / Interest Risk Sensitivity Gap			3,839,369,782	6,517,372,533	7,051,021,896	7,079,407,755	7,036,775,231	6,970,887,515	6,839,112,083	6,673,034,916	6,673,034,916	–

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	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
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	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		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(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	–

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events
- Employment practices & workplace safety events
- Clients, products & business practices events
- Damage to physical assets events
- Business disruption and system failures events
- Execution, delivery & process management events

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Group's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Group. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Group has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Group also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

43.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Group is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Group's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Group's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Group overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2018													
	Total	Upto 1 day	Over 1 to 7 days	Over 1 to 7 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	54,688,164	54,688,164	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	360,191,365	360,191,365	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	2,818,407,389	–	2,318,407,389	–	500,000,000	–	–	–	–	–	–	–	–	–
Investments	3,925,361,179	67,500,000	–	–	–	135,503,842	130,847,707	58,000	30,000	1,829,251,622	176,000	176,000	397,663,000	1,364,155,008
Advances	7,865,730,442	688,491,360	75,230,867	–	18,624,194	65,338,599	248,536,764	756,345,955	705,500,601	357,861,257	2,443,160,557	805,796,911	944,076,777	756,766,601
Fixed assets	3,296,060,467	636,686	2,228,402	4,456,804	2,228,402	6,366,863	12,733,727	28,650,885	28,650,885	28,650,886	114,603,540	114,603,533	408,595,569	2,543,654,285
Intangible assets	5,762,311	10,670	37,345	74,689	37,345	106,699	213,397	480,144	480,144	480,143	1,920,576	1,921,159	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	907,399,975	2,899,702	20,297,913	40,595,826	23,197,615	35,749,213	71,498,426	129,064,974	268,114,962	315,981,344	–	–	–	–
Development Properties	213,625,822	–	–	–	–	–	–	–	–	–	–	–	213,625,822	–
	19,447,227,114	1,174,417,947	2,416,201,916	45,127,319	544,087,556	243,065,216	463,830,021	914,599,958	1,002,776,592	2,532,225,252	2,559,860,673	922,497,603	1,963,961,168	4,664,575,894
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	5,846,338,282	–	–	58,333,333	233,092	142,248,391	201,293,173	1,302,107,989	402,107,989	202,107,989	1,483,431,956	1,099,221,052	731,775,432	223,477,886
Deposits and other accounts	7,500,000	–	–	–	–	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	272,361,026	75,661	529,625	1,059,249	605,285	2,269,709	4,539,417	6,809,126	4,539,306	9,078,612	27,236,169	27,236,169	54,472,339	133,910,359
Other liabilities	492,309,916	1,778,925	12,452,477	24,904,954	14,231,402	35,578,505	71,157,011	118,346,977	97,468,829	99,108,781	–	–	5,184,617	12,097,438
	6,618,509,224	1,854,586	12,982,102	84,297,536	15,069,779	180,096,605	284,489,601	1,427,264,092	504,116,124	310,295,382	1,510,668,125	1,126,457,221	791,432,388	369,485,683
Net assets	12,828,717,890	1,172,563,361	2,403,219,814	(39,170,217)	529,017,777	62,968,611	179,340,420	(512,664,134)	498,660,468	2,221,929,870	1,049,192,548	(203,959,618)	1,172,528,780	4,295,090,211
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,366,864,210													
Unappropriated/ Unremitted profit	3,023,305,662													
Surplus/(Deficit) on revaluation of assets	1,838,548,018													
	12,828,717,890													

	2017													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	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	2,313,100	16,191,700	32,383,400	83,622,334	1,535,833,204	3,046,786,433	6,277,077	1,171,172,239	1,259,366,652	1,077,663,000	96,000	22,629,000	879,565,008
Advances	8,458,110,408	15,661,619	109,631,332	219,262,663	125,292,950	68,181,125	136,362,250	266,168,102	649,648,557	649,648,557	3,284,883,197	1,704,744,140	620,152,929	608,472,987
Fixed assets	2,677,395,125	533,581	7,032,615	14,068,697	8,503,299	5,323,329	10,666,078	23,984,113	23,984,113	23,984,113	95,936,453	95,936,448	346,789,320	2,020,652,966
Intangible assets	699,171	694	4,161	4,855	9,710	19,420	19,420	58,258	58,258	58,258	233,031	233,106	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	1,620,498,197	4,128,736	28,901,150	57,802,299	33,029,885	48,550,342	97,100,684	166,838,251	561,234,063	622,912,787	–	–	–	–
Development Properties	246,160,698	–	–	–	–	–	–	–	–	–	–	–	246,160,698	–
	22,462,376,937	348,251,921	161,760,958	323,521,914	250,458,178	1,657,907,420	3,290,934,865	463,325,801	2,406,097,230	2,555,970,367	4,458,715,681	1,801,009,694	1,235,731,947	3,508,690,961
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	9,176,845,649	64,335,928	450,351,498	900,702,997	514,687,427	241,666,667	483,333,333	3,277,760,300	339,979,108	364,979,108	1,011,041,200	986,041,200	522,082,400	19,884,483
Deposits and other accounts	7,500,000	–	–	–	–	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	651,353,904	91,077	546,462	637,539	1,275,079	2,290,649	2,290,649	5,426,405	1,119,485	1,119,485	4,893,113	5,417,440	74,373,384	551,873,138
Other liabilities	243,099,227	862,893	6,040,248	12,080,496	6,903,141	17,257,852	34,515,703	53,123,160	40,854,574	58,394,501	–	–	3,919,998	9,146,661
	10,078,798,780	65,289,898	456,938,208	913,421,032	522,865,647	261,215,168	527,639,685	3,336,309,865	381,953,167	424,493,094	1,015,934,313	991,458,640	600,375,782	580,904,282
Net assets	12,383,578,157	282,962,023	(295,177,250)	(589,899,118)	(272,407,469)	1,396,692,252	2,763,295,180	(2,872,984,064)	2,024,144,064	2,131,477,274	3,442,781,368	809,551,054	635,356,165	2,927,786,679
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,285,353,626													
Unappropriated/ Unremitted profit	2,924,439,250													
Surplus/(Deficit) on revaluation of assets	1,573,785,281													
	12,383,578,157													

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2018									
	Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6 months to 1 year	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	54,688,164	54,688,164	–	–	–	–	–	–	–	–
Balances with other banks	360,191,365	360,191,365	–	–	–	–	–	–	–	–
Lending to financial institutions	2,818,407,389	2,818,407,389	–	–	–	–	–	–	–	–
Investments	3,925,361,179	67,500,000	266,351,549	58,000	1,829,281,622	176,000	176,000	397,663,000	1,364,155,008	–
Advances	7,865,730,442	782,346,421	313,875,363	756,345,955	1,063,361,857	2,443,160,557	805,796,911	944,076,777	756,766,601	–
Fixed assets	3,296,060,467	9,550,295	19,100,590	28,650,885	57,301,770	114,603,540	114,603,533	408,595,569	379,131,678	2,164,522,607
Intangible assets	5,762,311	160,048	320,096	480,144	960,288	1,920,576	1,921,159	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	907,399,975	86,991,056	107,247,639	129,064,974	584,096,306	–	–	–	–	–
Development Properties	213,625,822	–	–	–	–	–	–	213,625,822	–	–
	19,447,227,114	4,179,834,738	706,895,237	914,599,958	3,535,001,843	2,559,860,673	922,497,603	1,963,961,168	2,500,053,287	2,164,522,607
Liabilities										
Bills payable	–	–	–	–	–	–	–	–	–	–
Borrowings	5,846,338,282	58,566,425	343,541,564	1,302,107,989	604,215,978	1,483,431,956	1,099,221,052	731,775,432	223,477,886	–
Deposits and other accounts	7,500,000	–	7,500,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	272,361,026	2,269,820	6,809,126	6,809,126	13,617,918	27,236,169	27,236,169	54,472,339	68,090,257	65,820,102
Other liabilities	492,309,916	53,367,758	106,735,516	118,346,977	196,577,609	5,184,617	12,097,439	–	–	–
	6,618,509,224	114,204,003	464,586,206	1,427,264,092	814,411,505	1,515,852,742	1,138,554,660	786,247,771	291,568,143	65,820,102
Net assets	12,828,717,890	4,065,630,735	242,309,031	(512,664,134)	2,720,590,338	1,044,007,931	(216,057,057)	1,177,713,397	2,208,485,144	2,098,702,505
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,366,864,210									
Unappropriated/ Unremitted profit	3,023,305,662									
Surplus/(Deficit) on revaluation of assets	1,838,548,018									
	12,828,717,890									

	Total	2017								
		Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6 months to 1 year	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	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	–
Fixed assets	2,677,395,125	8,329,913	16,659,825	47,133,227	49,979,477	99,958,955	99,958,878	355,086,819	329,813,998	1,670,474,033
Intangible assets	699,171	19,419	38,839	58,258	116,516	233,031	233,108	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
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/ Head office capital account	6,600,000,000									
Reserves	1,285,353,626									
Unappropriated/ Unremitted profit	2,924,439,250									
Surplus/(Deficit) on revaluation of assets	1,573,785,281									
	12,383,578,157									

43.5 Derivative Risk

The Group does not presently have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

44. GENERAL

To comply with the requirements of new format of financial statements prescribed by SBP vide BPRD Circular No.2 dated January 25, 2018, corresponding figures for the prior year have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances for the purpose of comparison. Significant rearrangements and reclassifications in the financial statements are as follows:

From	To	Rupees
Statement of Financial Position		
Fixed assets	Intangible assets	699,171
Profit and loss account		
Gain on sale of securities - net	Gain on securities	336,618,315
Unrealised loss on revaluation of investments classified as held for trading	Gain on securities	(3,371,084)
(Reversal)/Provision against non-performing loans and advances - net	Provisions and writes off	322,874,872
Provision for diminution in the value of investments - net	Provisions and writes off	(84,269,333)
Other income	Operating expenses	(15,003,105)

45 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 26 February 2019.

Chief Financial Officer | GM / Chief Executive | Director | Director | Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2018

(Rupees in million)

S. No	Name and Address of The Borrower	Name of Individual/ Partners/ Directors (with CNIC No.)	Fathers' / Husband Name	Outstanding Liabilities at the Beginning of Year				Principal Written off	Interest Mark up Waived (Note)	Other financial Relief Provided	Total
				Principal	Interest / Mark-up	Other than Interest/ Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
NIL											
Total:											

Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

NOTES

saudipak.com

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