



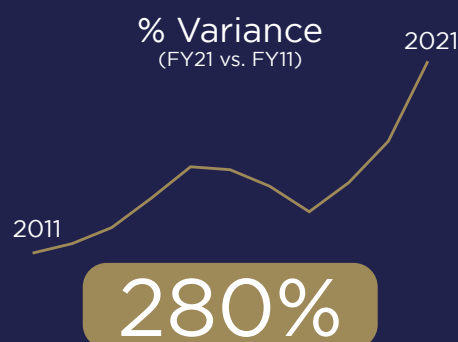
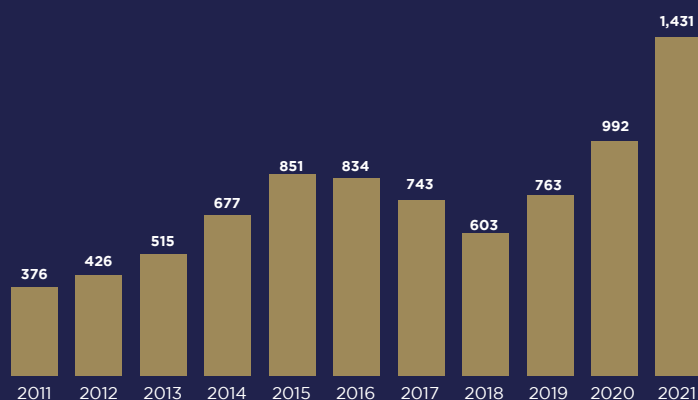
SAUDI PAK

40 YEARS & GROWING

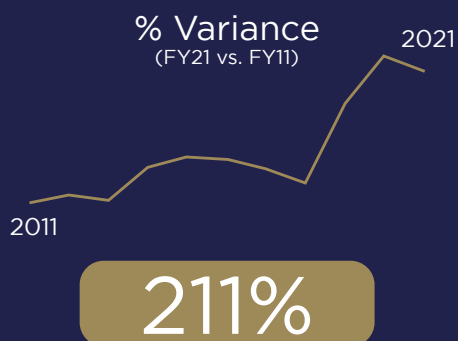
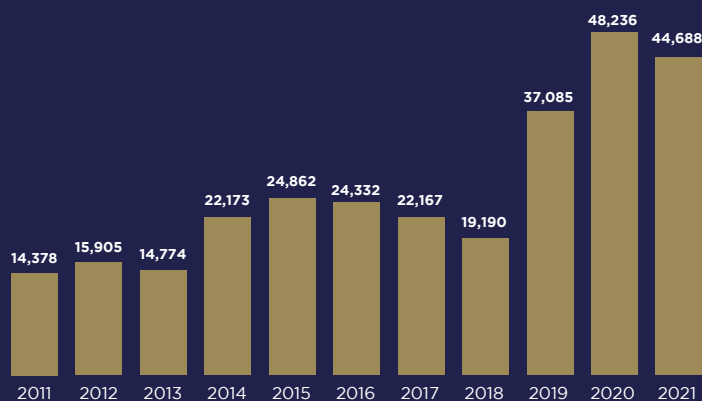
Annual Report 2021

SAUDI PAK PERFORMANCE ANALYSIS (2011-2021)

Net Mark-up Income

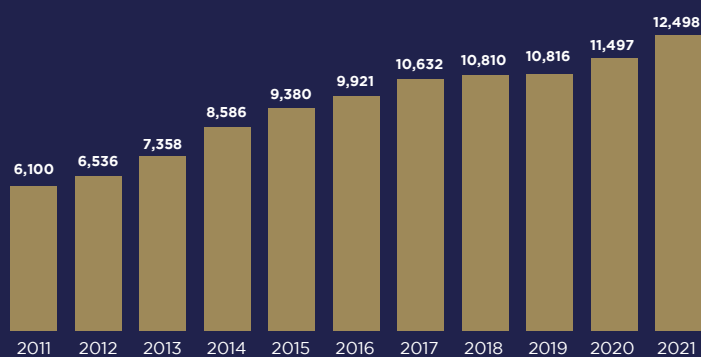


Total Assets



Equity

(Excluding Revaluation Surplus)

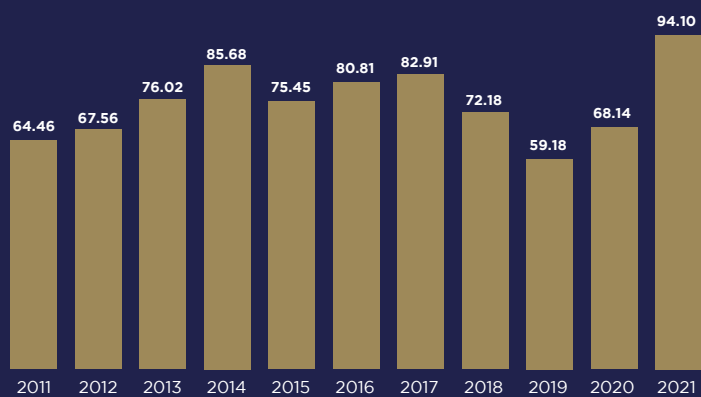


% Variance
(FY21 vs. FY11)

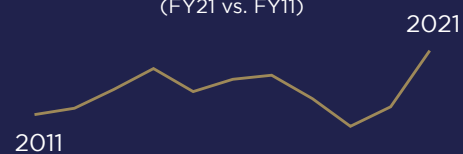


105%

NPLs Coverage Ratio %



% Variance
(FY21 vs. FY11)



46%



SUCCESS STORY

In line with its core objective, Saudi Pak continuously strives for creation of economic opportunities in partnership with its clients. The year in focus reflects our progress towards achievement of our objectives as defined by our shareholders.

We aim to advance in 2022 with the same vision, so that we continue to play our due role in the well-being and prosperity of our people.



SAUDI PAK

SAUDI PAK INVESTMENT COMPANY LIMITED

STWTHZCO

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CORPORATE INFORMATION

Board of Directors

Mr. Sultan Abdulrauf
Chairman

Mr. Zafar Hasan
Deputy Chairman

Mr. Majid Misfer J. Alghamdi
Director

Mr. Mohammad Tanvir Butt
Director

Mr. Ghanem Alghanem
Director

Mr. Qumar Sarwar Abbasi
Director

Risk Management Committee

Mr. Zafar Hasan
Chairman

Mr. Majid Misfer J. Alghamdi
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Ghanem Alghanem
Member

Ms. Tayaba Mazhar
Secretary

Company Secretary

Ms. Tayaba Mazhar

Chief Financial Officer

Mr. Safdar Abbas Zaidi

GM/Chief Executive

Mr. Kamal Uddin Khan

Audit Committee

Mr. Majid Misfer J. Alghamdi
Chairman

Mr. Mohammad Tanvir Butt
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Ghanem Alghanem
Member

Mr. Ali Aosjah Muhammad
Secretary

Human Resource and Remuneration Committee

Mr. Sultan Abdulrauf
Chairman

Mr. Zafar Hasan
Member

Mr. Mohammad Tanvir Butt
Member

Mr. Majid Misfer J. Alghamdi
Member

Ms. Tayaba Mazhar
Secretary

Legal Advisors

Hassan Kaunain Nafees

Auditors

KMPG Taseer Hadi & Co.
Chartered Accountants



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.
-

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 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, 2021 paid up capital of the Company is Rs.6,600 million.

Kingdom of Saudi Arabia

(Through Ministry of Finance)



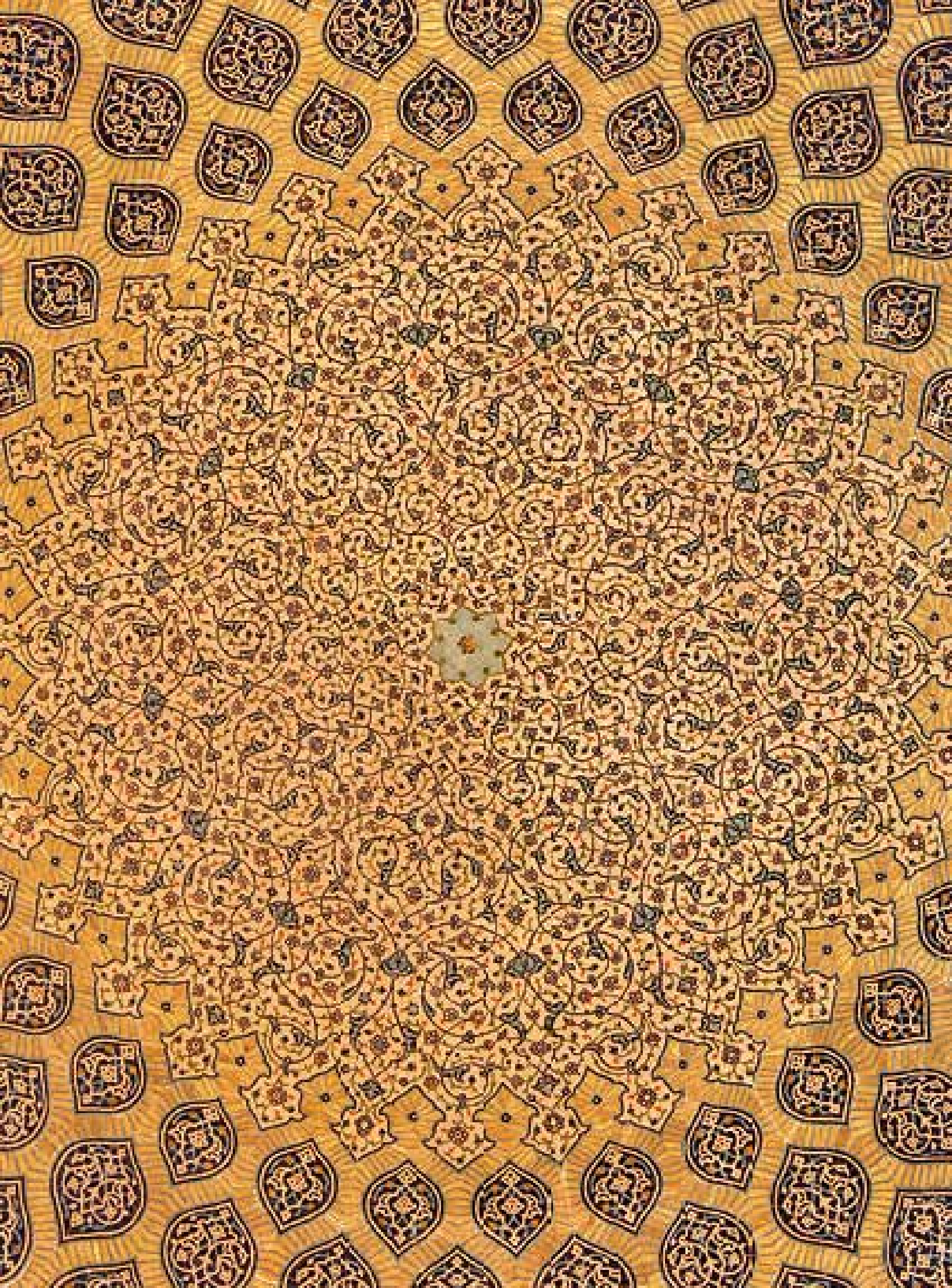
Islamic Republic of Pakistan

(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



BOARD OF DIRECTORS



Mr. Sultan Abdulrauf

Chairman



Mr. Zafar Hasan

Deputy Chairman



Mr. Majid Misfer J. Alghamdi

Director



Mr. Mohammad Tanvir Butt

Director



Mr. Ghanem Alghanem

Director



Mr. Qumar Sarwar Abbasi

Director

MANAGEMENT



Mr. Umar Saeed Khan
Senior Executive Vice President



Mr. Yawar Khan Afridi
Executive Vice President



Sheikh Aftab Ahmad
Executive Vice President

Mr. Kamal Uddin Khan
Chief Executive



Mr. Fateh Tariq
Executive Vice President



Mr. Kashif Suhail
Executive Vice President



Mr. Ali Imran
Senior Vice President



Mr. Zafar Iqbal
Senior Vice President



Mr. Safdar Abbas Zaidi
Senior Vice President



Mr. Mohammed Ghairat Hayat
Senior Vice President



Ms. Tayaba Mazhar
Senior Vice President



Mr. Arif Majeed Butt
Vice President / Head



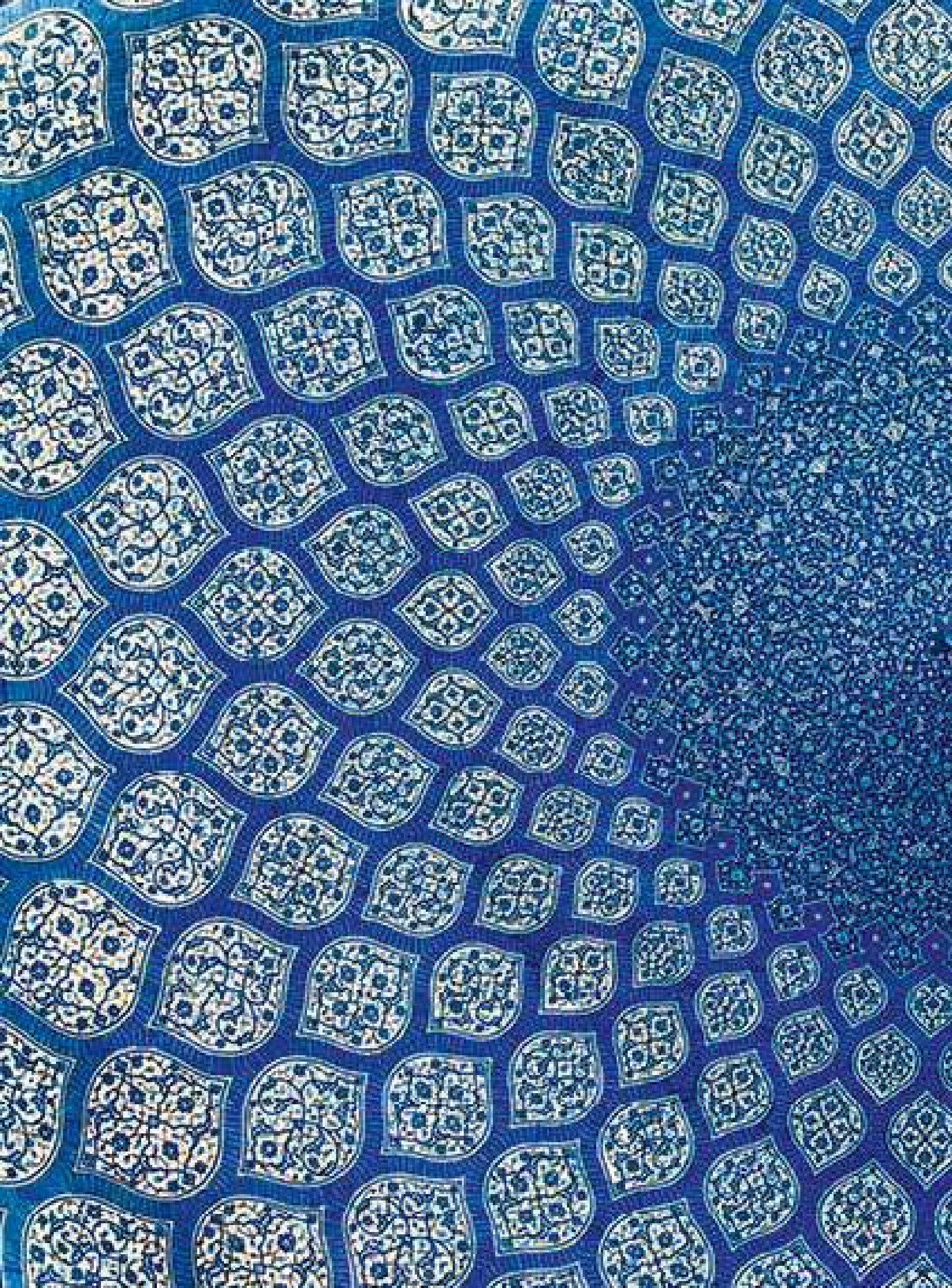
Ms. Tayyaba Yamin
Vice President / Head

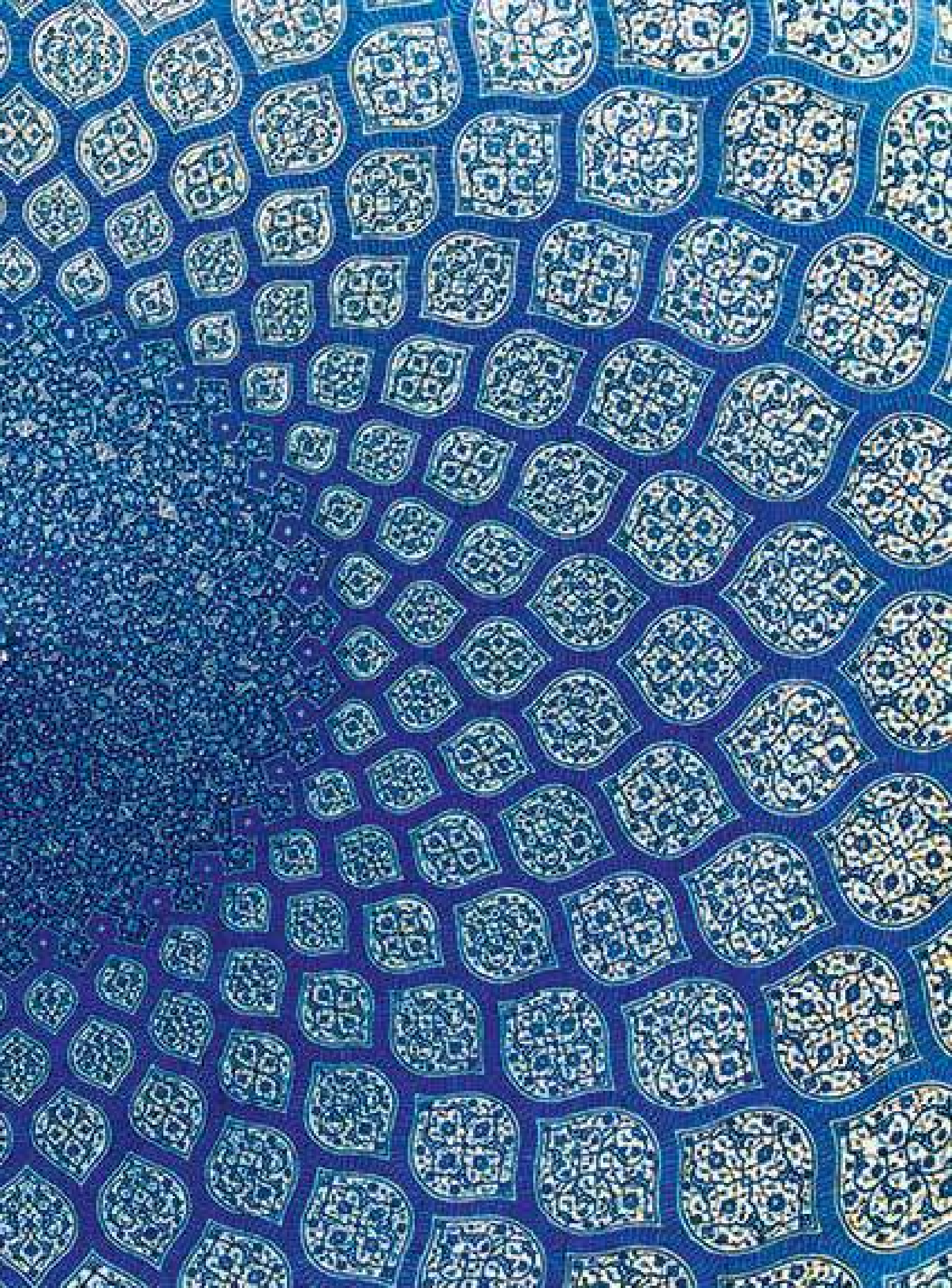


Mr. Ali Aosjah Muhammad
Vice President / Head



Mr. Hammad Naseem
Assistant Vice President



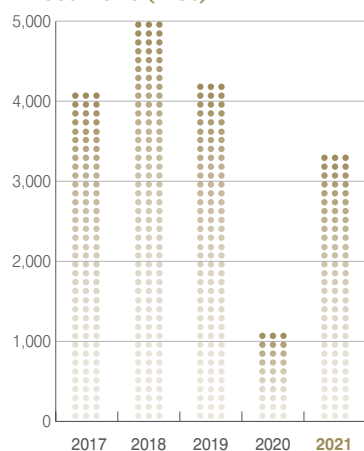


OPERATIONAL HIGHLIGHTS

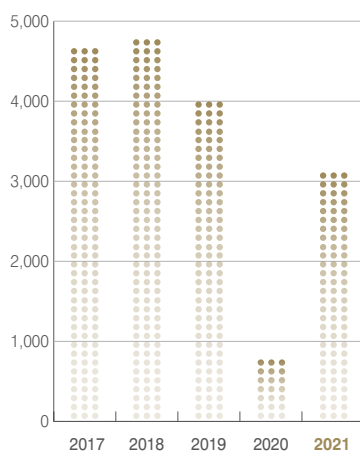
(Rs. in million)

	2017	2018	2019	2020	2021
Approval of Financing and Investment					
Long Term Finance/TFCs	4,060.0	5,309.0	3,733.0	525.0	3,032.0
Lease Finance	-	-	16.0	-	-
Equity Investment	250.0	-	-	330.0	-
Short Term Finance	619.5	1,395.0	1,315.0	250.0	436.4
Guarantees and Underwriting	830.0	-	200.0	-	-
Gross Approvals	5,759.5	6,704.0	5,264.0	1,105.0	3,468.4
Withdrawals	1,668.0	1,710.0	1,016.0	32.2	85.0
Net Approvals	4,091.5	4,994.0	4,248.0	1,072.8	3,383.4
Gross Cumulative Approvals	76,454.8	83,158.8	88,422.8	89,527.8	92,996.2
Cumulative Withdrawals	6,076.4	7,786.4	8,802.4	8,834.6	8,919.6
Net Cumulative Approvals	70,378.4	75,372.4	79,620.4	80,693.2	84,076.6
Disbursement of Funds					
Long Term Finance/TFCs	2,975.2	3,582.2	2,703.1	349.4	2,523.4
Lease Finance	20.0	-	-	-	-
Short Term Finance	845.0	1,145.0	1,315.0	100.0	601.4
Direct Equity & Underwriting Take-ups	807.0	-	-	300.0	-
Total Disbursements	4,647.2	4,727.2	4,018.1	749.4	3,124.8
Cumulative Disbursements	63,853.5	68,580.7	72,598.8	73,348.2	76,473.0
Recoveries					
Total Amount	3,994.3	5,187.3	3,877.4	2,078.6	4,166.5
Current Dues Collection Ratio (%)	91.82	87.26	85.83	95.78	93.85

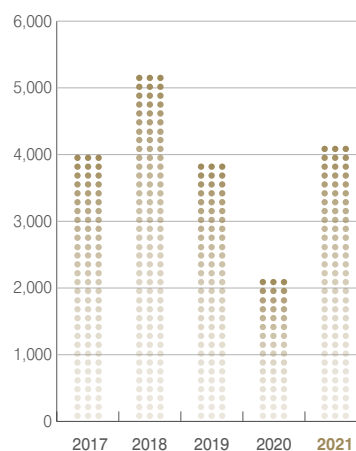
Approval of Financing & Investment (Net)



Disbursement of Funds



Recoveries

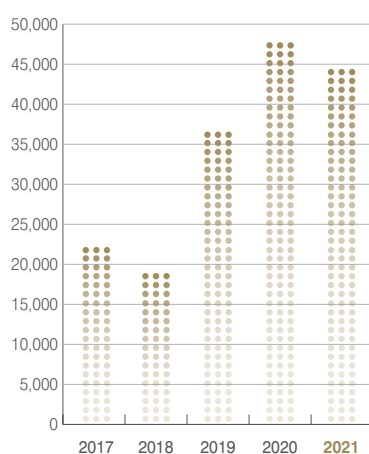


FINANCIAL HIGHLIGHTS

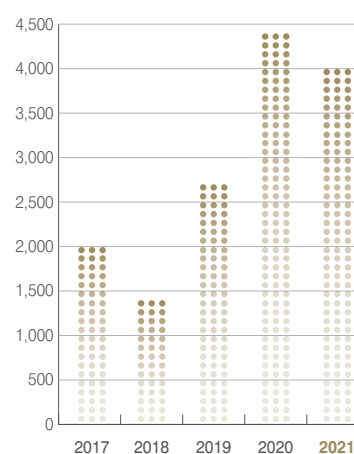
(Rs. in million)

	2017	2018	2019	2020	2021
Income Statement					
Total Income	1,962.6	1,446.0	2,740.4	4,344.5	4,022.4
Net Income	1,475.3	1,048.8	1,189.4	1,603.8	1,731.9
Profit before Tax	859.9	698.5	404.9	808.8	1,341.1
Profit after Tax	627.3	407.6	267.1	616.3	922.3
Balance Sheet at year end					
Total Shareholders' Equity	12,205.4	12,648.7	13,003.4	12,912.1	14,458.8
Total Assets	22,166.7	19,190.6	37,084.6	48,235.7	44,687.8
Selected Ratios					
Return on Average Equity(%)	5.7	3.3	2.1	4.8	6.7
Return on Average Assets(%)	2.7	2.0	0.9	1.4	2.0
Assets/Equity(times)	1.8	1.5	2.8	3.7	3.1

Total Assets



Total Income

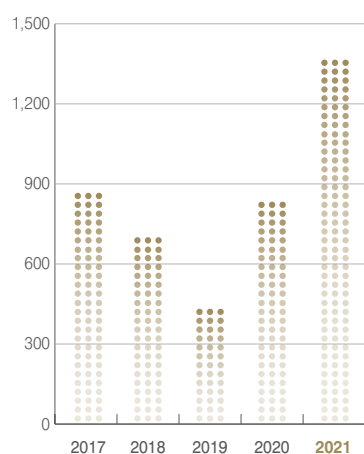


SUMMARY OF CONSOLIDATED ACCOUNTS

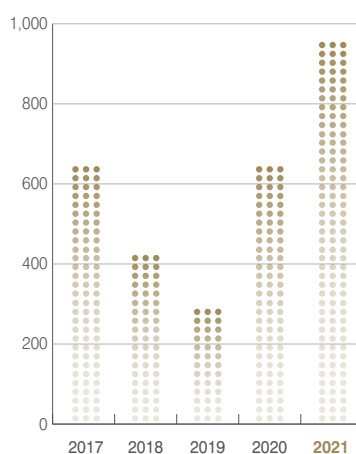
(Rs. in million)

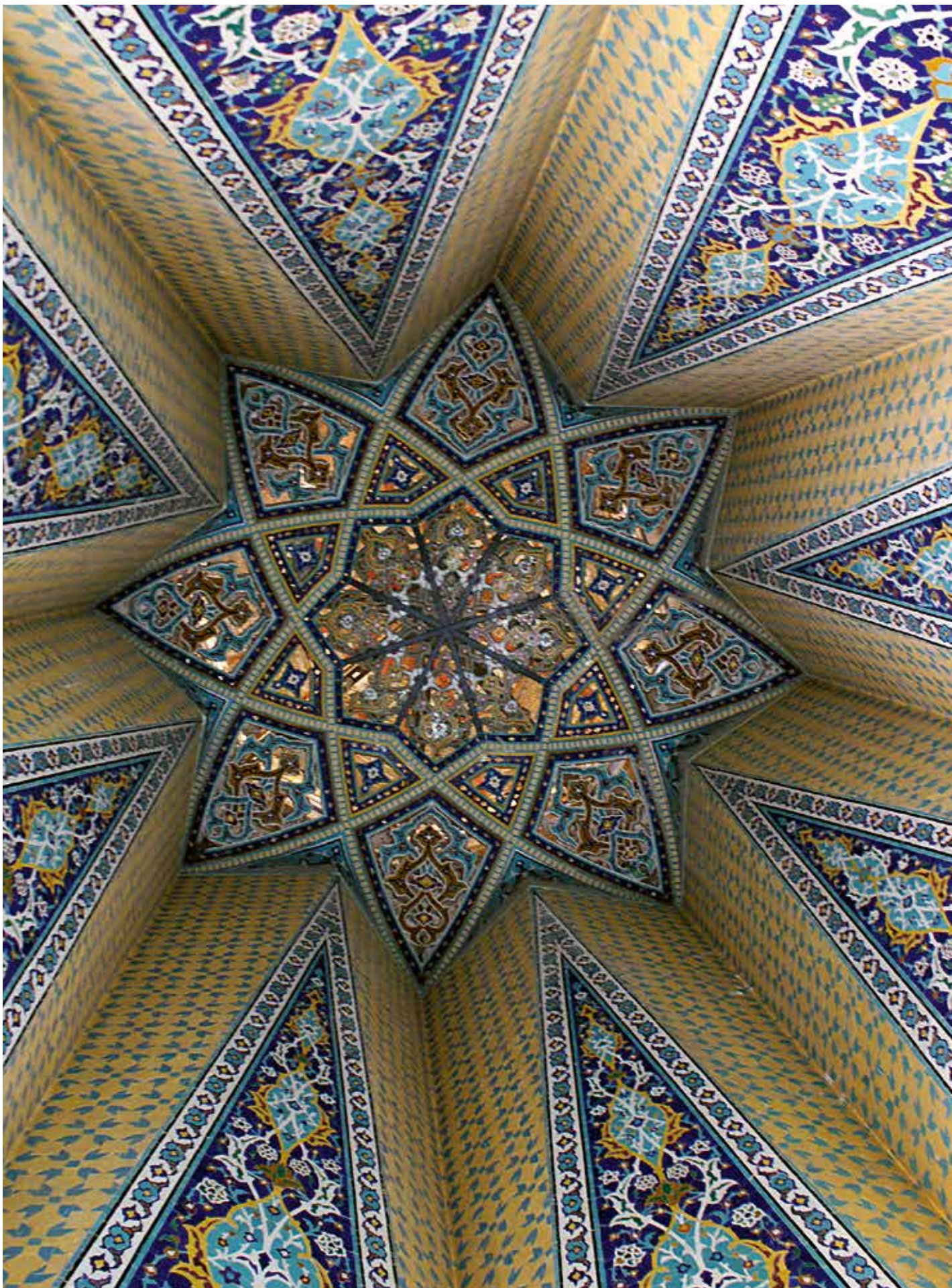
	2017	2018	2019	2020	2021
Income Statement					
Total Income	2,006.3	1,493.2	2,782.6	4,383.9	4,057.6
Net Income	1,513.7	1,087.6	1,225.0	1,645.6	1,768.5
Profit before Tax	870.1	702.4	423.5	836.3	1,371.6
Profit after Tax	631.9	409.7	283.2	640.5	953.0
Balance Sheet at year end					
Total Shareholders' Equity	12,383.6	12,828.7	13,200.1	13,132.9	14,710.2
Total Assets	22,462.4	19,447.2	37,282.8	48,443.1	44,940.9

Profit Before Tax



Profit After Tax





A man in traditional Saudi attire, including a white thobe and a red and white checkered ghutra with a black agal, stands against a background featuring geometric patterns in blue, gold, and brown. The text "CHAIRMAN'S MESSAGE" is positioned to the right of the man.

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I would like to present the 40th 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, 2021.

During the period, Pakistan's economy saw recovery after contraction of 1% in FY20. With the impetus provided by government and central bank's fiscal and monetary stimulus packages to combat the effects of the COVID-19 pandemic, the GDP growth rate for FY21 clocked in at a robust 5.6%.

However, the second half of the calendar year saw the ongoing economic recovery encounter headwinds in the form of an escalation in external deficits in the backdrop of higher domestic demand and increased international oil and other commodity prices. Despite a 25% increase in exports and sustained momentum in remittances, the currency depreciated by 12% over the second-half of the year and annual CPI inflation closed at 12.3%. The State Bank of Pakistan responded through increasing the policy rate by cumulative 2.75% from September 2021 onwards, to close the year at 9.75%. Other measures taken by the State Bank of Pakistan to lower inflation and keep the economic recovery sustainable included higher cash reserve requirements, tightening of consumer finance and restriction of non-essential imports.

During this period, Large Scale Manufacturing, which exhibited a sizable 14.9% growth rate in FY21 (Jul-Jun), slowed to 3.3% in FY22 (Jul-Nov). Private sector credit grew by 13% in FY22 (Jul-Dec) after growing 11% in FY21 (Jul-Jun), mainly driven by increase in working capital financing requirements.

On the fiscal side, FBR tax collections grew significantly by 33% during the second half of the year. The budget deficit was contained to 2.1% of GDP during 1HFY22 from 2.5% in 1HFY21, with further fiscal consolidation likely following the enactment of the Finance (Supplementary) Act 2022 in January 2022.

The economic headwinds were compounded by multiple waves of the COVID-19 pandemic, the evolving geopolitical situation, and delayed finalization of the IMF program which had a negative effect on the capital markets during the year, as KSE-100 index remained volatile and closed flat.

Going forward, the pace of Pakistan's economic growth trajectory may moderate in the wake of coordinated fiscal and monetary stabilization measures. Key risks include any faster than anticipated increase in global interest rates and rising international oil and commodity prices under a fast evolving global economic and geopolitical scenario.

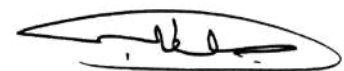
During the period, Company closely monitored the COVID-19 situation and invoked required actions to ensure the safety of its staff while providing uninterrupted operations. Company maintained a cautious stance with focus on reducing risk, recoveries, and booking profit opportunistically. As a result, NPLs were reduced by 39% and provisioning coverage was increased from 65% to 94%. Given the high inflationary reading, to safeguard against future interest rate shock, Company prudently took a strategic decision to reduce fixed-rate PIB book.

Overall, as a result of the above Company achieved an excellent result. Profit before Tax increased by 66% to Rs. 1,341 Million while Profit after Tax increased by 50% to Rs. 922 Million. Total comprehensive income was Rs. 1,547 Million. Net interest margin increased by 44% to Rs. 1,431 Million. Dividend income increased by 99% to Rs. 319 Million as a result of portfolio allocation in high dividend yielding stocks. Shareholder's equity increased by 12.0%. This is an excellent result achieved during a very difficult operating environment.

The Company's overall risk profile including operating results and financial flexibility was reconfirmed by external Credit Rating Agency VIS who maintained Company's long term entity rating at AA+ and short term rating at A-1+ with stable outlook.

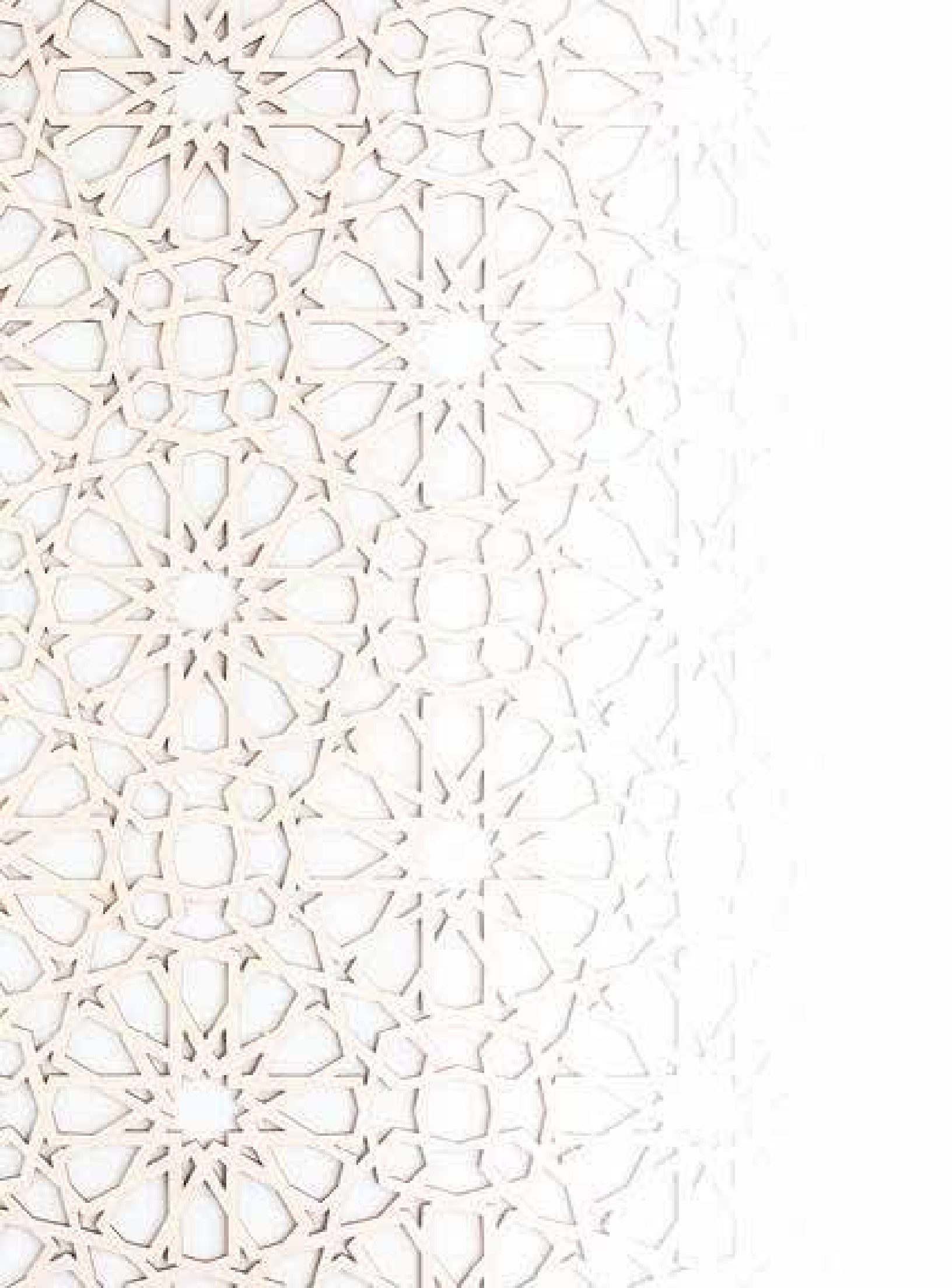
Moving forward, Company remains well-positioned to capitalize on available opportunities as and when they present themselves. Focus will remain on the core business of project finance. The Board firmly supports management to pursue its plans.

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 thank and congratulate the Saudi Pak staff and management for this excellent performance amid extremely challenging conditions.



Sultan Abdulrauf

Chairman



چیرمین کا پیغام

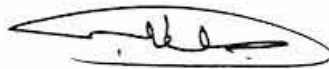
کے ہونے والے دھچکے سے تحفظ کے لیے، کمپنی نے محتاط طریقے سے ترویجی (strategic) فیصلہ کیا کہ گلوبل ریٹ PIBs کو کم کر دیا جائے۔

ذکورہ بالا اقدامات کے نتیجے میں کمپنی نے اچھے نتائج حاصل کیے۔ منافع قبل از محصول 66 فیصد اضافے سے 1,341 ملین روپے رہا جبکہ منافع بعد از محصول 50 فیصد اضافے سے بڑھ کر 922 ملین روپے رہا۔ کل مجموعی آمدنی 1,547 ملین روپے تھی۔ خالص سودی مارجن 44 فیصد اضافے سے بڑھ کر 1,431 ملین روپے رہا۔ منقسم منافع (Dividend) سے آمدنی 99 فیصد اضافے سے بڑھ کر 319 ملین روپے رہی جس کی وجہ پورٹ فولیو کو زیادہ منقسم منافع دینے والے حصص میں حصص کرنا تھا۔ حصص کنندگان کے ملکی سرمایے میں 12 فیصد کا اضافہ دیکھا گیا۔ انتہائی مشکل صورتحال میں کمپنی نے بہت اچھے نتائج حاصل کئے ہیں۔

کمپنی کے مجموعی خطرے کے پروفائل (profile) میں غیر معمولی بہتری ہوئی جس میں عملداری (operating) کے نتائج اور مالیاتی ٹیک شامل ہیں جس کی کریڈٹ ریٹنگ ایجنسی JCR-VIS نے بھی توثیق کی اور کمپنی کی طویل المدت کریڈٹ درجہ بندی کو AA+ اور قلیل المدت درجہ بندی کو مضبوطی سے A1+ برقرار رکھا۔

آگے بڑھتے ہوئے، کمپنی اچھی طرح تیار ہے کہ وہ جب اور جہاں پیلے اہونے والے مواقعوں سے فائدہ اٹھائے۔ اس کی توجہ منصوبوں کو فروغ دینے کے لیے بنیادی کاروبار پر ہے۔ بورڈ ثابت قدمی سے انتظامیہ کی منصوبوں کے حصول میں حمایت کرتا ہے۔

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 محاذی حمایت پر مختصاً شکرگزار کی کا اظہار کرتا ہوں اور بینک دولت پاکستان اور ساتھ ہی ساتھ سیکیورٹی اینڈ انجینئرنگ کمیشن آف پاکستان کی پیشہ وارانہ رہنمائی کیلئے ان کا شکر گزار ہوں۔ میں بورڈ ممبران کا ان کی قیمتی شراکت کیلئے مشکور ہوں۔ مزید برآں، میں مشکل معاشی حالات میں شاندار کارکردگی دکھانے کیلئے سعودی پاک ٹیم کو مبارکباد دیتے ہوئے فخر محسوس کرتا ہوں۔



سلطان عبدالعزیز

چیرمین

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2021 کو اختتام پذیر سال پر سعودی پاک انڈسٹریل اینڈ انجینئرنگ کچھل انویسٹمنٹ کمپنی لمیٹڈ کے چالیسویں انضمام شدہ (consolidated) کھاتے کے ساتھ محاسب (auditor's) اور ناظم کی رپورٹس ارکان کو پیش کرنا چاہتا ہوں۔

اس مدت کے دوران، مالی سال 2020 میں پاکستان کی معیشت میں 1 فیصد سکڑاؤ کے بعد کسی قدر بحالی دیکھی گئی۔ کووڈ-19 کی عالمی وبا سے نپٹنے کیلئے حکومت اور مرکزی بینک کی اقتصادی اور مالیاتی کے ترقیبی اقدامات کے ذریعے سے جو طاقت فراہم کی گئی تھی اس کا نتیجہ مالی سال 2021 میں مجموعی قومی پیداوار (GDP) کی 5.6 فیصدی مستحکم نمو دکھائی دیا۔

تاہم، سال کے دوسرے نصف میں بادخلاف (headwinds) کی وجہ سے خارجی معاشی بحالی متاثر ہوئی جو بیرونی خسارے کے بڑھنے کی صورت میں نکلا جس کی وجہ ملکی طلب میں اضافہ اور بین الاقوامی سطح پر تیل اور جتانس کی بڑھی ہوئی قیمتیں ہیں۔ برآمدات میں 25 فیصد اضافے اور ترسیل زر کی ترسیل کی رفتار میں تیزی کے تسلسل کے باوجود سال کے دوسرے نصف میں کرنسی کی قدر میں 12 فیصد کمی ہوئی اور سالانہ صارف کی قیمتوں کا انڈیکس (CPI) افراد 12.3 فیصد پر بند ہوا۔ ستمبر 2021 کے بعد، بینک دولت پاکستان کا رد عمل پالیسی نرخ میں مجموعی طور پر 2.75 فیصد اضافے کی صورت میں آیا اور سال کے اختتام پر پالیسی نرخ 9.75 فیصد پر بند ہوا۔ افراد زر کو کم تر رکھنے اور معیشت کی تسلسل سے بحالی کے لیے، بینک دولت پاکستان کے کیے گئے دیگر اقدامات میں شامل ہیں بلند تر تیش کے ذخائر کی ضرورت، صارف کی کٹاننگ پر تیش اور غیر ضروری اشیاء کی درآمدات پر پابندی وغیرہ۔

سال 2021 (جولائی-جون) کی اس مدت کے دوران، بڑے پیمانے کی مٹھنی پیداوار (LSM) میں 14.9 فیصد کی نمایاں شرح نمو دکھائی جو سال 2021 (جولائی-نومبر) میں کم ہو کر 3.3 فیصد رہی۔ سال 2021 (جولائی-جون) میں 11 فیصد اضافے کے بعد سال 2021 (جولائی-دسمبر) کے دوران، فنی شعبے کو فروغ کی فراہمی میں 13 فیصد کا اضافہ ہوا جس کا بنیادی محرک، ورگنگ کچھل کٹاننگ کی طلب میں اضافہ تھا۔

مالیاتی لحاظ پر، سال کے دوسرے نصف میں FBR نے محصولات کی وصولیابی میں 33 فیصد کا نمایاں اضافہ ہوا۔ بجٹ کا خسارہ، مجموعی قومی پیداوار کا 2020 کے پہلے نصف سال میں 2.5 فیصد کے مقابلے میں سال 2021 کے پہلے نصف سال میں گھٹ کر 2.1 فیصد رہا، اور جنوری 2022 میں ٹرنس (سپلینڈر) ایکٹ 2022، کے بعد مزید مالیاتی انضمام کا امکان ہے۔

معاشی بادخلاف میں، کووڈ-19 کی عالمی وبا کی متعدد لہروں، بدلتی ہوئی جغرافیائی و سیاسی صورتحال، IMF پر وگرام میں تاخیر کی وجہ سے اضافہ ہوا اور سال کے دوران، جس کا مٹھنی انٹرکھیل مارکیٹ پر ہوا اور KSE-100 انڈیکس زدن پر (volatile) رہا۔

آنے والے چند سالوں میں، پاکستان کی معاشی ترقی کا راستہ مربوط اقتصادی اور مالیاتی اقدامات کے سبب معتدل ہو سکتا ہے۔ تیزی سے بدلتی ہوئی عالمی معاشی اور جغرافیائی و سیاسی پس منظر میں، کوئی بھی توقع سے زیادہ جلدی سے عالمی سودی نرخوں میں اضافہ اور بین الاقوامی طور پر تیل اور جتانس کی بڑھتی ہوئی قیمتیں بنیادی خطرہ ہو سکتی ہیں۔

اس مدت کے دوران، کمپنی نے کووڈ-19 کی صورتحال کا مقابلہ کیا اور آپریشن کی تسلسل سے فراہمی اور عملے کے حفظ کے لیے ضروری اقدامات کیے۔ کمپنی نے اپنی توجہ خطرے کو کم کرنے، وصولیابیوں اور موقع سے فائدہ اٹھانے میں محتاط رویہ برقرار رکھا۔ اس کے نتیجے میں غیر فعال قرضہ جات (NPLs) میں 39 فیصد کمی آئی اور محض کرنے کا احاطہ کرنے کا ٹائل 65 فیصد سے بڑھ کر 94 فیصد ہو گیا تھا۔ موجودہ بلند افراد زر کی صورتحال میں کسی مستقبل میں سودی نرخ





DIRECTORS' REPORT

Economic Overview

Pakistan's economic growth in FY2021 was supported by improved COVID-19 containment strategies through the second and third waves of infections and continued accommodative fiscal and monetary policies that accelerated the recovery across all sectors. A World Bank study indicated that due to low-base effects and recovering domestic demand, real GDP growth (at factor cost) is estimated to have rebounded. Buttressed with record-high official remittance inflows received through formal banking channels, and an accommodative monetary policy, private consumption and investment are both estimated to have strengthened during the FY21. Government consumption is also estimated to have risen, but at a slower pace than in FY20 when the COVID-19 fiscal stimulus package was rolled out.

In contrast, net exports are estimated to have contracted in FY21, as imports growth almost doubled that of exports due to strong domestic demand. On the production side, supported by strong large-scale manufacturing, industrial activity has rebounded after contracting for two consecutive years. Similarly, the services sector that accounts for 60 percent of GDP is estimated to have expanded, as generalized lockdown measures were increasingly lifted. In contrast, agriculture sector growth slowed, partly due to a near 30 percent decline in cotton production on account of adverse weather conditions.

As per State Bank of Pakistan, private sector credit offtake during FY21 increased to Rs. 490 billion as against Rs. 165 billion in FY20. Despite significant recovery this year, it could not reach the level achieved in FY19 (before the emergence of COVID-19) when the private sector had borrowed Rs. 694 billion.

During FY2021 food price inflation remained high due to supply chain disruptions, increased prices for wheat and sugarcane, and an extended wet monsoon. Rising international oil prices boosted energy price inflation. Yet, inflation for other goods eased thanks to postponement of planned hikes for electricity tariffs and domestic fuel prices.

International Monetary Fund (IMF) vide their Concluding Statement of FY-2021 noted that despite a difficult environment, progress continues to be made in the implementation of the Extended Fund Facility supported program. All quantitative performance criteria (PCs) for end-June were met with wide margins, except for that on the primary budget deficit. Notable achievements on the structural front include the finalization of the National Socio-Economic Registry (NSER) update, parliamentary adoption of the National Electric Power Regulatory Authority (NEPRA) Act Amendments, notification of all pending quarterly power tariff adjustments, and payment of the first tranche of outstanding arrears to independent power producers to unlock lower capacity payments fixed in renegotiated power purchase agreements (PPAs). The authorities have also made progress in improving the anti-money laundering and combating the financing of terrorism (AML/CFT) framework.

With regards to CY 2021 IMF vide their Staff Report issued on February 04, 2022, has however, noted that strong import growth—fueled by the macroeconomic policy mix, higher international commodity prices, and credit growth—have led to a marked deterioration of the external position. The current account deficit has widened, the rupee depreciated markedly, and inflation remains persistently high.

Moving forward, Pakistan's economy is expected to continue recovering in FY2022, supported by stronger private investment, improving business activity, a steady vaccine rollout, and economic stimulus measures for FY2022. Yet, significant uncertainty clouds the economic outlook over the course of the pandemic in Pakistan and worldwide. The continued rollout of the COVID-19 vaccination program, structural reforms, and the expansion of social protection programs are all keys to ensuring inclusive and sustainable growth.

Operational Review

Corporate Finance

Uncertain business climate continued to prevail in 2021 wherein relatively constrained commercial activities, financial market volatility and pandemic related restrictions have been witnessed. Given high inflation rate of 12.3% and sudden rise in discount rates from 7% to 9.75%, banks/DFIs remained very selective in extending new advances. Accordingly, Saudi Pak also remained cautious and booked quality assets during 2021.

Saudi Pak maintained its focus towards effective, yield-centric business opportunities by enhancing its advances portfolio with a mix of top & mid-tier clientele meeting its Risk & Reward standards. Quality assets were booked in diverse sectors including telecommunication, electronics, textile, financial services and rubber & tyres resulting in total approvals of over Rs. 3.177 billion and total fresh disbursements of over Rs. 3.125 billion during the period under review.

As the effects of the pandemic continue to fade, the government is shifting its focus from growth to sustainability (rise in policy rate from 7% to 9.75% in 2021) wherein the fiscal & monetary policies/incentives will be tapered to

normalize economic activities accordingly. Resultantly, Pakistan's GDP growth rate is expected to further augment during 2022. Saudi Pak would capitalize on the improving economic prospects by maintaining a diversified portfolio of new business intake alongside adapting a sector centric approach to tap high yielding opportunities.

Credit Administration Division & Special Assets Management Division

Consequent to recent re-organization, Credit Administration and Special Assets Management Divisions have been primarily assigned task of post disbursement monitoring and recovery/regularization of stressed and Non-Performing Accounts. During 2021, despite COVID related challenges, both Divisions performed exceptionally well. Highest ever NPL recoveries in Saudi Pak history were made which significantly improved overall quality of advances and TFCs portfolio. Owing to focused team efforts, despite prudent provisioning, overall contribution from Non Performing Accounts to Company's income also surpassed previous records.





During 2022, Special Asset Management Division and Credit Administration Divisions intends to make further concerted efforts for recovery, cleansing of balance sheet through decrees executions and striking off negotiated settlement deals.

Capital Market Operations

The PSX Benchmark Index, the KSE-100, returned 1.92% for CY21 as compared with 7.41% for CY20. The KSE-100 lacked directional move on the back of increase in current account deficit (CAD) concerns leading to higher inflation, PKR devaluation and drastic monetary tightening by the SBP for CY22. Overall, increased interest rate scenario remains a concern and poses risk to Government inflation management targets. Pakistan's economy is expected to show a healthy GDP growth of around ~5% for FY22 as per Government estimates.

The Pakistan stock market trades at an attractive price earnings of ~5x and dividend yield of above ~8% as at close of CY21, however, due to low visibility on key macroeconomic indicators, the market may witness elevated volatility for CY22.

On gross basis, PMD reported total income of Rs.468 million. After factoring in impairment, net earnings of PMD stood at Rs.405 million for CY21 as compared with Rs.282 million for CY20. On relative return basis, listed stock

operations reported return of ~7.7% against KSE-100 return of ~1.9%, implying an out-performance of ~5.8% for CY21.

Treasury Operations

Treasury Division during the Year 2021 managed borrowing and placement portfolios effectively by maintaining an active presence in the money market. Fresh funds raised by Treasury and inflows received from recovery of loans were channelized to enhance the Treasury Portfolio.

In view of drastic monetary policy shift by Central Bank due to increase in inflation, current account deficit and depreciation in Pak Rupee value, Treasury Division adopted a risk management strategy by rationalizing its investment in Govt. Securities.

As an alternative funding source, COI deposits further increased in Year 2021. On liability/sustainable fund mobilization side, Treasury Division continued to make progress in meeting this crucial goal.

Considering changing macro-economic dynamics, Treasury Division will focus on optimizing risk reward metrics of the Treasury's investment portfolio and continue to enhance the funding sources.



Settlement Division

Settlement Division of Saudi Pak carries out Money Market Settlements and database management within the framework of segregation and independence in execution of market transactions. Saudi Pak is a participant institution of “Pakistan Real Time Inter Bank Settlement Mechanism” and this division performs settlement operations in coordination with the real time payment system environment of State Bank of Pakistan.

Settlement Division also provides pivotal support in securitization/documentation of credit lines obtained from commercial banks. Sustainable credit lines and their time efficient documentation are essential to optimize business requirement. Keeping in view the rising interest rates during 2021, execution of credit lines was pro-actively planned. Securitization and documentation/renewals of bank finances were also completed in a timely manner. Due repayments against scheduled redemptions were also affected on the respective due dates.

Saudi Pak has developed necessary technology-based infrastructure to cater the requirements of inter-bank

payment system. In line with the goals set for Settlement Division, payment system infrastructure is monitored for compliance of regulatory and technological advancements. Settlement Division also performed Real Time Gross Settlement System (RTGS) backup site drill for ensuring business continuity under exigency scenario.

Risk Management Framework

Risk is an inherent part of Saudi Pak’s business activities. Recognizing that sound risk management is essential for maintaining financial viability and achieving business objectives, Saudi Pak has instituted a robust risk management framework that has been refined over the years. Under the overall purview of the Board of Directors and its Risk Management Committee, the necessary risk policies, procedures, limits, reporting mechanisms and independent control functions are in place, in line with regulatory requirements. These ensure that risks are identified, communicated, and managed to remain in line with Saudi Pak’s approved risk appetite.

Over the course of the year, the Risk Management Division independently reviewed credit proposals as well as internal ratings for fresh and existing exposures. Portfolio concentrations and risk levels were closely monitored and deliberated on at cross-functional level. Through proactive risk management by the concerned functions, fresh build-up of non-performing portfolio was successfully averted and there was a significant improvement in asset quality. Parallel run of IFRS 9 was also carried out in line with regulatory other requirements. Saudi Pak also kept up with the regulatory requirements vis-à-vis Anti-Money Laundering, Combating the Financing of Terrorism & Countering Proliferation Financing, by ensuring necessary mechanisms such as entity-level risk assessment.

On an enterprise level, Saudi Pak's Capital Adequacy Ratio remained well above both internal as well as regulatory requirements throughout the year, providing ample cushion to absorb unexpected losses. Stress testing exercises carried out during the year further revealed that Saudi Pak maintained a solid and resilient capital and liquidity position even under stress.

Information Technology

The Information Technology function focuses on strategic initiative to utilize technology for business growth. Saudi

Pak's IT Strategy provides direction to strengthen its existing facilities, re-engineering of the legacy systems, integrated management information systems, decision support systems and building capacity for growth.

During 2021, several initiatives were taken by Information Technology Division to further improve the IT infrastructure by adopting evolving technologies along with successful up-gradation of business solutions for the company. Technology policies and processes are developed and upgraded in line with evolving requirements in the pandemic environment, adopting innovative ways of working to continue the business operations by strengthening the IT infrastructure i.e., deployment of upgraded Storage Servers, Screening Solution for KYC, PEP & AML and Microsoft 365 etc.

Security Controls have also been strengthened to avoid potential impacts of Cyber Attacks, ensuring the resilience and preparedness to combat the impacts of pandemic situation due to upsurge of online operations and communication. BCP/DR Site has already been setup and transformed with changing trends of the prevailing environment with regular testing, ensuring the readiness of the operational staff to react and respond during the exigency, to continue the critical business operations and to cope with the localized or global disasters.









Human Resource

Saudi Pak Industrial and Agricultural Investment Company Limited is the employer of choice. The Saudi Pak family comprises of devoted and committed professionals with passion to excel in their respective functional areas.

During 2021, the pandemic resurgence remained a cause of concern. Our Company faced significant challenges in order to continue serving clients, maintaining productivity and safeguarding the health and safety of employees.

In the context of challenges posed by the COVID-19, HR supported employees by ensuring its essential services continue without disruption i.e. hiring, payroll, performance recognition, leave management, flexi hours/work from home option, medical assistance, COVID related awareness, providing alternate learning and development solutions and at the same time keeping employees engaged and motivated through engagement activities while ensuring all SOPs and precautionary measures.

COVID-19 pandemic will have extensive impact on the working world, It has already accelerated the adoption of new work methods. No matter what the future holds, HR pledges to meet the challenge with suitable policies,

services, and assistance to ensure that our people and the Company continue to achieve the business goals and objectives more efficiently and effectively.

Internal Audit

The year 2021 brought about significant hurdles in the form of continued COVID pandemic. The Internal Audit Division (IAD) of Saudi Pak however, operated with best of its abilities, ensuring that planned audit activities or its procedures are not marred.

IAD put a strong focus on its strategy during 2021 by particularly making a good progress in the area of development of the audit management software. Accordingly, IAD successfully got completed an external assessment of the Saudi Pak's IT Function and arranged adequate trainings to the division's staff members to keep them abreast with the latest requirements and best practices.

IAD performed its audits in line with the approved internal audit plan for the year 2021. While performing its activities IAD strived to make observations primarily aimed at adding value to the organization's risk and control structure.

ENTITY RATING

Saudi Pak's long term and short-term entity rating has been assessed by VIS Credit Rating Company Limited. 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 VIS Credit Rating Company Limited.

Long Term

AA+

AA+

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

Short Term

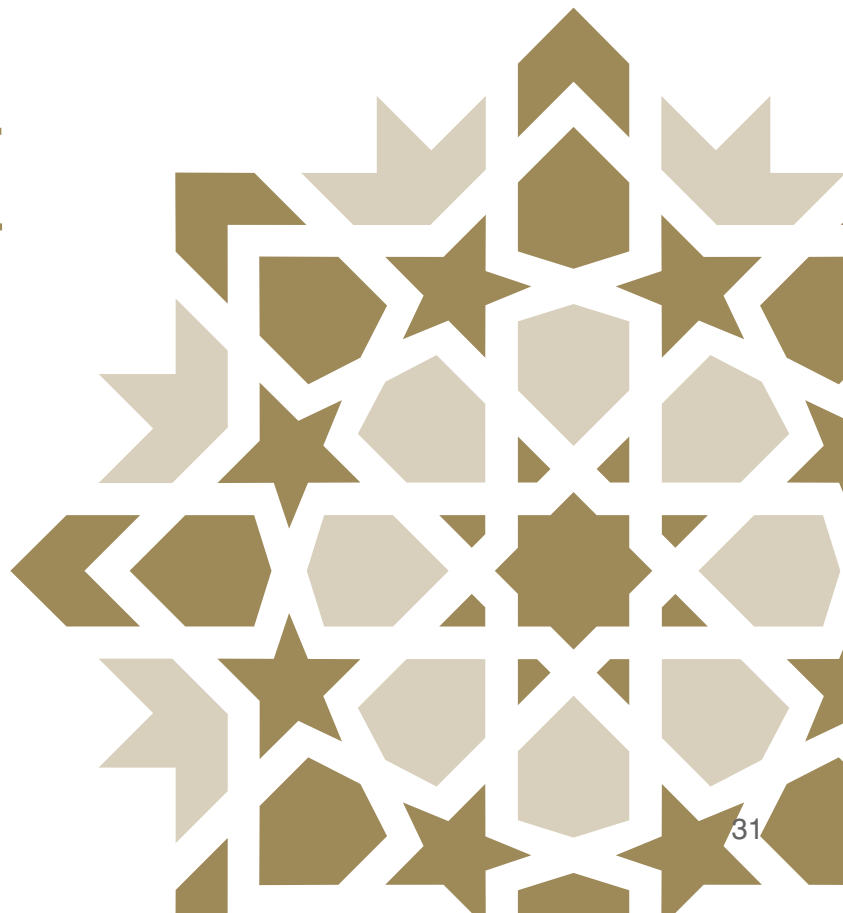
A-1+

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.

Outlook

STABLE





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, 2021, except as disclosed in the financial statements.
- j) The value of investment of Provident Fund as at December 31, 2021 according to their audited financial statement is approximately Rs.113.5 million (2020: Rs.102.00 million).

Auditors

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their assignment for the year ended December 31, 2021.

The Board on the suggestion of the Audit Committee recommends the appointment of M/s Grant Thornton Anjum Rahman & Co., Chartered Accountants as statutory auditors of the Company for the year 2022.

Board of Directors Meetings

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

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Sultan Abdulrauf	05	05
Mr. Zafar Hasan	05	05
Mr. Majid Misfer J. Alghamdi	05	05
Mr. Mohammad Tanvir Butt	05	05
Mr. Ghanem Alghanem	05	05
Mr. Qumar Sarwar Abbasi	05	05

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

Mr. Zafar Hasan	02	02
Mr. Majid Misfer J. Alghamdi	02	02
Mr. Qumar Sarwar Abbasi	02	02
Mr. Ghanem Alghanem	02	02

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

Mr. Majid Misfer J. Alghamdi	4	4
Mr. Mohammad Tanvir Butt	4	4
Mr. Ghanem Alghanem	4	4
Mr. Qumar Sarwar Abbasi	4	4

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

Mr. Sultan Abdulrauf	02	02
Mr. Zafar Hasan	02	02
Mr. Mohammad Tanvir Butt	02	02
Mr. Majid Misfer J. Alghamdi	02	02

The categories and pattern of shareholding as required by the Companies Act, 2017 are included in this Report. The Government of Pakistan and the Kingdom of Saudi Arabia hold the shares of the Company in equal proportion.



Regional Office - Karachi & Treasury Division



Regional Office - Lahore



Green Banking Initiatives:

Green Banking is a term that refers to promotion of environmentally friendly practices that aid Financial Institutions and their clients in identifying and managing environmental risks as well as reducing their carbon footprint and related socially adverse actions. Green banking optimizes return, reduces the risk, enhance Institution's reputation and contribute to the common good of environmental sustainability. It serves both the commercial objective of the bank as well as its social responsibility.

Saudi Pak is cognizant of the environmental consequences of our actions and ceaselessly works towards developing a sustainable business that benefits of its stakeholders. In line with the State Bank of Pakistan's framework and guidelines for green banking initiatives, Saudi Pak has taken number of initiatives for raising awareness regarding possible avenues for reducing in-house carbon footprint.



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 is a wholly owned subsidiary of Saudi Pak Industrial and Agricultural Investment Company Limited (Saudi Pak). The principal business of the Company is investment in properties, property management services, investment in joint ventures and other related services. The Company has a steady stream of rental income from its offices and maintains a mix of assets for capital gains with short to long term angle.

Recent initiatives for Real Estate Industry, including implementation of improved regulatory and taxation measures, elevation of Construction sector to status of Industry and priority to housing sector so that large unmet demand of houses can be met, bode well for the Real Estate sector in coming years.

II. Saudi Pak Leasing Company Limited

Saudi Pak is actively engaged in divestment process of its stake in Saudi Pak Leasing Company Limited (SPLC) and through its financial advisor has undertaken formal procedures in this regard. Visibility of the outcome of these efforts is expected to materialize during CY22.

Head Office Building

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

A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, clinical service-oriented concerns etc. are housed in the Tower. The year 2021 was very challenging due to the COVID-19 pandemic, which severely affected the physical presence of tenants in the tower. Notwithstanding the challenging environment, building average occupancy level during the year 2021 was around 95% translating into substantial revenue for the company.

During 2022 Head Office Building Department will continue its efforts to materialize further improvements for the betterment in overall building services.



Financial Results – 2021

In year 2021, Pakistan's economy saw recovery after contraction of 1% in FY20. With the impetus provided by fiscal and monetary stimulus packages to combat the effects of the COVID-19 pandemic, the GDP growth rate for FY21 clocked in at a robust 5.6%. However, the second half of the calendar year saw the ongoing economic recovery encounter headwinds in the form of an escalation in external deficits in the backdrop of higher domestic demand and increased international oil and other commodity prices. Despite a 25% increase in exports and sustained momentum in remittances, the currency depreciated by 12% over the second-half of the year and annual CPI inflation closed at 12.3%. The State Bank of Pakistan responded through increasing the policy rate by cumulative 2.75% from September 2021 onwards, to close the year at 9.75%. During an extremely difficult operating environment and financial markets volatility, Company maintained a cautious stance. Focus remained on reducing risk, book cleansing and recoveries. As a result, NPLs were reduced by 39% and provisioning coverage ratio was increased to 94%.

During the year company's total assets were decreased by 7.4% as Company prudently took a strategic decision to reduce fixed rate PIB portfolio to safeguard against future interest rate shock. Investment in quoted stock remained at par from year end balances. Net interest margin increased by 44% to Rs. 1,431 Million. Dividend income increased by 99% to Rs. 319 Million as a result of portfolio allocation in high dividend yielding stocks. Shareholder's equity increased by 12.0%. Administrative expenses were lower despite high inflation as a result of effective expense management. Company book net provision reversal of Rs. 139.724 million compared to additional provision expense of Rs. 340.284 million last year.

Overall as a result, Profit before Tax increased by 66% to Rs. 1,341 Million while Profit after Tax increased by 50% to Rs. 922 Million to comparable period.

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

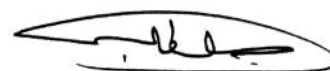
	2021	2020
	Rupees	Rupees
Un-appropriated/un-remitted profit brought forward	3,353,786,002	2,795,778,454
Profit after tax for the year	922,318,007	616,250,201
Surplus on revaluation of fixed assets	80,210,443	65,947,104
Other comprehensive income related to equity	(2,008,400)	(939,717)
Profit available for appropriations	4,354,306,052	3,477,036,042
Appropriations:		
Transfer to reserve funds	184,463,601	123,250,040
Transfer to general reserve	-	-
Dividend paid	-	-
Total appropriations	184,463,601	123,250,040
Un-appropriated/un-remitted profit	4,169,842,451	3,353,786,002

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

Dubai
February 26, 2022



Chairman





STATISTICAL INFORMATION

(Rs. in million)

	2017	2018	2019	2020	2021
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	4,060.0	5,309.0	3,733.0	525.0	3,032.0
Lease Finance	-	-	16.0	-	-
Short Term Finance	619.5	1,395.0	1,315.0	250.0	436.4
Direct Equity/Investment/Placement	250.0	-	-	330.0	-
Gross Funded (a)	4,929.5	6,704.0	5,064.0	1,105.0	3,468.4
Withdrawals (b)	1,568.0	1,710.0	816.0	32.2	85.0
Net Funded (c)	3,361.5	4,994.0	4,248.0	1,072.8	3,383.4
Non-Funded:					
Underwriting of Shares	730.0	-	200.0	-	-
Guarantees	100.0	-	-	-	-
Gross Non-Funded (d)	830.0	-	200.0	-	-
Withdrawals (e)	100.0	-	200.0	-	-
Net Non-Funded (f)	730.0	-	-	-	-
Gross (Funded & Non-Funded) (a+d)	5,759.5	6,704.0	5,264.0	1,105.0	3,468.4
Withdrawals (b+e)	1,668.0	1,710.0	1,016.0	32.2	85.0
Net (Funded & Non-Funded) (c+f)	4,091.5	4,994.0	4,248.0	1,072.8	3,383.4

Net-Financing and Investment Approved: Cumulative as on December 31, 2021

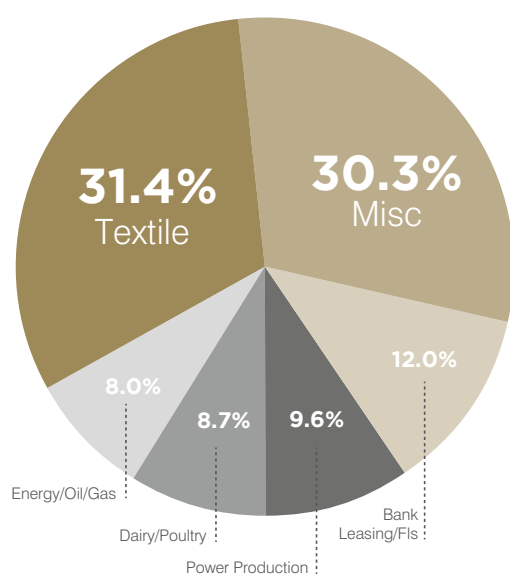
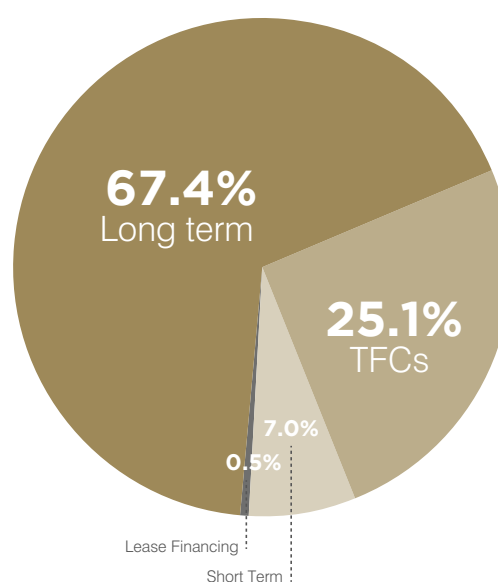
		As % age of Funded	As % age of Funded & Non-Funded
	(Rs. in million)		
Funded:			
Long Term Finance/TFCs	54,814.2	64.02	58.94
Lease Finance	1,961.8	2.29	2.11
Short Term Finance	21,835.6	25.50	23.48
Direct Equity/Investement/Placement	7,014.2	8.19	7.54
Gross Funded (a)	85,625.8	100.00	92.07
Withdrawals (b)	7,344.8		
Net Funded (c)	78,281.0		
		As % age of Non-Funded	
Non-Funded:			
Underwriting of Shares	4,046.0	54.90	4.36
Guarantees	3,324.4	45.10	3.57
Gross Non-Funded (d)	7,370.4	100.00	7.93
Withdrawls (e)	1,574.8		
Net Non-Funded (f)	5,795.6		
Gross Cumulative (Funded & Non-Funded) (a+d)	92,996.2		100.00
Cumulative Withdrawals (b+e)	8,919.6		
Net Cumulative (Funded & Non-Funded) (c+f)	84,076.6		

(Rs. in million)

	2017	2018	2019	2020	2021	Since Inception to 31-12-2021
Disbursement: By Type of Assistance						
Long Term Finance/TFCs	2,975.2	3,582.2	2,703.1	349.4	2,523.4	46,760.4
Lease Finance	20.0	-	-	-	-	1,833.3
Short Term Finance	845.0	1,145.0	1,315.0	100.0	601.4	20,300.7
Direct Equity/Investment/Placement	330.0	-	-	300.0	-	2,707.4
Investment in Associated Company	-	-	-	-	-	4,030.6
Share taken up against underwriting	477.0	-	-	-	-	840.4
Total	4,647.2	4,727.2	4,018.1	749.4	3,124.8	76,472.8

Net Financing and Investment Approved*: Sector Exposure

Sector	2021			Since Inception to 31-12-2021		
	No.	Amount	%	No.	Amount	%
Financial Services	1	100.0	2.96	182	12,461.5	15.92
Power/Oil & Gas	1	500.0	14.78	77	9,653.3	12.33
Manufacturing	12	1,983.4	58.62	623	46,062.1	58.84
Services	1	800.0	23.64	73	10,104.1	12.91
Total	15	3,383.4	100.00	955	78,281.0	100.00

Position as on December 31, 2021**Sector Wise Exposure****Mode Wise Exposure**

STATEMENT OF COMPLIANCE

With Code of Corporate Governance

The statement is being presented in accordance with the listed Companies (Code of Corporate Governance) Regulation, 2019 (the Regulations) issued by the Securities and Exchange Commission of Pakistan, which has been voluntarily adopted by the Company.

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

1. The total number of directors is 6 as per the following detail:
 - Male 6
 - Female 0
2. The Board comprises of six non-executive directors as follows:
 - Mr. Sultan Abdulrauf
 - Mr. Zafar Hasan
 - Mr. Mohammad Tanvir Butt
 - Mr. Majid Misfer J. Alghamdi
 - Mr. Qumar Sarwar Abbasi
 - Mr. Ghanem Alghanem

Exemption regarding appointment of independent director has been obtained from the State Bank of Pakistan.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. No causal vacancy occurred on the Board during the year ended December 31, 2021.
5. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
7. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations;

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
9. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company. State Bank of Pakistan from its holding has transferred 01 share in the name of Director Finance, SBP in a representative capacity.
10. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
11. The following Directors and Executives have obtained relevant training (Director Training Program):

S. No	Name of Directors
1	Mr. Sultan Abdulrauf
2	Mr. Zafar Hasan
3	Mr. Mohammad Tanvir Butt
4	Mr. Majid Misfer J. Alghamdi
5	Mr. Qumar Sarwar Abbasi

S. No	Name of Executives	Designation
1	Mr. Kamal uddin Khan	GM/Chief Executive
2	Ms. Tayaba Mazhar	SVP/Company Secretary
3	Mr. Safdar Abbas Zaidi	Chief Financial Officer

12. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
13. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
14. The Board has formed committees comprising of members given below. -

a) Audit Committee

S. No	Names	Designation
1	Mr. Majid Misfer J. Alghamdi	Chairman
2	Mr. Mohammad Tanvir Butt	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Ghanem Alghanem	Member

b) HR and Remuneration Committee

S. No	Names	Designation
1	Mr. Sultan Abdulrauf	Chairman
2	Mr. Zafar Hasan	Member
3	Mr. Mohammad Tanvir Butt	Member
4	Mr. Majid Misfer J. Alghamdi	Member

c) Risk Management Committee

S. No	Names	Designation
1	Mr. Zafar Hasan	Chairman
2	Mr. Majid Misfer J. Alghamdi	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Ghanem Alghanem	Member

15. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
16. The frequency of meetings of the committees were as per following,

Board Committees	Frequency of Meeting
Audit Committee	Quarterly
Risk Management Committee	At least Twice in a year
Human Resource & Remuneration Committee	At least Once in a year

17. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

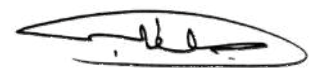
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

20. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the
Board of Directors

Dubai:
February 26, 2022



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 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 controls that encompass material matters by identifying control objectives and reviewing significant policies and procedures.

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 also monitored across the Company through the Internal Audit Division, working independently of the line management. In addition, Compliance Division also monitors 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.

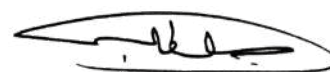
The Management of the Company ensures that an effective and efficient internal control system stays implemented and no compromises are made in implementing the desired control procedures and maintaining suitable control environment in general. However, control activities are continuous in nature that include identification, evaluation and management of significant risks faced by the Company. The Management strives for timely and satisfactory response to new identifications or recommendations by the risk controlling divisions. Nonetheless, 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.

The Management took sufficiently necessary steps to rectify all observations and suggestions for improvement raised during the year by the Internal Audit Division. Furthermore, regular follow-up of the internal audit reports were done by the Compliance Division which ensured timely implementation of queries raised and recommendations 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 the guidelines and has been granted exemption from the requirement of submission of the External Auditor's issued Long Form report to SBP. Saudi Pak submitted annual assessment report on the efficacy of ICFR to SBP for the year ended December 31, 2020, endorsed by the Audit Committee of the Board, on March 24, 2021. Annual assessment report on the efficacy of ICFR for the year ended December 31, 2021 is to be submitted to SBP at the latest by March 31, 2022.

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

For and on behalf of the
Board of Directors.



Dubai

February 26, 2022

Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT AUDITOR'S REVIEW REPORT

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

**Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) for the year ended 31 December 2021, in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2021.

**KPMG Taseer Hadi & Co.
Chartered Accountants**

**Islamabad
26 March 2022
UDIN: CR202110240cWmEgaiRv**

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FINANCIAL STATEMENTS
for the year ended December 31, 2021
STANDALONE



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT AUDITORS' 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 31 December 2021, and the unconsolidated profit and loss account, and 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, 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 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 31 December 2021 and of the profit and the comprehensive income, the changes in equity and its 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 Auditors' 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 ultimate outcome of the tax references which are pending adjudication at various appellate forums. Our opinion is not modified in respect of this matter.

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated financial statements and our auditors' reports 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, 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 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.

Auditors' 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 auditors' 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 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.
- 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

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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 auditors' report to the related disclosures in the unconsolidated 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 auditors' 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).

Other matter

The unconsolidated financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those unconsolidated financial statements on 03 March 2021.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Ubaid Ullah.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
26 March 2022
UDIN: AR202110240LxKPaZE1u

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Cash and balances with treasury banks	6	101,939,997	107,773,417
Balances with other banks	7	134,486,399	557,227,616
Lendings to financial institutions	8	—	119,988,000
Investments	9	31,130,696,425	35,556,859,445
Advances	10	6,867,783,165	6,810,990,427
Non-current asset classified as held for sale	11	—	—
Fixed assets	12	4,243,479,479	2,956,247,925
Intangible assets	13	6,109,050	7,229,440
Deferred tax assets		—	—
Other assets	14	2,203,325,411	2,119,368,511
		44,687,819,926	48,235,684,781
LIABILITIES			
Bills payable		—	—
Borrowings	15	26,456,618,972	32,319,679,434
Deposits and other accounts	16	2,911,587,775	2,445,800,000
Liabilities against assets subject to finance lease		—	—
Subordinated debt		—	—
Deferred tax liabilities	17	441,365,024	40,297,275
Other liabilities	18	419,468,403	517,769,021
		30,229,040,174	35,323,545,730
NET ASSETS			
		14,458,779,752	12,912,139,051
REPRESENTED BY			
Share capital	19	6,600,000,000	6,600,000,000
Statutory reserve		1,369,329,367	1,184,865,766
General reserve		358,662,940	358,662,940
Surplus on revaluation of assets	20	1,960,944,994	1,414,824,343
Unappropriated/ Unremitted profit		4,169,842,451	3,353,786,002
		14,458,779,752	12,912,139,051

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



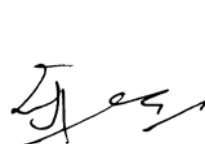
GM/Chief Executive



Chief Financial Officer



Director



Director



Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2021

	Note	2021 Rupees	2020 Rupees
Mark-up / return / interest earned	23	3,721,032,863	3,733,028,459
Mark-up / return / interest expensed	24	2,290,452,473	2,740,785,910
Net mark-up / interest income		1,430,580,390	992,242,549
Non mark-up / interest income			
Fee and commission income	25	3,860,000	3,051,724
Dividend income		319,355,077	160,301,643
Foreign exchange income		2,202,435	375,816
Income / (loss) from derivatives		—	—
(Loss) / gain on securities	26	(300,166,762)	223,402,460
Other income	27	276,095,134	224,386,938
Total non-markup / interest income		301,345,884	611,518,581
Total income		1,731,926,274	1,603,761,130
Non mark-up / interest expenses			
Operating expenses	28	530,455,781	454,678,157
Workers welfare fund		—	—
Other charges	29	130,429	—
Total non-markup / interest expenses		530,586,210	454,678,157
Profit before provisions		1,201,340,064	1,149,082,973
Provisions and write offs - net	30	(139,724,460)	340,284,317
Extra ordinary / unusual items		—	—
Profit before taxation		1,341,064,524	808,798,656
Taxation	31	418,746,517	192,548,455
Profit after taxation		922,318,007	616,250,201
Basic and diluted earnings per share	32	1.397	0.934

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



GM/Chief Executive



Chief Financial Officer



Director



Director



Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2021

	2021 Rupees	2020 Rupees
Profit after taxation for the year	922,318,007	616,250,201
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(384,257,720)	(706,546,758)
	(384,257,720)	(706,546,758)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(2,008,400)	(939,717)
Movement in surplus on revaluation of operating fixed assets - net of tax	995,875,974	—
Movement in surplus on revaluation of non-banking assets	14,712,840	—
	1,008,580,414	(939,717)
Total comprehensive income / (loss)	1,546,640,701	(91,236,274)

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



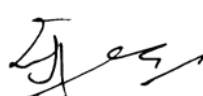
GM/Chief Executive



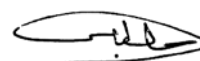
Chief Financial Officer



Director



Director



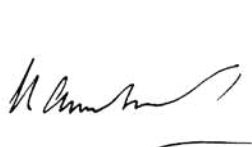
Director

UNCONSOLIDATED CASH FLOW STATEMENT

For The Year Ended December 31, 2021

	Note	2021 Rupees	2020 Rupees
Cash flow from operating activities			
Profit before taxation		1,341,064,524	808,798,656
Less: dividend income		(319,355,077)	(160,301,643)
		1,021,709,447	648,497,013
Adjustments:			
Depreciation		156,629,217	152,895,315
Amortization	13	4,592,471	4,146,275
Provision and write-offs	30	(139,724,460)	340,284,317
Loss / (gain) on sale of fixed assets		794,282	(4,279,370)
Gain on disposal of non banking assets		(60,630,049)	–
Interest expense on lease liability against ROU assets		1,411,285	3,346,056
Charge for defined benefit plan	28.1	7,480,100	7,035,259
Charge for compensated absences	28.1	6,451,181	3,575,270
Unrealized gain - held for trading investments	9.1	(1,822,511)	(1,607,097)
		(24,818,484)	505,396,025
		996,890,963	1,153,893,038
(Increase) / decrease in operating assets			
Lendings to financial institutions		119,988,000	(39,988,000)
Held-for-trading securities		(11,030,989)	(53,467,402)
Advances		184,207,714	739,894,038
Others assets (excluding advance taxation)		(15,125,577)	63,333,827
		278,039,148	709,772,463
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(5,863,060,462)	9,560,660,040
Deposits		465,787,775	1,935,800,000
Other liabilities (excluding current taxation)		(87,475,156)	13,320,647
		(5,484,747,843)	11,509,780,687
Payments against off-balance sheet obligations		–	–
Payment to defined benefit plan and compensated absences		(13,853,720)	(9,254,936)
Income tax paid		(519,174,460)	(543,328,958)
Net cash flow (used in) / from operating activities		(4,742,845,912)	12,820,862,294
Cash flow from investing activities			
Net investments in available-for-sale securities		4,139,972,919	(12,451,161,703)
Net investments in held-to-maturity securities		(224,706,493)	176,000
Dividends received		298,711,460	196,401,383
Investments in operating fixed assets		(47,848,764)	(56,932,233)
Proceeds from sale of fixed assets		5,285,193	7,509,379
Sale proceeds from disposal of non banking assets		158,000,000	–
Net cash flow from / (used in) investing activities		4,329,414,315	(12,304,007,174)
Cash flow from financing activities			
Payments against lease liabilities		(15,143,040)	(14,299,470)
Dividend paid		–	–
Net cash flow used in financing activities		(15,143,040)	(14,299,470)
Effects of exchange rate changes on cash and cash equivalents		–	–
(Decrease) / increase in cash and cash equivalents		(428,574,637)	502,555,650
Cash and cash equivalents at beginning of the year	33	665,001,033	162,445,383
Cash and cash equivalents at end of the year	33	236,426,396	665,001,033

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



GM/Chief Executive



Chief Financial Officer



Director



Director



Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2021

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of			Total
				Investments	Fixed / non banking assets	Unappropriated / unremitted profit	
	Rupees						
Balance as at January 1, 2020	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,795,778,454	13,003,375,325
Profit after taxation for the year ended December 31, 2020	–	–	–	–	–	616,250,201	616,250,201
Other comprehensive loss - net of tax	–	–	–	(706,546,758)	–	(939,717)	(707,486,475)
Transfer to statutory reserve	–	123,250,040	–	–	–	(123,250,040)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(65,947,104)	65,947,104	–
Transactions with owners, recorded directly in equity							
Final dividend 2019: Nil per ordinary share	–	–	–	–	–	–	–
Balance as at December 31, 2020	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,353,786,002	12,912,139,051
Balance as at January 1, 2021	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,353,786,002	12,912,139,051
Profit after taxation for the year ended December 31, 2021	–	–	–	–	–	922,318,007	922,318,007
Other comprehensive (loss) / Income - net of tax	–	–	–	(384,257,720)	1,010,588,814	(2,008,400)	624,322,694
Transfer to statutory reserve	–	184,463,601	–	–	–	(184,463,601)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(80,210,443)	80,210,443	–
Transactions with owners, recorded directly in equity							
Final dividend 2020: Nil per ordinary share	–	–	–	–	–	–	–
Balance as at December 31, 2021	6,600,000,000	1,369,329,367	358,662,940	(880,415,670)	2,841,360,664	4,169,842,451	14,458,779,752

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



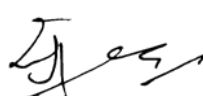
GM/Chief Executive



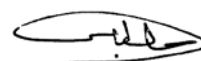
Chief Financial Officer



Director



Director



Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2021

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 Government of 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 was initially setup for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of Company has been further extended for another period of fifty years.

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 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting 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 and 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 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies and DFIs till further instructions. Further, the SBP, vide its BSD Circular Letter no. 10 dated September 11, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument; recognition and measurement and IFRS 10, Consolidated Financial Statement was made applicable from period beginning on or after January 01, 2015 vide S.R.O. 663(1)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O. 56(1)/2016 dated January

28, 2016, that the requirement of consolidation under section 2018 of Companies Act, 2017 and IFRS 10 is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs. Additionally, the SBP's BPRD Circular Letter no.24 of 2021 dated July 5, 2021, has deferred the applicability of IFRS 9 to banks and DFIs for accounting periods beginning on or after January 1, 2022. Accordingly, the requirements of these standards have not been considered in preparation of these unconsolidated financial statements.

3.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain amendments to existing accounting and reporting standards that have become applicable to the Company for the accounting periods beginning on or after January 1, 2021. These are considered either not to be relevant or not to have any significant impact on these unconsolidated financial statements.

3.4 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective;

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in

profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
 - The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest

comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosures.

- As per State Bank of Pakistan (SBP)' BPRD circular letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective 1 January 2022. The aforementioned circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, further clarifications required in certain areas etc.

Due to the fact that final instructions have not yet been issued and the large number of reservations over the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as required under IAS 8.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Company which are exposed to credit risk.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2022 but are considered either not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated financial statements.

4. 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.

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 5.4)
- ii) Provision against investments (note 5.17), advances (note 5.5) and other assets (note 14)
- iii) Valuation and impairment of available for sale securities (note 5.4(b))
- iv) Valuation, useful life and depreciation of fixed assets (note 5.7) and non-banking assets acquired in satisfaction of claims (note 5.10)
- v) Useful life of intangibles (note 5.8)
- vi) IFRS 16-lease term and effective interest rate of lease contracts for lease liabilities and right of use of assets (note 5.9)
- vii) Taxation (note 5.12)
- viii) Present value of staff retirement benefits (note 5.13)
- ix) Valuation and impairment of subsidiary (note 5.4)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

5.1 Cash and cash equivalents

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

5.2 Non-current asset classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determined.

5.3 Sale and repurchase agreements

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

5.4 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

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

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "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 and 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.

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.

5.5 Advances

Advances are stated net of provision. 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 are charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.6 Finance lease receivables

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.7 Fixed assets and depreciation

(a) Property and equipment (owned and leased)

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and leasehold 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.

(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 fixed assets when available for intended use.

5.8 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.

5.9 IFRS 16 - Leases

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

The lease liabilities are initially measured as the present value of remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is charged to profit and loss account as markup expense over the lease period.

5.10 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 Company's policy.

5.11 Deposits

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

5.12 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.

5.13 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.

5.14 Revenue recognition

- Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP. 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 systematic basis.
- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

5.15 Foreign currency transactions and translation

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.

5.16 Impairment

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

5.17 Provisions

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

5.18 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.

5.19 Off-setting of financial instruments

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

5.20 Statutory reserve

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

5.21 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	2021 Rupees	2020 Rupees
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		327,130	241,599
With State Bank of Pakistan in			
Local currency current accounts	6.1	101,612,867	107,531,818
		<u>101,939,997</u>	<u>107,773,417</u>

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

		2021 Rupees	2020 Rupees
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		6,882,985	8,301,526
In deposit accounts		127,603,414	548,926,090
		<u>134,486,399</u>	<u>557,227,616</u>

7.1 Deposit accounts include Rs. 103,849,803 (2020: Rs 527,863,401) held in local currency accounts. These accounts carry markup at the rates ranging from 2.25% to 7.25% (2020: 3.00% to 5.50%) per annum.

7.2 Deposit accounts include USD 134,619.50 (2020: USD 131,426.27) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2020: 0.25%) per annum.

	Note	2021 Rupees	2020 Rupees
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	—	119,988,000
		—	119,988,000
Less: provision held against Lending to Financial Institutions		—	—
Lending to Financial Institutions - net of provision		—	119,988,000
8.1 Particulars of lending			
In local currency		—	119,988,000

8.2 Securities held as collateral against lending to financial institutions

	Note	2021			2020		
		Held by the company	Further given as collateral Rupees	Total	Held by the company	Further given as collateral Rupees	Total
Pakistan Investment Bonds	8.2.1	—	—	—	119,988,000	—	119,988,000
Total		—	—	—	119,988,000	—	119,988,000

8.2.1 Market value of securities held as collateral at December 31, 2021 is Nil (2020: Rs. 120 million).

9. INVESTMENTS

9.1 Investments by type:

Note	2021				2020			
	Cost /	Provision	Surplus /	Carrying	Cost /	Provision	Surplus /	Carrying
	Amortised cost	for diminution	(Deficit)	Value	Amortised cost	for diminution	(Deficit)	Value
	Rupees				Rupees			
Held-for-trading securities								
Quoted shares	66,105,488	–	1,822,511	67,927,999	53,467,402	–	1,607,097	55,074,499
Available-for-sale securities								
Federal Government Securities								
-Pakistan Investment Bonds (PIBs)	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
Shares- quoted securities	3,208,180,629	(720,924,974)	(32,280,058)	2,454,975,597	2,827,625,073	(760,854,156)	181,945,188	2,248,716,105
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	1,171,060,447	(81,675,026)	14,458,400	1,103,843,821	1,171,612,766	(82,227,345)	8,994,400	1,098,379,821
-Commercial paper	–	–	–	–	32,784,012	–	–	32,784,012
Un-quoted securities	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	31,322,322,803	(1,076,433,040)	(1,006,189,337)	29,239,700,426	35,462,295,722	(1,116,914,541)	(583,715,235)	33,761,665,946
Held-to-maturity securities								
Non Government Debt Securities								
-Term Finance Certificates (TFCs)	1,867,317,203	(544,249,203)	–	1,323,068,000	1,642,610,710	(402,491,710)	–	1,240,119,000
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments	33,755,745,494	(1,620,682,243)	(1,004,366,826)	31,130,696,425	37,658,373,834	(1,519,406,251)	(582,108,138)	35,556,859,445

9.1.1 This represents investment in 50 million shares of 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 un-audited financial statements of SPREL as at December 31, 2021, total assets and liabilities of SPREL are Rs. 769.730 million (2020: Rs. 738.779 million) and Rs. 23.603 million (2020: Rs. 21.882 million) while total revenue, profit after taxation and total comprehensive income for the year ended December 31, 2021 are Rs. 16.062 million (2020: Rs. 71.952 million), Rs. 29.411 million (2020: Rs. 21.746 million) and Rs. 29.231 million (2020: Rs. 21.593 million) respectively.

9.2 Investments by segments:

	2021				2020			
	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:								
Pakistan Investment Bonds	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
Shares:								
Listed Companies	3,274,286,117	(720,924,974)	(30,457,547)	2,522,903,596	2,881,092,475	(760,854,156)	183,552,285	2,303,790,604
Unlisted Companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	4,060,619,165	(994,758,014)	(30,457,547)	3,035,403,604	3,667,425,523	(1,034,687,196)	183,552,285	2,816,290,612
Non Government Debt Securities								
Listed TFCs / Sukuk	1,733,420,899	(44,035,478)	14,458,400	1,703,843,821	1,870,945,725	(181,560,304)	8,994,400	1,698,379,821
Unlisted TFCs / Sukuk	1,304,956,751	(581,888,751)	–	723,068,000	943,277,751	(303,158,751)	–	640,119,000
Commercial paper	–	–	–	–	32,784,012	–	–	32,784,012
	3,038,377,650	(625,924,229)	14,458,400	2,426,911,821	2,847,007,488	(484,719,055)	8,994,400	2,371,282,833
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments	33,755,745,494	(1,620,682,243)	(1,004,366,826)	31,130,696,425	37,658,373,834	(1,519,406,251)	(582,108,138)	35,556,859,445

	2021 Rupees	2020 Rupees
9.2.1 Investments given as collateral		
Pakistan Investment Bonds (PIBs)	21,908,529,525	26,592,235,980
	21,908,529,525	26,592,235,980
9.3 Provision for diminution in value of investments		
9.3.1 Opening balance	1,519,406,251	2,074,118,083
Charge / reversals		
Charge for the year	207,601,400	217,298,653
Reversals for the year	(3,757,789)	–
Reversal on disposals	(102,567,619)	(195,334,410)
	101,275,992	21,964,243
Transfers - net	–	(576,676,075)
Amounts written off	–	–
Closing balance	1,620,682,243	1,519,406,251

9.3.2 Particulars of provision against debt securities

Category of classification	2021		2020	
	NPI	Provision	NPI	Provision
	Rupees		Rupees	
Domestic				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	659,674,229	625,924,229	535,344,055	484,719,055
	659,674,229	625,924,229	535,344,055	484,719,055
Overseas	—	—	—	—
Total	659,674,229	625,924,229	535,344,055	484,719,055

9.4 Quality of Available for Sale Securities

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

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	26,156,748,679	30,643,940,823
	26,156,748,679	30,643,940,823

Shares:

Listed Companies

Cement	109,775,900	109,775,900
Chemical	417,127,705	417,127,705
Close-end Mutual Fund	37,745,634	37,745,634
Commercial Banks	647,875,278	649,330,721
Fertilizer	233,487,301	378,106,466
Food and Personal Care Products	—	35,090,111
Insurance	100,820,544	105,533,362
Oil & Gas Marketing Companies	211,761,553	141,229,459
Oil & Gas Exploration Companies	517,973,844	257,562,725
Power Generation and Distribution	897,641,805	625,325,445
Technology and Communication	33,971,065	33,971,065
Textile Composite	—	36,826,480
	3,208,180,629	2,827,625,073

	2021		2020	
	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	48,580,204	2,500,000	45,096,303
Pace Barka Properties Limited	168,750,000	210,367,051	168,750,000	217,609,092
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	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	737,382,277	330,000,000	415,481,552
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	—	10,000,000	—
Taurus Securities Limited	11,250,000	24,651,223	11,250,000	24,102,185
Trust Investment Bank Limited	20,000,000	—	20,000,000	—
	786,333,048	1,023,542,216	786,333,048	704,850,593

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.

	2021	2020
	Cost in Rupees	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,060,000,000	1,060,000,000
- CCC and below	29,385,421	29,385,421
- Unrated	24,417,686	24,970,005
	1,113,803,107	1,114,355,426
Unlisted		
- A+, A, A-	—	32,784,012
- Unrated	57,257,340	57,257,340
	57,257,340	90,041,352
	1,171,060,447	1,204,396,778

9.5 The Company does not have any investments in foreign securities as at December 31, 2021 (2020: Nil).

	Note	2021 Cost in Rupees	2020
9.6 Particulars relating to Held to Maturity securities are as follows:			
Non Government Debt Securities			
Listed			
- AA+, AA, AA-		600,000,000	600,000,000
- Unrated		19,617,792	156,590,299
	9.6.1	619,617,792	756,590,299
Unlisted			
- AA+, AA, AA-		289,558,000	199,800,000
- A+, A, A-		100,000,000	89,874,000
- BBB+, BBB, BBB-		299,760,000	299,820,000
- Unrated		558,381,411	296,526,411
		1,247,699,411	886,020,411
		1,867,317,203	1,642,610,710

9.6.1 Market value of held-to-maturity securities other than non performing investments as at December 31, 2021 is Rs. 1,193 million (December 31, 2020: Rs. 1,167 million).

10. ADVANCES

		2021	2020	2021	2020	2021	2020
		Performing	Non performing	Total			
Note		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running							
finances- gross	10.1	6,721,837,122	5,450,132,635	2,387,298,720	3,894,704,806	9,109,135,842	9,344,837,441
Provision against advances							
- Specific		—	—	(2,241,352,677)	(2,533,847,014)	(2,241,352,677)	(2,533,847,014)
- General		—	—	—	—	—	—
		—	—	(2,241,352,677)	(2,533,847,014)	(2,241,352,677)	(2,533,847,014)
Advances - net of provision		6,721,837,122	5,450,132,635	145,946,043	1,360,857,792	6,867,783,165	6,810,990,427

10.1 Includes Net Investment in Finance Lease as disclosed below:

	2021				2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees				Rupees			
Lease rentals receivable	95,208,694	–	–	95,208,694	142,105,873	–	–	142,105,873
Residual value	–	–	–	–	–	–	–	–
Minimum lease payments	95,208,694	–	–	95,208,694	142,105,873	–	–	142,105,873
Financial charges for future periods	(28,746,708)	–	–	(28,746,708)	(50,106,929)	–	–	(50,106,929)
Present value of minimum lease payments	66,461,986	–	–	66,461,986	91,998,944	–	–	91,998,944

10.2 Particulars of advances (Gross)

	2021 Rupees	2020 Rupees
In local currency	9,109,135,842	9,328,921,388
In foreign currencies	–	15,916,053
	9,109,135,842	9,344,837,441

10.3 Advances include Rs. 2,387,298,720 (2020: Rs. 3,894,704,806) which have been placed under non-performing status as detailed below:-

Category of Classification	2021		2020	
	Non Performing loans	Provision	Non Performing loans	Provision
	Rupees		Rupees	
Domestic				
Substandard	–	–	–	–
Doubtful	291,892,086	145,946,043	309,470,937	154,735,469
Loss	2,095,406,634	2,095,406,634	3,585,233,869	2,379,111,545
Total	2,387,298,720	2,241,352,677	3,894,704,806	2,533,847,014

10.4 Particulars of provision against advances

		2021			2020		
	Note	Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
Opening balance		2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842
Charge for the year		176,878,680	–	176,878,680	465,742,475	–	465,742,475
Reversals		(418,438,954)	–	(418,438,954)	(147,422,401)	–	(147,422,401)
		(241,560,274)	–	(241,560,274)	318,320,074	–	318,320,074
Amounts written off	10.5	(50,934,063)	–	(50,934,063)	(24,633,902)	–	(24,633,902)
Closing balance		2,241,352,677	–	2,241,352,677	2,533,847,014	–	2,533,847,014

10.4.1 Particulars of provision against advances

		2021			2020		
		Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
In local currency		2,241,352,677	–	2,241,352,677	2,517,930,961	–	2,517,930,961
In foreign currencies		–	–	–	15,916,053	–	15,916,053
		2,241,352,677	–	2,241,352,677	2,533,847,014	–	2,533,847,014

10.4.2 The net FSV benefit already availed has been decreased by Rs. 1,206.122 million. Further, at December 31, 2021, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Nil (2020: Rs. 856.347 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	2021 Rupees	2020 Rupees
10.5 Particulars of write offs:			
10.5.1 Against Provisions	10.4	50,934,063	24,633,902
Directly charged to Profit & Loss account		559,822	–
		51,493,885	24,633,902
10.5.2 Write Offs of Rs. 500,000 and above	10.6		
- Domestic		51,493,885	24,633,902
- Overseas		–	–
Write Offs of Below Rs. 500,000		–	–
		51,493,885	24,633,902

10.6 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 rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given at Annexure I.

		2021 Rupees	2020 Rupees
10.7	Particulars of loans and advances to staff included in advances		
	Opening balance	63,461,897	55,616,532
	Amount disbursed during the year	16,959,466	30,239,518
	Amount received during the year	(23,421,125)	(22,394,153)
	Amount written off	(547,520)	–
	Closing balance	56,452,718	63,461,897
11.	NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE		
	Cost of investment reclassified from investments		
	- Investment in ordinary shares	243,467,574	243,467,574
	- Investment in preference shares	333,208,501	333,208,501
	Less: Provision on investment	(576,676,075)	(576,676,075)
		–	–
	Less: Amounts received till 31 December	–	–
		–	–

- 11.1** The Company's investment in Saudi Pak Leasing Company Limited (the "associate company") has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at lower of carrying amount at designation and fair value less cost to sell.

	Note	2021 Rupees	2020 Rupees
12.	FIXED ASSETS		
	Capital work-in-progress	12.1 3,204,338	3,366,482
	Property and equipment	12.2 4,230,565,871	2,929,386,491
	Right of use assets under IFRS-16 Leases	9,709,270	23,494,952
		4,243,479,479	2,956,247,925
12.1	Capital work-in-progress		
	Advances to suppliers	3,204,338	3,366,482
		3,204,338	3,366,482

12.2 Property and equipment


SAUDI PAK

Industrial and Agricultural Investment Company Limited

2021

	Leasehold land	Building Karachi office	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, 2021											
Cost / Revalued amount	1,743,975,000	36,597,000	996,414,324	13,910,872	53,105,281	99,759,981	101,520,389	48,090,798	5,325,558	180,432,853	3,279,132,056
Accumulated depreciation	55,458,402	2,927,756	79,695,506	12,184,439	44,097,821	56,096,095	30,047,348	14,160,838	1,609,252	53,468,108	349,745,565
Net book value	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
Year ended December 31, 2021											
Opening net book value	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
Additions	-	-	477,844	409,625	9,942,213	13,890,479	3,991,318	-	92,728	15,734,620	44,538,827
Movement in surplus on assets revalued during the year	917,262,603	20,076,634	367,079,645	-	-	-	41,518,234	25,083,655	1,374,996	30,246,450	1,402,642,217
Revaluation adjustment	(83,187,603)	(4,391,634)	(119,559,938)	-	-	-	(45,421,450)	(21,374,453)	(2,361,560)	(66,681,940)	(342,978,578)
Disposals	-	-	-	-	(5,607,390)	(17,222,664)	-	-	-	(269,631)	(23,099,685)
- Cost / Revalued amount	-	-	-	-	5,544,042	11,206,542	-	-	-	269,626	17,020,210
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(27,729,201)	(1,463,878)	(39,864,432)	(751,543)	(6,394,703)	(13,716,465)	(15,374,102)	(7,213,615)	(806,011)	(26,608,239)	(139,922,189)
Revaluation adjustment	83,187,603	4,391,634	119,559,938	-	-	-	45,421,450	21,374,453	2,361,560	66,681,940	342,978,578
Closing net book value	2,578,050,000	52,282,000	1,244,411,875	1,384,515	12,491,622	37,821,778	101,608,491	51,800,000	4,378,019	146,337,571	4,230,565,871
At December 31, 2021											
Cost / Revalued amount	2,578,050,000	52,282,000	1,244,411,875	14,320,497	57,440,104	96,427,796	101,608,491	51,800,000	4,431,722	159,462,352	4,360,234,837
Accumulated depreciation	-	-	-	12,935,982	44,948,482	58,606,018	-	-	53,703	13,124,781	129,668,966
Net book value	2,578,050,000	52,282,000	1,244,411,875	1,384,515	12,491,622	37,821,778	101,608,491	51,800,000	4,378,019	146,337,571	4,230,565,871
Rate of depreciation (percentage)	1.59	4	4	20	33.33	20	15	15	15	15	

	2020										
	leasehold land	Building Karachi office	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, 2020											
Cost / Revalued amount	1,743,975,000	36,597,000	996,328,224	13,794,395	49,022,395	89,114,061	101,520,389	47,000,000	5,327,507	159,131,259	3,241,810,230
Accumulated depreciation	27,729,201	1,463,878	39,842,306	11,466,921	39,875,835	56,675,549	14,973,999	7,049,996	810,752	31,520,156	231,408,593
Net book value	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
Year ended December 31, 2020											
Opening net book value	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
Additions	-	-	86,100	141,804	5,352,694	28,497,472	-	1,090,798	-	22,568,613	57,737,481
Disposals											
- Cost / Revalued amount	-	-	-	(25,327)	(1,269,808)	(17,851,552)	-	-	(1,949)	(1,267,019)	(20,415,655)
- Accumulated depreciation	-	-	-	25,323	1,147,605	14,745,190	-	-	516	1,267,012	17,185,646
	-	-	-	(4)	(122,203)	(3,106,362)	-	-	(1,433)	(7)	(3,230,009)
Depreciation charge	(27,729,201)	(1,463,878)	(39,853,200)	(742,841)	(5,369,591)	(14,165,736)	(15,073,349)	(7,110,842)	(799,016)	(23,214,964)	(135,522,618)
Closing net book value	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
At December 31, 2020											
Cost / Revalued amount	1,743,975,000	36,597,000	996,414,324	13,910,672	53,105,281	99,759,981	101,520,389	48,090,798	5,325,558	180,432,853	3,279,132,056
Accumulated depreciation	55,458,402	2,927,756	79,695,506	12,184,439	44,097,821	56,096,095	30,047,348	14,160,838	1,609,252	53,468,108	349,745,565
Net book value	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
Rate of depreciation (percentage)	1.59	4	4	20	33.33	20	15	15	15	15	

* This represent security system at Islamabad and Karachi office. Security system of Islamabad office are revalued only, as they form an integral part of building structure.

** This represents electrical fittings, fire fighting equipment, telephone installation, leasehold improvements, electrical appliances, loose tools & miscellaneous item at Islamabad, Lahore and Karachi office. The Company revalues electrical fittings, fire fighting equipment and telephone installation for its Islamabad office only, as they form an integral part of building structure.

12.3 Details of disposal of fixed assets

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Office equipment						
Mobile - iPhone 8	100,000	99,999	1	1	As per policy *	Kashif Suhail
Mobile - iPhone 8	100,000	99,999	1	1	As per policy *	Fateh Tariq
Mobile - iPhone 6S Plus	64,000	59,478	4,522	4,522	As per policy *	Irfan Karim
Mobile - Samsung A71	65,500	8,388	57,112	–	As per policy *	Mr Khawar Ashfaq
Laptop - HP Elitebook 850 G4	146,000	144,327	1,673	–	As per policy *	Mr Khawar Ashfaq
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Fateh Tariq
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Kamal Uddin Khan
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Kashif Suhail
Mobile - Samsung S9	67,500	67,499	1	1	As per policy *	Safdar Abbas Zaidi
Mobile - Samsung Note 8	97,500	97,499	1	1	As per policy *	Muhammad Nayeem Akhtar
Mobile - iPhone X	155,000	154,999	1	1	As per policy *	Kamaluddin Khan
Mobile - iPhone XS Maxx	214,000	213,999	1	1	As per policy *	Kamaluddin Khan
Mobile - Samsung Note 9	67,500	67,499	1	1	As per policy *	Ali Imran
Mobile - iPhone 7	67,500	67,499	1	1	As per policy *	M. Ghairat Hayat
Office Equipment - Islamabad office	3,924,990	3,924,961	29	90,000	Auction	Arif Mashi
Mobile - iPhone 8	99,900	99,899	1	1	As per policy *	Arshad Ahmed Khan
	5,607,390	5,544,042	63,348	116,431		

Vehicles

Toyota Altis Grandy 1.8 - FB 960	2,390,724	2,390,723	1	1	As per policy *	Yawar Khan Afridi
Suzuki Cultus - FT 980	1,047,002	1,047,001	1	1	As per policy *	Muhammad Faisal Israr
Honda City Prosmetic 1.3 - AJS 806	1,948,424	1,054,104	894,320	894,320	As per policy *	Irfan Karim
Honda City Prosmetic 1.3 - AJJ 304	1,947,940	1,090,580	857,360	–	As per policy *	Mr. Khawar Ashfaq
Suzuki Wagon R - AAT 863	1,022,374	1,022,373	1	1	As per policy *	Ali Aosjah
Kia Picanto - APY 837	2,057,502	595,360	1,462,142	1,462,142	As per policy *	Abdul Nasir
Honda City Aspire 1.3 - ABV 163	1,845,024	1,845,023	1	1	As per policy *	Safdar Abbas Zaidi
Honda Civic I-Vtech Oriel - AGH 088	2,878,884	1,976,699	902,185	902,185	As per policy *	Kamaluddin Khan
Kia Picanto - BSQ 018	2,084,790	184,679	1,900,111	1,900,111	As per policy *	Muhammad Farman Shamsi
	17,222,664	11,206,542	6,016,122	5,158,762		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Electrical fittings, fire fighting equipment and others						
Mitsubishi Split AC 2 Ton	39,300	39,299	1	2,000	Auction	Maqbool Hussain
LG Jet Cool Split AC 1.5 Ton	41,500	41,499	1	2,000	Auction	Maqbool Hussain
LG Jet Cool Split AC 2 Ton	57,675	57,674	1	2,000	Auction	Maqbool Hussain
Haier Split AC 2 Ton	81,956	81,955	1	2,000	Auction	Maqbool Hussain
Acson AC 1 Ton	49,200	49,199	1	2,000	Auction	Maqbool Hussain
	269,631	269,626	5	10,000		
	23,099,685	17,020,210	6,079,475	5,285,193		

* 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 revalued by independent professional valuer on the estimated value on market / depreciated basis as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited; member of Pakistan Engineering Council and on panel of Pakistan Banking Association; on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 1,402.642 million. The total surplus arising against revaluation of fixed assets as at December 31, 2021 amounted to Rs. 3,968.328 million.

12.5 Cost / revalued amount of fully depreciated assets that are still in use:

	2021 Rupees	2020 Rupees
Furniture and fixture	10,513,608	10,276,514
Office equipment	36,251,129	34,594,697
Vehicles	27,129,060	28,112,562
Electrical fittings, fire fighting equipment and others	8,386,490	7,673,966
	82,280,287	80,657,739

	2021 Computer Software Rupees	2020 Computer Software Rupees
13. INTANGIBLE ASSETS		
At January 1		
Cost	26,731,503	23,843,863
Accumulated amortisation and impairment	19,502,063	15,355,788
Net book value	7,229,440	8,488,075
Year ended December 31		
Opening net book value	7,229,440	8,488,075
Additions - directly purchased	3,472,081	2,887,640
Amortisation charge	4,592,471	4,146,275
Closing net book value	6,109,050	7,229,440
At December 31		
Cost	30,203,584	26,731,503
Accumulated amortisation and impairment	24,094,534	19,502,063
Net book value	6,109,050	7,229,440
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. 18,444,698 (2020: Rs. 11,805,299).

	Note	2021 Rupees	2020 Rupees
14. OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision			
On investments		842,458,570	998,046,764
On advances		311,550,059	108,403,187
On lending to financial institutions		—	21,039
		1,154,008,629	1,106,470,990
Advances, deposits, advance rent and other prepayments		13,663,883	45,453,474
Advance taxation (payments less provisions)		835,887,833	702,121,670
Excise duty		78,817,895	78,817,895
Non-banking assets acquired in satisfaction of claims	14.1	53,803,576	139,309,214
Dividend receivable		42,867,904	21,022,808
Other receivables		684,959	2,508,909
		2,179,734,679	2,095,704,960
Less: Provision held against other assets	14.2	(256,792)	(256,792)
Other assets (net of provision)		2,179,477,887	2,095,448,168
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		23,847,524	23,920,343
Other assets - total		2,203,325,411	2,119,368,511
14.1 Market value of non-banking assets acquired in satisfaction of claims		77,651,100	169,677,403

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 on the basis of assessment of Present Market Value on 31 December 2021 at Rs. 77.651 million. M/s Impulse (Pvt) Limited is member of Pakistan Engineering Council and also on panel of Pakistan Banking Association.

	Note	2021 Rupees	2020 Rupees
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		163,229,557	166,816,572
Revaluation during the year		14,712,840	–
Disposals during the year		(97,369,951)	–
Depreciation		(2,921,346)	(3,587,015)
Closing balance		77,651,100	163,229,557
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		158,000,000	–
less: carrying value		(97,369,951)	–
Gain realized on disposal		60,630,049	–
14.2 Provision held against other assets			
Advances, deposits, advance rent & other prepayments	14.2.1	256,792	256,792
14.2.1 Movement in provision held against other assets			
Opening balance		256,792	256,792
Charge for the year		–	–
Reversals / transfer		–	–
Amount Written off		–	–
Closing balance		256,792	256,792
15. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under refinance scheme			
Long term financing facility	15.1	845,810,022	872,306,098
Temporary economic relief facility	15.2	491,424,500	–
		1,337,234,522	872,306,098
Repurchase agreement borrowings	15.3	21,831,884,450	26,476,540,000
Against book debts/receivables	15.4	3,287,500,000	4,970,833,336
Total secured		26,456,618,972	32,319,679,434
Total unsecured		–	–
		26,456,618,972	32,319,679,434

- 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% (2020: 2.00%) per annum. These facilities will mature during January 2022 to January 2029 (2020: January 2021 to January 2029).
- 15.2** These represent facilities obtained against State Bank of Pakistan refinance schemes under TERF. The mark up is charged at the rate of 1.00% per annum. These facilities will mature during April 2023 to January 2031.
- 15.3** These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 10.25% to 10.65% (2020: 7.20% to 7.30%) per annum having maturity during January 2022 (2020: during January 2021).
- 15.4** These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 10,267 million (2020: Rs. 12,000 million). The mark up is charged at varying rates ranging from 7.96% to 11.79% (2020: 7.48% to 7.64%) per annum. These facilities will mature during January 2022 to April 2025 (2020: January 2021 to April 2025).

	Note	2021 Rupees	2020 Rupees
15.5 Particulars of borrowings with respect to Currencies			
In local currency		26,456,618,972	32,319,679,434
In foreign currencies		—	—
		<u>26,456,618,972</u>	<u>32,319,679,434</u>
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits (local currency)	16.1	2,911,587,775	2,445,800,000
16.1 Composition of deposits			
- Public Sector Entities	16.2	2,701,587,775	2,435,800,000
- Non-Banking Financial Institutions	16.3	10,000,000	10,000,000
- Private Sector	16.4	200,000,000	—
		<u>2,911,587,775</u>	<u>2,445,800,000</u>

- 16.2** These represent Certificate of Investments (COIs) issued to Port Qasim Authority & National Fertilizer Corporation of Pakistan for Rs. 2,701.59 million (2020: Rs. 2,435.80 million). These COIs carry mark up at the rates ranging from 8.00% to 10.55% (2020: 7.00% to 7.51%) per annum and is repayable during January 2022 to November 2022 (2020: January 2021 to June 2021).
- 16.3** These represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs.10 million (2020: Rs. 10 million). These COIs carry mark up at the rate of 7.75% (2020: 7.30%) per annum and is repayable in March 2022 (2020: March 2021).
- 16.4** These represent Certificate of Investments (COIs) issued to Air Link Communication Limited for Rs. 200 million (2020: Nil). These COIs carry mark up at the rate of 11.14% per annum and is repayable in December 2022.

17. DEFERRED TAX LIABILITIES

2021					
	At January 1, 2021	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2021
	Rupees				
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(5,094,609)	–	–	(820,332)	(5,914,941)
Surplus / (deficit) on revaluation of securities - AFS	(87,557,285)	–	–	(38,216,382)	(125,773,667)
Provision on non-performing loans	(592,956,000)	43,874,000	–	–	(549,082,000)
Impairment loss on available for sale quoted securities	(91,939,258)	24,172,085	–	–	(67,767,173)
	(777,547,152)	68,046,085	–	(39,036,714)	(748,537,781)
Taxable Temporary Differences on					
Accelerated tax depreciation	22,905,822	2,375,719	–	–	25,281,541
Dividend receivable	5,255,702	5,461,274	–	–	10,716,976
Net investment in leases	18,670,058	(18,670,058)	–	–	–
Right of Use Assets	–	2,815,688	–	–	2,815,688
Surplus on revaluation of securities - HFT	241,065	32,312	–	–	273,377
Surplus on revaluation of operating fixed assets	770,771,780	(26,722,800)	–	406,766,243	1,150,815,223
	817,844,427	(34,707,865)	–	406,766,243	1,189,902,805
	40,297,275	33,338,220	–	367,729,529	441,365,024
2020					
	At January 1, 2020	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2020
	Rupees				
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(4,710,781)	–	–	(383,828)	(5,094,609)
Surplus on revaluation of securities - AFS	37,127,436	–	–	(124,684,721)	(87,557,285)
Provision on non-performing loans	(507,787,000)	(85,169,000)	–	–	(592,956,000)
Impairment loss on available for sale quoted securities	(88,542,914)	(3,396,344)	–	–	(91,939,258)
	(563,913,259)	(88,565,344)	–	(125,068,549)	(777,547,152)
Taxable Temporary Differences on					
Accelerated tax depreciation	24,545,468	(1,639,646)	–	–	22,905,822
Dividend receivable	8,568,382	(3,312,680)	–	–	5,255,702
Net investment in leases	32,770,878	(14,100,820)	–	–	18,670,058
Surplus on revaluation of securities - HFT	–	241,065	–	–	241,065
Surplus on revaluation of operating fixed assets	797,494,580	(26,722,800)	–	–	770,771,780
	863,379,308	(45,534,881)	–	–	817,844,427
	299,466,049	(134,100,225)	–	(125,068,549)	40,297,275

	Note	2021 Rupees	2020 Rupees
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		149,516,538	281,881,028
Accrued expenses		61,574,046	35,106,627
Advance rental income	18.1	122,988,692	128,652,468
Security deposits against rented properties	18.2	35,333,783	28,816,242
Payable to defined benefit plan	37	10,308,832	8,358,804
Provision for compensated absences		9,491,958	8,535,693
Directors' remuneration		5,293,500	4,647,610
Payable to stock brokers - net		119,060	341,946
Lease liability against ROU assets as per IFRS - 16 Leases		—	13,731,755
Others		24,841,994	7,696,848
		419,468,403	517,769,021

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. 35.334 million (2020: Rs. 28.816 million) including security deposit from related party amounting to Rs. 0.402 million (2020: Rs. 0.402 million).

19. SHARE CAPITAL

19.1 Authorized Capital

2021 Number of Share	2020 Number of Share		2021 Rupees	2020 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

2021 Number of Share	2020 Number of Share		2021 Rupees	2020 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.

19.4 Subsequent events - non adjusting event after reporting date

The Board of Directors in its meeting held subsequent to the year end on February 26, 2022 has recommended cash dividend @ 2.5% on paid up share capital amounting to Rs. 165 million (2020: Rs. Nil) and also recommended issue of fully paid bonus shares @ 2.5% of paid up share capital i.e. 16,500,000 shares out of unappropriated profits amounting to Rs. 165 million (2020: Rs. Nil). These shares shall rank pari passu with the existing shares. These appropriations will be put forward for approval of the shareholders in the Annual General Meeting.

	Note	2021 Rupees	2020 Rupees
20. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(1,006,189,337)	(583,715,235)
- Fixed assets	20.1	3,968,328,363	2,657,833,730
- Non-banking assets acquired in satisfaction of claims	20.2	23,847,524	23,920,343
		2,985,986,550	2,098,038,838
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		125,773,667	87,557,285
- Fixed assets	20.1	(1,150,815,223)	(770,771,780)
- Non-banking assets acquired in satisfaction of claims		—	—
		(1,025,041,556)	(683,214,495)
		1,960,944,994	1,414,824,343
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		2,657,833,730	2,749,981,314
Recognised during the year		1,402,642,217	—
Realised on disposal during the year - net of deferred tax		—	—
Related deferred tax liability on surplus realised on disposal		—	—
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(65,424,784)	(65,424,784)
Related deferred tax liability on incremental depreciation charged during the year		(26,722,800)	(26,722,800)
Surplus on revaluation of fixed assets as at December 31		3,968,328,363	2,657,833,730
Less: related deferred tax liability on:			
- revaluation as at January 1		770,771,780	797,494,580
- revaluation recognised during the year		406,766,243	—
- surplus realised on disposal during the year		—	—
- Impact of change in tax rate		—	—
- incremental depreciation charged during the year		(26,722,800)	(26,722,800)
		1,150,815,223	770,771,780
		2,817,513,140	1,887,061,950
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		23,920,343	24,442,663
Recognised during the year		14,712,840	—
Realized on disposal during the year		(14,361,521)	—
Incremental depreciation		(424,138)	(522,320)
Surplus on revaluation as at December 31		23,847,524	23,920,343

	Note	2021 Rupees	2020 Rupees
21. CONTINGENCIES AND COMMITMENTS			
-Guarantees	21.1	—	502,224,393
-Commitments	21.2	1,342,595,377	2,091,293,614
		<u>1,342,595,377</u>	<u>2,593,518,007</u>
21.1 Guarantees:			
Financial guarantees		—	502,224,393
21.2 Commitments:			
Commitment for the acquisition of:			
- Operating fixed assets		5,527,051	2,964,301
- Intangible assets		3,940,759	2,329,313
		<u>9,467,810</u>	<u>5,293,614</u>
Non disbursed commitment for term and working capital finance		1,333,127,567	2,086,000,000
		<u>1,342,595,377</u>	<u>2,091,293,614</u>

21.3 Other contingent liabilities

21.3.1 Tax contingencies

- i) The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the Company's contention on certain matters in appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. These issues mainly relate to disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Company has filed tax references before the Islamabad High Court. The references for the tax years 2004 to 2006 and 2008 to 2010 have been admitted for hearing whereas the references for tax years 2012 to 2014 are at pre-admission stage.

The related tax demands for all the aforesaid tax years aggregate to Rs 1,068.844 million, out of which Rs 635.194 million has been paid by / recovered from the Company.

- ii) For the tax years 2015 to 2018, the assessing officer amended the Company's assessment under section 122(5A) of the Ordinance and created an aggregate tax demand of Rs. 1,463.932 million by making various add backs and disallowances. The Company preferred appeals before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.
- iii) For tax years 2015 to 2017 proceedings under section 161 were initiated and cumulative demand of Rs. 276.482 million was created on account of alleged default in withholding of tax out of which Rs 26.034 million has been paid by / recovered from the Company. The Company preferred appeal before the CIR(A) who remanded certain issues and upheld certain matters. The Company preferred further appeal before ATIR which is pending adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are most likely to be decided in favour of the Company at superior appellate fora and no further provision has been booked relating to these matters in these financial statements.

21.3.2 Other contingencies

i) MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.623 million)

MACPAC Films Limited Karachi ("Customer") availed a Term Finance of Rs. 125 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Saudi Pak which contained waiver/write-off of Rs. 72.659 million on account of Markup and Liquidated Damages subject to payment of Rs.100.141 million. The Customer accepted and paid Rs.100.141 million. The write off/waiver was reported to the Credit Information Bureau of the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer requested the Company and SBP to remove its name from CIB as it was allegedly reflecting bad on its business. Neither SBP nor the Company agreed however, the Customer filed the subject suit in 2014 in the Sindh High Court, Karachi which is being contested on merits. On the Court's direction, SBP has also filed comments endorsing regulatory compliance by the Company. So far, the Customer could not yet complete its evidence. Mr. Maqbool Elahi, CEO of the customer died on 14 May 2020, whereof evidence on its behalf will now be recorded by the new CEO, Mr. Najamul Hassan. The Company is confident that there is no substance in the present suit and that it will be dismissed after due process of law.

ii) Muhammad Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs. 200 million)

On April 27, 2014, the Company invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs. 134.500 million offered by Mr. Mudassir for only three plots at DHA was accepted, down payment was received and sale agreement dated June 2, 2014 was executed between the Company and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93 million against all the four properties therefore rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots. The Company contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which is also contested by the Company, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. The Company filed its reply in the Court with a prayer to dismiss this suit. The Company is confident that there is no substance in this suit and will be dismissed per Company's contention after due process of law.

iii) Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No.258676/2018 of Rs. 600 million)

The Customer had availed Term Finance Facility (TFF) of Rs. 400 million from the Company in 2014 but defaulted after part payments whereof the Company filed a recovery suit of Rs. 396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. In 2018, the Customer has filed a Damages Suit of Rs. 600 million against the Company in the same court. The Customer alleged that TFF of Rs. 400 million approved by the Company was not disbursed to the Customer and that due to non-disbursement of the approved TFF, the Customer suffered business losses of Rs. 200 million. Its reply was filed by the Company. Case is at evidence stage. Customer has filed affidavits in evidence of its witnesses and cross examination of customer's witnesses was fixed on September 14, 2021. The Company's evidence will be recorded after completion of customer's evidence. The Company believes that the suit of the Customer is a counter move to the Company's initiated litigation and further reply to this has been filed by the Company in the Court. The management believes there is no substance in this suit and will be dismissed on merits after due process of law.

22. Presently, the Company does not deal in derivative products.

	Note	2021 Rupees	2020 Rupees
23. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		1,131,054,292	708,767,311
On investments		2,581,246,864	3,008,566,834
On lendings to financial institutions		4,686,802	11,753,210
On balances with banks		4,044,905	3,941,104
		<u>3,721,032,863</u>	<u>3,733,028,459</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	24.1	197,052,381	128,608,109
Borrowings			
Securities purchased under repurchase agreements		1,522,641,882	1,774,852,243
Other short term borrowings		281,373,700	328,951,849
Long term finance for export oriented projects from SBP		21,758,569	16,364,944
Long term borrowings		257,058,285	475,997,927
		<u>2,082,832,436</u>	<u>2,596,166,963</u>
Interest expense on lease liability against ROU assets		1,411,285	3,346,056
Brokerage fee		9,156,371	12,664,782
		<u>2,290,452,473</u>	<u>2,740,785,910</u>

24.1 The markup expensed amounting to Rs. 771,746 (2020: Rs. 1,133,499) relates to Saudi Pak Employees Contributory Fund.

	2021 Rupees	2020 Rupees
25. FEE & COMMISSION INCOME		
Credit related fees	3,860,000	551,724
Commission on trade	—	2,500,000
	<u>3,860,000</u>	<u>3,051,724</u>

	Note	2021 Rupees	2020 Rupees
26. (LOSS) / GAIN ON SECURITIES			
Realised	26.1	(301,989,273)	221,795,363
Unrealised - held for trading	9.1	1,822,511	1,607,097
		(300,166,762)	223,402,460
26.1 Realised (loss) / gain on:			
Federal Government Securities		(345,070,665)	79,638,252
Mutual funds		—	(1,962,812)
Shares- listed		43,081,392	144,119,923
		(301,989,273)	221,795,363
27. OTHER INCOME			
Rent on property - net	27.1	213,885,032	217,838,256
(Loss) / gain on sale of fixed assets - net		(794,282)	4,279,370
Gain on sale of non banking assets		60,630,049	—
Others		2,374,335	2,269,312
		276,095,134	224,386,938
27.1 Rent on property - net			
Rental income		412,227,292	415,400,843
Less: property expense			
Salaries, allowances and employee benefits		28,861,689	26,585,061
Traveling and conveyance		3,100	10,808
Medical		500,424	455,637
Janitorial services		11,681,103	10,812,610
Security services		23,533,773	21,938,390
Insurance		1,817,391	2,204,515
Postage, telegraph, telegram and telephone		97,321	111,921
Printing and stationery		46,132	19,832
Utilities		14,424,300	17,492,325
Consultancy and professional charges		100,000	760,000
Repairs and maintenance		11,076,469	13,022,248
Rent, rates and taxes		2,735,184	4,228,899
Depreciation		102,131,308	99,095,290
Office general expenses		1,334,066	825,051
		198,342,260	197,562,587
		213,885,032	217,838,256

	Note	2021 Rupees	2020 Rupees
28. OPERATING EXPENSES			
Total compensation expense	28.1	298,551,347	244,460,312
Property expense			
Rent & taxes		537,895	750,280
Insurance		259,627	314,930
Utilities cost		16,305,919	15,293,287
Security (including guards)		4,608,168	4,352,852
Repair and maintenance (including janitorial charges)		3,251,082	3,404,980
Depreciation on ROU assets		13,785,682	13,785,681
Depreciation		14,590,187	14,156,470
		53,338,560	52,058,480
Information technology expenses			
Software maintenance		6,241,842	5,861,208
Hardware maintenance		1,457,324	1,487,590
Amortisation		4,592,471	4,146,275
Network charges		4,032,596	3,039,656
		16,324,233	14,534,729
Other operating expenses			
Shareholders' fee		5,293,500	4,647,610
Directors' fees and allowances		22,790,000	18,393,314
Legal and professional charges		7,528,803	6,546,405
Consultancy, custodial and rating services		9,036,366	9,641,393
Outsourced services costs		40,121,512	35,045,751
Travelling and conveyance		11,377,257	7,281,081
Depreciation		26,122,040	25,857,874
Training and development		2,786,747	2,090,237
Postage and courier charges		688,466	673,768
Communication		3,741,004	3,653,455
Stationery and printing		5,710,189	5,291,232
Marketing, advertisement and publicity		2,039,331	2,496,772
Donations	28.2	1,000,000	1,000,000
Auditors' remuneration	28.3	2,000,000	3,657,157
Repair and maintenance		3,710,241	3,218,511
Insurance		2,109,021	1,867,477
Office and general expenses		15,900,783	11,993,035
Bank charges		286,381	269,564
		162,241,641	143,624,636
		530,455,781	454,678,157

	Note	2021 Rupees	2020 Rupees
28.1 Total compensation expense			
Fees and allowances etc.		—	—
Managerial remuneration			
i) Fixed		110,188,781	105,994,311
ii) Variable			
of which;			
a) Cash bonus / awards etc.		50,000,000	18,000,000
b) Bonus & awards in shares etc.		—	—
Charge for defined benefit plan		7,480,100	7,035,259
Contribution to defined contribution plan		9,545,208	8,767,230
Compensated absences		6,451,181	3,575,270
Leave fare assistance		4,486,970	4,474,640
Exgratia		8,342,846	7,360,524
Rent & house maintenance		50,934,136	47,134,748
Utilities		10,609,962	9,724,660
Medical		19,570,867	13,705,745
Conveyance		16,436,309	14,808,645
Grant to employee		2,500,000	—
Others	28.1.1	2,004,987	3,879,280
Sub-total		298,551,347	244,460,312
Sign-on bonus		—	—
Severance allowance		—	—
Grand total		298,551,347	244,460,312
28.1.1	This includes mainly group life insurance for permanent employees.		
28.2	Donations individually do not exceed Rs. 500,000.		
28.3 Auditors' remuneration			
KPMG Taseer Hadi & Co.			
Audit fee		1,150,000	—
Half yearly review		550,000	—
Fee for other statutory certifications		200,000	—
Out of pocket expenses		100,000	—
		2,000,000	—
A. F. Ferguson & Co.			
Audit fee		—	1,150,000
Half yearly review		—	550,000
Fee for other statutory certifications		—	200,000
Out of pocket expenses		—	100,000
		—	2,000,000
Fee for other certifications		—	293,630
Tax services		—	1,363,527
		2,000,000	3,657,157
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		130,429	—
		130,429	—

	Note	2021 Rupees	2020 Rupees
30. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments- net	9.3.1	101,275,992	21,964,243
(Reversal) / provisions against loans & advances- net	10.4	(241,560,274)	318,320,074
Bad debts written off directly		559,822	—
		(139,724,460)	340,284,317
31. TAXATION			
Current tax			
Current year		386,466,176	322,692,899
Prior years		(1,057,879)	3,955,781
		385,408,297	326,648,680
Deferred tax			
Current year		33,338,220	(134,100,225)
Prior year		—	—
		33,338,220	(134,100,225)
	31.1	418,746,517	192,548,455
31.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		1,341,064,524	808,798,656
Tax rate		29%	29%
Tax on accounting profit		388,908,712	234,551,610
Tax effect on income subject to lower rate of taxation		44,128,878	(41,392,879)
Tax effect of prior years		(1,057,879)	3,955,781
Impact of super tax for current year		—	—
Reversal of deferred tax asset for prior year		—	—
Permanent differences on		—	—
Reversal of provision against investment		53,542,123	2,973,287
Expenses not claimable against rental income		(2,110,090)	(2,222,073)
Right of use asset under IFRS - 16 Leases		(1,166,521)	(3,193,904)
Others		(63,498,706)	(2,123,367)
		418,746,517	192,548,455
32. BASIC / DILUTED EARNINGS PER SHARE			
Profit for the year - Rupees		922,318,007	616,250,201
Weighted average number of ordinary shares		660,000,000	660,000,000
Basic / diluted earnings per share - Rupee		1.397	0.934
33. CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks		101,939,997	107,773,417
Balance with other banks		134,486,399	557,227,616
		236,426,396	665,001,033

	2021 (Number)	2020 (Number)
34. STAFF STRENGTH		
Permanent	64	69
On Company's contract	3	5
Company's own staff strength at the end of the year	67	74

- 34.1** In addition to the above, 92 (2020: 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 Company operates an approved funded gratuity scheme for all its regular employees and GM/CEO. Contributions are made in accordance with the actuarial recommendations. 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 and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2021 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 scheme are:

	2021 (Number)	2020 (Number)
Gratuity fund	65	70

35.3 Principal actuarial assumptions

The latest actuarial valuations was carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
Discount rate	11.75% per annum	9.75% per annum
Expected rate of return on plan assets	8.02% per annum	10.08% per annum
Expected rate of salary increase	9.75% per annum	7.75% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Moderate	Moderate

35.4 Reconciliation of payable to defined benefit plans

	2021 Rupees	2020 Rupees
Present value of obligations	66,100,005	62,233,677
Fair value of plan assets	(55,791,173)	(53,874,873)
Net liability payable	10,308,832	8,358,804

	Note	2021 Rupees	2020 Rupees
35.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		62,233,677	52,584,816
Current service cost		6,702,160	6,358,617
Interest cost		5,970,729	5,999,861
Benefits paid by the Company		(10,668,173)	(3,513,477)
Re-measurement loss		1,861,612	803,860
Obligations at the end of the year		66,100,005	62,233,677
35.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		53,874,873	46,240,911
Interest income on plan assets		5,192,789	5,323,219
Contributions by Company - net		8,358,804	6,343,905
Benefits paid by the Fund to the Company		(10,668,173)	(3,513,477)
Re-measurements: net return on plan assets over interest income - loss	35.8.2	(967,120)	(519,685)
Fair value at the end of the year		55,791,173	53,874,873
35.7 Movement in payable under defined benefit schemes			
Opening balance		8,358,804	6,343,905
Charge for the year		7,480,100	7,035,259
Benefits paid to outgoing members		(10,668,173)	(3,513,477)
Contribution by the Company - net		(8,358,804)	(6,343,905)
Re-measurement loss recognised in OCI during the year	35.8.2	2,828,732	1,323,545
Amount paid by the fund to the Company		10,668,173	3,513,477
Closing balance		10,308,832	8,358,804
35.8 Charge for defined benefit plans			
35.8.1 Cost recognised in profit and loss			
Current service cost		6,702,160	6,358,617
Net interest on defined benefit liability		777,940	676,642
		7,480,100	7,035,259
35.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		—	—
- Financial assumptions		737,405	(523,551)
- Experience adjustments		1,124,207	1,327,411
Total actuarial loss on obligation		1,861,612	803,860
Return on plan assets over interest income - loss		967,120	519,685
Total re-measurements recognised in OCI		2,828,732	1,323,545

	2021 Rupees	2020 Rupees
35.9 Components of plan assets		
Cash and cash equivalents - net	2,962,848	5,530,192
Term deposit receipts (TDR) / Certificate of Investment	52,828,325	48,344,681
	55,791,173	53,874,873

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

A sensitivity analysis is performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the gratuity scheme. The increase in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	2021 Rupees	2020 Rupees
Discount rate +0.5%	64,351,025	60,625,624
Discount rate -0.5%	67,960,635	63,945,252
Long term salary increase +0.5%	68,141,454	64,117,988
Long term salary increase -0.5%	64,165,575	60,448,565

	2022 Rupees
35.11 Expected contributions to be paid to the fund in the next financial year	8,793,471
35.12 Expected charge for next financial year	
Current service cost	7,642,125
Net interest on defined benefit asset / liability	1,151,346
	8,793,471

	2021 Rupees	2020 Rupees
35.13 Maturity profile		
Distribution of timing of benefit payments (years)		
- 1	7,977,685	8,740,415
- 2	31,496,832	28,788,348
- 3	7,507,647	4,210,413
- 4	10,671,731	6,945,561
- 5	2,862,200	9,669,289
- 6-10	30,157,264	23,360,240
Weighted average duration of the PBO (years)	5.45	5.33

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 underlying interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may lose its value due to the increase of general inflation rate.
Life expectancy	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 unaudited financial statements of the Fund, total assets of the Fund as at December 31, 2021 were Rs. 122,649,667 (2020: Rs. 115,584,823).

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total compensation expense

	2021				
	Directors			GM / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and allowances etc.	3,240,000	–	19,550,000	–	–
Managerial remuneration					
i) Fixed	–	–	–	23,952,145	42,652,085
ii) Total variable	–	–	–	–	–
of which					
a) Cash bonus / awards	–	–	–	8,500,000	11,850,000
b) Bonus & awards in shares	–	–	–	–	–
Charge for defined benefit plan	–	–	–	2,117,039	1,839,810
Contribution to defined contribution plan	–	–	–	2,395,215	2,939,848
Compensated absences	–	–	–	1,996,500	2,104,543
Leave fare assistance	–	–	–	1,996,500	2,490,470
Exgratia	–	–	–	1,996,500	2,457,765
Rent & house maintenance	–	–	–	7,560,000	17,639,083
Utilities	–	–	–	3,263,519	3,057,245
Medical	–	–	–	411,810	5,123,818
Conveyance	–	–	–	3,576,344	6,469,873
Others	–	–	–	–	2,500,000
Total	3,240,000	–	19,550,000	57,765,572	101,124,540
Number of persons	1	0	5	1	18

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

For the purposes of the foregoing, the term “Key Management Personnel” as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

- (a)** Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b)** Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

	2020				
	Directors			GM / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and Allowances etc.	1,903,375	–	16,489,939	–	–
Managerial Remuneration					
i) Fixed	–	–	–	21,780,000	40,913,360
ii) Total Variable	–	–	–	–	–
of which					
a) Cash Bonus / Awards	–	–	–	6,000,000	5,500,000
b) Bonus & Awards in Shares	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,069,902	2,809,428
Contribution to defined contribution plan	–	–	–	2,178,000	2,352,839
Compensated absences	–	–	–	–	1,433,128
Leave fare assistance	–	–	–	1,815,000	2,659,640
Exgratia	–	–	–	1,815,000	1,958,635
Rent & house maintenance	–	–	–	7,560,000	14,074,011
Utilities	–	–	–	3,058,088	2,416,414
Medical	–	–	–	408,000	4,343,445
Conveyance	–	–	–	3,487,424	5,292,968
Others	–	–	–	1,200,000	1,200,000
Total	1,903,375	–	16,489,939	52,371,414	84,953,868
Number of Persons	1	0	5	1	16

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

		2021					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Directors	For Board meetings	For Annual General Meeting	For Board Committees			Total amount paid
				Audit committee	Risk management committee	Human Resource committee	
Rupees							
1	Sultan Mohammed Hasan Abdulrauf	2,640,000	150,000	–	–	450,000	3,240,000
2	Majid Misfer J.Alghamdi	2,200,000	80,000	950,000	450,000	450,000	4,130,000
3	Ghanem Alghanem	2,200,000	80,000	950,000	450,000	–	3,680,000
4	Zafar Hasan	2,500,000	80,000	–	500,000	500,000	3,580,000
5	Qumar Sarwar Abbasi	2,500,000	80,000	1,000,000	500,000	–	4,080,000
6	Mohammad Tanvir Butt	2,500,000	80,000	1,000,000	–	500,000	4,080,000
Total Amount Paid		14,540,000	550,000	3,900,000	1,900,000	1,900,000	22,790,000

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

		2020					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Directors	For Board meetings	For Annual General Meeting	For Board Committees			Total amount paid
				Audit committee	Risk management committee	Human Resource committee	
				Rupees			
1	Sultan Mohammed Hasan Abdulrauf	1,503,375	–	–	–	400,000	1,903,375
2	Majid Misfer J.Alghamdi	1,343,375	–	794,063	600,000	400,000	3,137,438
3	Ghanem Alghanem	800,000	–	400,000	600,000	–	1,800,000
4	Zafar Hasan	2,388,125	–	–	750,000	500,000	3,638,125
5	Qumar Sarwar Abbasi	2,388,125	–	944,063	750,000	–	4,082,188
6	Mohammad Tanvir Butt	2,388,125	–	944,063	–	500,000	3,832,188
Total Amount Paid		10,811,125	–	3,082,189	2,700,000	1,800,000	18,393,314

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Company and are included in traveling 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 5.5

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

38.1 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 financial instruments carried at fair values, by the level in the fair value hierarchy into which the fair value measurement is categorised.

2021					
	Carrying / Notional Value	Level 1	Level 2	Level 3	Total
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	25,168,381,000	–	25,168,381,000	–	25,168,381,000
Shares	2,522,903,596	2,522,903,596	–	–	2,522,903,596
Non-Government Debt Securities	1,103,843,821	–	1,103,843,821	–	1,103,843,821
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,323,068,000	–	–	1,323,068,000	1,323,068,000
Cash and balances with treasury banks	101,939,997	–	–	–	–
Balances with other banks	134,486,399	–	–	–	–
Advances	6,867,783,165	–	–	–	–
Other assets	1,197,561,492	–	–	–	–
Off-balance sheet financial instruments - measured at fair value	–	–	–	–	–

2020					
	Carrying / Notional Value	Level 1	Level 2	Level 3	Total
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	29,869,286,000	–	29,869,286,000	–	29,869,286,000
Shares	2,303,790,604	2,303,790,604	–	–	2,303,790,604
Non-Government Debt Securities	1,131,163,833	–	1,131,163,833	–	1,131,163,833
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,240,119,000	–	–	1,240,119,000	1,240,119,000
Cash and balances with treasury banks	107,773,417	–	–	–	–
Balances with other banks	557,227,616	–	–	–	–
Advances	6,810,990,427	–	–	–	–
Other assets	1,130,002,707	–	–	–	–
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.
Non-Government Debt Securities	Investment in Non-Government Debt Securities determined in Rupees are valued on the basis of rates announced by MUFAP. These are classified in level 2. Where market rates of these securities are not available on MUFAP as at December 31, 2021, therefore, these securities are classified 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 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.

The property and equipment of the Company were recently revalued by independent professional valuer as at December 31, 2021. 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 Irfan Textile were last revalued by independent professional valuer in December 2021. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

2021				
	Level 1	Level 2 Rupees	Level 3	Total
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	4,174,157,516	4,174,157,516
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	77,651,100	77,651,100
2020				
	Level 1	Level 2 Rupees	Level 3	Total
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	2,870,223,977	2,870,223,977
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	163,229,557	163,229,557

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

	2021		
	Corporate finance	Trading and sales	Building rental services
	Rupees		
Profit & loss			
Net mark-up/return/profit	520,832,757	909,747,633	–
Non mark-up / return / interest income	3,860,000	81,226,517	216,259,367
Total income	524,692,757	990,974,150	216,259,367
Segment direct expenses	183,678,050	346,908,160	–
Total expenses	183,678,050	346,908,160	–
Provisions	(99,795,278)	(39,929,182)	–
Profit before tax	440,809,985	683,995,172	216,259,367
Balance sheet			
Cash & bank balances	–	236,426,396	–
Investments	1,323,068,000	29,807,628,425	–
Lendings to financial institutions	–	–	–
Advances - performing	6,721,837,122	–	–
- non-performing	145,946,043	–	–
Others	854,579,982	1,642,074,661	3,956,259,297
Total assets	9,045,431,147	31,686,129,482	3,956,259,297
Borrowings	6,977,336,527	19,479,282,445	–
Deposits & other accounts	767,865,605	2,143,722,170	–
Others	(472,347,293)	35,209,749	1,297,970,971
Total liabilities	7,272,854,839	21,658,214,364	1,297,970,971
Equity	–	–	–
Total equity & liabilities	7,272,854,839	21,658,214,364	1,297,970,971
Contingencies & commitments	1,334,211,192	3,025,258	5,358,927

	2020			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	285,717,171	706,525,378	–	992,242,549
Non mark-up / return / interest income	551,724	390,859,289	220,107,568	611,518,581
Total income	286,268,895	1,097,384,667	220,107,568	1,603,761,130
Segment direct expenses	94,069,944	360,608,213	–	454,678,157
Total expenses	94,069,944	360,608,213	–	454,678,157
Provisions / (reversals)	318,320,074	21,964,243	–	340,284,317
Profit before tax	(126,121,123)	714,812,211	220,107,568	808,798,656
Balance sheet				
Cash & bank balances	–	665,001,033	–	665,001,033
Investments	1,240,119,000	34,316,740,445	–	35,556,859,445
Lendings to financial institutions	–	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	–	5,450,132,635
- non-performing	1,360,857,792	–	–	1,360,857,792
Others	428,988,192	1,939,861,131	2,713,996,553	5,082,845,876
Total assets	8,480,097,619	37,041,590,609	2,713,996,553	48,235,684,781
Borrowings	7,410,154,237	24,909,525,197	–	32,319,679,434
Deposits & other accounts	560,765,315	1,885,034,685	–	2,445,800,000
Others	(486,366,654)	125,554,746	918,878,204	558,066,296
Total liabilities	7,484,552,898	26,920,114,628	918,878,204	35,323,545,730
Equity	–	–	–	12,912,139,051
Total equity & liabilities	7,484,552,898	26,920,114,628	918,878,204	48,235,684,781
Contingencies & commitments	2,590,507,027	835,791	2,175,189	2,593,518,007

39.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021		
	In Pakistan	Outside Pakistan	Total
	Rupees		
Profit & loss			
Net mark-up/return/profit	1,430,580,390	–	1,430,580,390
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	301,345,884	–	301,345,884
Total income	1,731,926,274	–	1,731,926,274
Segment direct expenses	530,586,210	–	530,586,210
Inter segment expense allocation	–	–	–
Total expenses	530,586,210	–	530,586,210
Provisions	(139,724,460)	–	(139,724,460)
Profit before tax	1,341,064,524	–	1,341,064,524
Balance sheet			
Cash & bank balances	236,426,396	–	236,426,396
Investments	31,130,696,425	–	31,130,696,425
Net inter segment lendings	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing	6,721,837,122	–	6,721,837,122
- non-performing net of provision	145,946,043	–	145,946,043
Others	6,452,913,940	–	6,452,913,940
Total assets	44,687,819,926	–	44,687,819,926
Borrowings	26,456,618,972	–	26,456,618,972
Deposits & other accounts	2,911,587,775	–	2,911,587,775
Net inter segment borrowing	–	–	–
Others	860,833,427	–	860,833,427
Total liabilities	30,229,040,174	–	30,229,040,174
Equity	14,458,779,752	–	14,458,779,752
Total equity & liabilities	44,687,819,926	–	44,687,819,926
Contingencies & commitments	1,342,595,377	–	1,342,595,377

	2020		
	In Pakistan	Outside Pakistan	Total
	Rupees		
Profit & loss			
Net mark-up/return/profit	992,242,549	–	992,242,549
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	611,518,581	–	611,518,581
Total Income	1,603,761,130	–	1,603,761,130
Segment direct expenses	454,678,157	–	454,678,157
Inter segment expense allocation	–	–	–
Total expenses	454,678,157	–	454,678,157
Provisions	340,284,317	–	340,284,317
Profit before tax	808,798,656	–	808,798,656
Balance sheet			
Cash & bank balances	665,001,033	–	665,001,033
Investments	35,556,859,445	–	35,556,859,445
Net inter segment lendings	–	–	–
Lendings to financial institutions	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	5,450,132,635
- non-performing net of provision	1,360,857,792	–	1,360,857,792
Others	5,082,845,876	–	5,082,845,876
Total assets	48,235,684,781	–	48,235,684,781
Borrowings	32,319,679,434	–	32,319,679,434
Deposits & other accounts	2,445,800,000	–	2,445,800,000
Net inter segment borrowing	–	–	–
Others	558,066,296	–	558,066,296
Total liabilities	35,323,545,730	–	35,323,545,730
Equity	12,912,139,051	–	12,912,139,051
Total equity & liabilities	48,235,684,781	–	48,235,684,781
Contingencies & commitments	2,593,518,007	–	2,593,518,007

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. Contributions to and accruals in respect of Staff Gratuity Fund are made in accordance with the actuarial valuation. 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:

	2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees				
Lendings to financial institutions					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	4,386,994,540
Repaid during the year	–	–	–	–	(4,386,994,540)
Closing balance	–	–	–	–	–
Investments					
Opening balance	–	–	500,000,000	–	199,800,000
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	(80,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	500,000,000	–	199,720,000
Provision for diminution in value of investments	–	–	–	–	–
Advances					
Opening balance	–	22,314,824	–	–	–
Addition during the year	–	8,034,694	–	–	–
Repaid during the year	–	(12,347,584)	–	–	–
Transfer in / (out) - net	–	8,025,000	–	–	–
Closing balance	–	26,026,934	–	–	–
Provision held against advances	–	–	–	–	–
Non-current asset classified as held for sale					
Opening balance	–	–	–	576,676,075	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	576,676,075	–
Provision for Non-current asset classified as held for sale	–	–	–	576,676,075	–
Other assets - Income / markup accrued	–	–	–	–	3,826,416
Other assets - security deposit	–	–	2,633,280	–	–
Provision against other assets	–	–	–	–	–
Borrowings					
Opening balance	–	–	–	–	13,000,000,000
Borrowings during the year	–	–	–	–	94,074,973,235
Settled during the year	–	–	–	–	(100,404,973,235)
Closing balance	–	–	–	–	6,670,000,000
Deposits and other accounts					
Opening balance	–	–	–	–	2,445,800,000
Received during the year	–	–	–	–	406,587,775
Withdrawn during the year	–	–	–	–	(140,800,000)
Closing balance	–	–	–	–	2,711,587,775
Other Liabilities					
Interest / mark-up payable	–	–	–	–	43,413,083
Payable to defined benefit plan	–	–	–	–	10,308,832
Security deposit	–	–	401,960	–	1,697,850
Rent received in advance	–	–	973,462	–	22,596,961
Income					
Mark-up / return / interest earned	–	1,536,707	–	–	20,277,364
Rental income	–	–	4,523,221	–	24,168,462
Expense					
Mark-up / return / interest expensed	–	–	–	–	577,049,331
Contribution to employees' funds	–	–	–	–	9,933,319
Directors' fees and allowances	22,790,000	–	–	–	–
Shareholders' fee	–	–	–	–	5,293,500
Operating expenses	–	158,890,112	–	369,875	–

	2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees				
Lendings to financial institutions					
Opening balance	–	–	–	–	80,000,000
Addition during the year	–	–	–	–	13,696,888,120
Repaid during the year	–	–	–	–	(13,776,888,120)
Closing balance	–	–	–	–	–
Investments					
Opening balance	–	–	500,000,000	576,676,075	199,880,000
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	(80,000)
Transfer in / (out) - net	–	–	–	(576,676,075)	–
Closing balance	–	–	500,000,000	–	199,800,000
Provision for diminution in value of investments	–	–	–	–	–
Advances					
Opening balance	–	21,788,773	–	–	–
Addition during the year	–	13,225,034	–	–	–
Repaid during the year	–	(12,698,983)	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	22,314,824	–	–	–
Provision held against advances	–	–	–	–	–
Non-current asset classified as held for sale					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	576,676,075	–
Closing balance	–	–	–	576,676,075	–
Provision for Non-current asset classified as held for sale	–	–	–	576,676,075	–
Other assets - Income / markup accrued	–	–	–	–	3,286,328
Other assets - security deposit	–	–	2,462,370	–	–
Provision against other assets	–	–	–	–	–
Borrowings					
Opening balance	–	–	–	–	4,366,721,000
Borrowings during the year	–	–	–	–	67,094,085,815
Settled during the year	–	–	–	–	(58,460,806,815)
Closing balance	–	–	–	–	13,000,000,000
Deposits and other accounts					
Opening balance	–	–	–	–	510,000,000
Received during the year	–	–	–	–	1,935,800,000
Withdrawn during the year	–	–	–	–	–
Closing balance	–	–	–	–	2,445,800,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	149,761,677
Payable to defined benefit plan	–	–	–	–	8,358,804
Security deposit	–	–	401,960	–	1,697,850
Rent received in advance	–	–	905,555	–	20,858,079
Income					
Mark-up / return / interest earned	–	764,927	–	–	30,640,275
Rental income	–	–	5,800,437	–	22,308,165
Expense					
Mark-up / return / interest expensed	–	–	–	–	649,452,088
Contribution to employees' funds	–	–	–	–	9,067,124
Directors' fees and allowances	18,393,314	–	–	–	–
Shareholders' fee	–	–	–	–	4,647,610
Operating expenses	–	137,325,282	–	347,793	–

	2021 Rs '000'	2020 Rs '000'
41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,600,000	6,600,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	11,993,920	10,917,992
Eligible Additional Tier 1 (ADT 1) Capital	—	—
Total Eligible Tier 1 Capital	11,993,920	10,917,992
Eligible Tier 2 Capital	1,662,546	1,130,999
Total Eligible Capital (Tier 1 + Tier 2)	13,656,466	12,048,991
Risk Weighted Assets (RWAs):		
Credit Risk	18,537,351	20,099,834
Market Risk	7,191,165	8,777,126
Operational Risk	3,238,102	2,558,919
Total	28,966,618	31,435,879
Common Equity Tier 1 Capital Adequacy ratio	41.41%	34.73%
Tier 1 Capital Adequacy Ratio	41.41%	34.73%
Total Capital Adequacy Ratio	47.15%	38.33%

As of December 2021, the Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% 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.

	2021 Rs '000'	2020 Rs '000'
Leverage Ratio (LR):		
Eligible Tier-1 Capital	11,993,920	10,917,992
Total Exposures	45,532,808	50,257,207
Leverage Ratio	26.34%	21.72%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,109,796	5,553,281
Total Net Cash Outflow	2,266,280	2,234,569
Liquidity Coverage Ratio	225.47%	248.52%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	30,780,826	31,845,109
Total Required Stable Funding	18,385,334	17,316,679
Net Stable Funding Ratio	167.42%	183.90%

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

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 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, facility risk and environmental 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 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, 2021 amounted to:

	2021 without benefit of collateral Rupees	2021 with benefit of collateral Rupees
Lending to financial institutions	—	—
Debt investments (excluding Government of Pakistan local currency denominated debt)	—	2,426,911,821
Advances	—	6,867,783,165
	—	9,294,694,986

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

	2021	2020	2021	2020	2021	2020
42.1.1 Lendings to financial institutions	Gross lendings		Non-performing lendings		Provision held	
Credit risk by public / private sector	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public / Government	—	—	—	—	—	—
Private	—	119,988,000	—	—	—	—
	—	119,988,000	—	—	—	—
42.1.2 Investment in debt securities	2021	2020	2021	2020	2021	2020
Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	329,355,000	204,114,140	329,355,000	204,114,140	295,605,000	153,489,140
Chemical and Pharmaceuticals	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751
Power (electricity), Gas, Water, Sanitary	1,000,000,000	1,000,000,000	—	—	—	—
Transport, Storage and Communication	40,286,978	73,981,676	40,286,978	41,197,664	40,286,978	41,197,664
Financial	1,382,451,921	1,282,627,921	3,748,500	3,748,500	3,748,500	3,748,500
	3,038,377,650	2,847,007,488	659,674,229	535,344,055	625,924,229	484,719,055
Credit risk by public / private sector						
Public / Government	199,720,000	199,800,000	—	—	—	—
Private	2,838,657,650	2,647,207,488	659,674,229	535,344,055	625,924,229	484,719,055
	3,038,377,650	2,847,007,488	659,674,229	535,344,055	625,924,229	484,719,055

42.1.3 Advances
Credit risk by industry sector

	2021	2020	2021	2020	2021	2020
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	3,452,666,967	2,611,665,253	1,166,887,577	1,217,804,046	1,020,941,534	1,063,068,578
Chemical and Pharmaceuticals	—	14,972,941	—	14,972,941	—	14,972,941
Cement	141,075,041	154,163,521	116,206,923	116,206,923	116,206,923	116,206,923
Sugar	243,114,473	843,114,473	243,114,473	243,114,473	243,114,473	243,114,473
Automobile and transportation equipment	153,000,000	162,999,822	153,000,000	153,000,000	153,000,000	153,000,000
Electronics and electrical appliances	871,447,933	368,166,667	—	—	—	—
Construction	200,044,160	200,044,160	200,044,160	200,044,160	200,044,160	200,044,160
Power (electricity), Gas, Water, Sanitary	1,194,574,207	1,500,596,934	165,028,752	165,028,752	165,028,752	165,028,752
Transport, Storage and Communication	800,000,000	12,461,152	—	12,461,152	—	12,461,152
Financial	123,500,000	189,406,858	73,500,000	89,406,858	73,500,000	89,406,858
Services	275,530,294	318,030,294	133,030,294	133,030,294	133,030,294	133,030,294
Paper board and products	26,143,311	33,736,423	26,143,311	33,736,423	26,143,311	33,736,423
Rubber and plastic products	270,000,000	270,000,000	—	—	—	—
Basic metals	204,781,184	217,711,493	69,093,230	69,093,230	69,093,230	69,093,230
Dairy & Poultry	1,055,555,554	1,405,555,554	—	1,405,555,554	—	199,433,230
Others	97,702,718	1,042,211,896	41,250,000	41,250,000	41,250,000	41,250,000
	<u>9,109,135,842</u>	<u>9,344,837,441</u>	<u>2,387,298,720</u>	<u>3,894,704,806</u>	<u>2,241,352,677</u>	<u>2,533,847,014</u>

	2021	2020	2021	2020	2021	2020
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public/ Government	—	—	—	—	—	—
Private	9,109,135,842	9,344,837,441	2,387,298,720	3,894,704,806	2,241,352,677	2,533,847,014
	<u>9,109,135,842</u>	<u>9,344,837,441</u>	<u>2,387,298,720</u>	<u>3,894,704,806</u>	<u>2,241,352,677</u>	<u>2,533,847,014</u>

42.1.4 Contingencies and Commitments

Commitments: credit risk by industry sector

	2021 Rupees	2020 Rupees
Textile	8,575,500	1,002,224,393
Chemical and Pharmaceuticals	—	350,000,000
Cement	1,000,000,000	—
Electronics and electrical appliances	124,552,067	386,000,000
Power (electricity), Gas, Water, Sanitary	—	500,000,000
Financial	200,000,000	150,000,000
Basic metals	—	200,000,000
Others	9,467,810	5,293,614
	1,342,595,377	2,593,518,007

Credit risk by public / private sector

Public/ Government	—	—
Private	1,342,595,377	2,593,518,007
	1,342,595,377	2,593,518,007

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. 5,752 million (2020: Rs. 5,695 million) as follows:

	2021 Rupees	2020 Rupees
Funded	5,751,975,737	5,192,558,992
Non Funded	—	502,224,393
Total Exposure	5,751,975,737	5,694,783,385

The sanctioned limits against these top 10 exposures aggregated to Rs. 6,901,341,120 (2020: Rs. 7,221,341,120).

	2021		2020	
	Amount	Provision held	Amount	Provision held
	Rupees		Rupees	
Total funded classified therein				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	719,909,649	719,909,649	2,125,465,203	919,342,879
Total	719,909,649	719,909,649	2,125,465,203	919,342,879

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	3,024,787,500	2,483,363,000	541,424,500	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,024,787,500	2,483,363,000	541,424,500	–	–	–	–

Province/Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	449,447,607	349,447,607	100,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	449,447,607	349,447,607	100,000,000	–	–	–	–

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. The Company uses Basel Standardized Approach to assess the market risk for its trading book exposures. The portfolios covered under the approach include the Held for Trading (HFT) and Available for Sale (AFS) investments in debt and listed equity instruments. The capital charge required there against is presented in Note 41.

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 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, 10-day and 30-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 an appropriate 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

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	101,939,997	–	101,939,997	107,773,417	–	107,773,417
Balances with other banks	134,486,399	–	134,486,399	557,227,616	–	557,227,616
Lendings to financial institutions	–	–	–	119,988,000	–	119,988,000
Investments	3,439,411,829	27,691,284,596	31,130,696,425	3,383,782,841	32,173,076,604	35,556,859,445
Advances	6,867,783,165	–	6,867,783,165	6,810,990,427	–	6,810,990,427
Fixed assets	4,243,479,479	–	4,243,479,479	2,956,247,925	–	2,956,247,925
Intangible assets	6,109,050	–	6,109,050	7,229,440	–	7,229,440
Deferred tax assets	–	–	–	–	–	–
Other assets	2,203,325,411	–	2,203,325,411	2,119,368,511	–	2,119,368,511
	16,996,535,330	27,691,284,596	44,687,819,926	16,062,608,177	32,173,076,604	48,235,684,781

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:

	2021				2020			
	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	23,753,611	–	–	23,753,611	21,062,689	–	–	21,062,689

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	237,536	–	210,627	–
- 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 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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 5% change in equity prices on				
- Profit and loss account	—	3,396,400	—	2,753,725
- Other comprehensive income	—	122,748,780	—	112,435,805

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, and ALCO-approved earnings at risk tolerance limit is also in place. 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 (PVB), 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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in interest rates on				
- Profit and loss account	52,224,727	—	49,549,939	—
- Other comprehensive income	—	—	—	—

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021

Effective yield/ interest rate	Total	Exposed to Yield / Interest risk								Above 10 years	Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	101,939,997	-	-	-	-	-	-	-	-	-	101,939,997
Balances with other banks	134,486,389	127,603,414	-	-	-	-	-	-	-	-	6,882,985
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	31,130,686,425	430,000,000	18,729,368,400	318,943,421	-	-	5,926,611,000	-	2,190,370,000	-	3,535,403,604
Advances	6,867,783,165	1,514,885,355	2,462,898,040	2,833,547,052	1,589,444	5,101,187	-	-	49,762,087	-	-
Other assets	1,197,561,492	-	-	-	-	-	-	-	-	-	1,197,561,492
	39,432,467,478	2,072,488,769	21,192,266,440	3,152,490,473	1,589,444	5,101,187	5,926,611,000	-	2,240,132,087	-	4,841,788,078
Liabilities											
Borrowings	26,456,618,972	22,850,230,040	327,984,682	2,008,830,282	67,660,564	181,392,173	191,183,014	336,506,312	492,831,895	-	-
Deposits and other accounts	2,911,587,775	2,404,927,231	306,660,544	200,000,000	-	-	-	-	-	-	-
Other liabilities	276,678,921	-	-	-	-	-	-	-	-	-	276,678,921
	29,644,885,668	25,255,157,271	634,645,236	2,208,830,282	67,660,564	181,392,173	191,183,014	336,506,312	492,831,895	-	276,678,921
On-balance sheet gap											
	9,787,581,810	(23,182,688,502)	20,557,621,204	943,660,191	(66,071,120)	(176,290,986)	5,735,427,986	(336,506,312)	1,747,300,192	-	4,565,109,157
Off-balance sheet financial instruments											
	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap											
	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap											
	(23,182,688,502)	20,557,621,204	943,660,191	(66,071,120)	(176,290,986)	5,735,427,986	(336,506,312)	1,747,300,192	-	-	4,565,109,157
Cumulative Yield/Interest Risk Sensitivity Gap											
	(23,182,688,502)	(2,625,047,298)	(1,681,387,107)	(1,747,458,227)	(1,923,749,213)	3,811,678,773	3,475,172,461	5,222,472,653	5,222,472,653	-	-



2020

Effective yield/ interest rate	Total	Exposed to Yield / Interest risk								Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments										
Assets										

42.2.6 Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

42.2.7 Assets do not include fixed assets of Rs. 4,243,479,479 (2020: Rs. 2,956,247,925), Intangible assets of Rs. 6,109,050 (2020: Rs. 7,229,440) and other assets consisting of Advances, deposits, advance rent and other prepayments, advance taxation, excise duty, non-banking assets acquired in satisfaction of claims of Rs. 1,005,763,919 (2020: Rs. 989,365,804)

42.2.8 Liabilities do not include other liabilities consisting of advance rental income, Payable to defined benefit plan, Provision for compensated absences of Rs. 142,789,482 (2020: Rs. 159,278,720)

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

2021

[illegible]

2020

	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	107,773,417	107,773,417	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	557,227,616	557,227,616	-	-	-	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	119,998,000	-	119,998,000	-	-	-	-	-	-	-	-	-	-	-
Investments	35,556,859,445	-	-	32,784,012	-	30,000	105,699,499	58,000	1,000,365,000	2,278,159,326	531,607,400	545,050,000	8,125,461,000	22,937,645,008
Advances	6,810,990,427	36,339,716	-	-	529,600	39,339,448	583,429,357	1,350,501,721	634,731,006	732,973,646	1,072,125,077	741,637,608	1,115,982,165	523,422,083
Fixed assets	2,856,247,925	331,673	1,990,036	2,321,708	5,306,762	9,950,179	9,950,179	33,217,018	29,850,536	29,850,537	115,325,735	105,616,465	205,175,879	2,407,361,218
Intangible assets	7,229,440	6,693	40,159	46,853	107,092	200,797	200,798	602,392	602,392	602,393	2,409,570	2,410,331	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2,119,368,511	588,612,496	-	-	8,286,723	135,538,296	271,076,592	265,072,890	435,390,762	435,390,762	-	-	-	-
	48,235,684,781	1,270,291,601	122,018,195	35,162,573	14,230,177	185,057,720	950,356,425	1,649,452,021	2,100,339,696	3,476,976,864	1,721,467,782	1,394,714,374	9,446,599,044	25,868,428,309
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	32,319,679,494	-	7,610,000,000	6,120,389,333	13,804,737,092	131,235,246	63,793,173	559,207,342	271,707,342	684,207,346	1,101,908,632	1,001,908,632	657,255,058	313,363,238
Deposits and other accounts	2,445,800,000	-	-	-	1,095,000,000	1,000,000,000	10,000,000	340,800,000	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	40,297,275	331,008	-	-	4,824	335,816	671,631	1,007,447	671,615	1,343,229	4,029,737	4,029,737	8,059,475	19,812,756
Other liabilities	517,769,021	2,919,190	20,434,260	40,868,521	23,353,441	59,393,601	116,767,203	121,785,692	58,181,313	58,181,313	-	-	5,068,349	11,826,148
	35,323,545,730	3,250,188	7,630,434,260	6,161,237,854	14,923,095,357	1,189,954,663	191,232,007	1,022,800,481	330,560,270	743,731,888	1,105,938,369	1,005,938,369	670,392,882	344,989,142
Net assets	12,912,139,051	1,267,041,413	(7,508,416,065)	(6,126,085,281)	(14,908,865,180)	(1,004,898,943)	759,124,418	626,651,540	1,770,379,426	2,733,244,976	615,529,413	388,776,005	8,776,216,162	25,523,439,167
Share capital/ Head office capital account	6,800,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,543,528,706	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unrented profit	3,353,786,002	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,414,824,343	-	-	-	-	-	-	-	-	-	-	-	-	-
	12,912,139,051	-	-	-	-	-	-	-	-	-	-	-	-	-

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

2021									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets									
Cash and balances with treasury banks	101,939,997	-	-	-	-	-	-	-	-
Balances with other banks	134,486,399	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-
Investments	31,130,686,425	351,707,999	58,000	2,756,886,018	559,508,400	5,949,206,000	959,740,000	20,053,590,008	500,000,000
Advances	6,867,783,165	71,176,436	380,389,703	673,872,092	1,091,294,125	1,195,257,120	2,002,849,872	1,242,429,434	2,768,331
Fixed assets	4,243,479,479	13,689,843	44,273,866	78,062,644	150,492,429	150,492,429	292,621,561	540,310,658	2,946,156,364
Intangible assets	6,109,050	169,679	509,036	1,018,072	2,036,144	2,036,762	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	2,203,325,411	506,803,532	321,923,526	960,234,824	-	-	-	-	-
	44,687,819,926	864,967,006	747,154,131	4,470,073,650	1,803,331,098	7,296,992,311	3,255,211,433	21,836,330,100	3,448,924,695
Liabilities									
Bills payable	-	-	-	-	-	-	-	-	-
Borrowings	26,456,618,972	22,850,230,040	508,830,282	505,160,564	1,056,392,173	503,683,014	461,506,312	492,831,895	-
Deposits and other accounts	2,911,587,775	169,927,231	-	2,435,000,000	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	441,365,024	11,034,288	11,034,288	22,068,035	44,136,611	44,136,611	88,273,221	103,612,081	113,391,613
Other liabilities	419,468,403	58,073,418	99,461,983	124,165,697	-	-	6,486,142	15,134,328	-
	30,229,040,174	23,081,908,965	619,326,553	3,086,394,296	1,100,528,784	547,819,625	556,265,675	611,578,304	113,391,613
Net assets	14,458,779,752	(22,117,073,463)	127,827,578	1,383,679,354	702,802,314	6,749,172,686	2,698,945,768	21,224,751,796	3,335,533,082
Share capital/ Head office capital account	6,600,000,000								
Reserves	1,727,992,307								
Unappropriated/ Unremitted profit	4,169,842,451								
Surplus/(Deficit) on revaluation of assets	1,960,944,994								
	14,458,779,752								

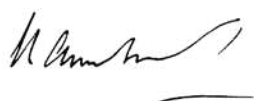
2020										
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Assets										
Cash and balances with treasury banks	107,773,417	-	-	-	-	-	-	-	-	-
Balances with other banks	557,227,616	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	119,988,000	-	-	-	-	-	-	-	-	-
Investments	35,556,859,445	105,729,499	58,000	3,278,524,526	531,607,400	545,050,000	8,125,461,000	22,437,645,008	500,000,000	-
Advances	6,810,990,427	602,767,805	1,350,501,721	1,367,704,652	1,072,125,077	741,637,608	1,115,962,165	505,394,904	18,027,179	-
Fixed assets	2,956,247,925	19,900,358	33,217,018	59,701,073	115,325,735	105,616,465	205,175,879	349,545,269	2,057,815,949	-
Intangible assets	7,229,440	401,595	602,392	1,204,785	2,409,570	2,410,301	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,119,368,511	576,889,209	285,072,890	870,781,524	-	-	-	-	-	-
	48,235,684,781	1,441,682,546	1,649,452,021	5,577,916,560	1,721,467,782	1,394,714,374	9,446,599,044	23,292,585,181	2,576,843,128	-
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	32,319,679,434	27,535,106,425	559,207,342	955,914,688	1,101,908,632	1,001,908,632	657,255,058	313,350,238	-	-
Deposits and other accounts	2,445,800,000	1,010,000,000	340,800,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	40,297,275	335,632	1,007,447	2,014,844	4,029,737	4,029,737	8,059,475	9,919,805	9,892,951	-
Other liabilities	517,769,021	87,575,402	121,785,692	116,362,626	-	-	5,068,349	11,826,148	-	-
	35,323,545,730	28,718,017,659	1,022,800,481	1,074,292,158	1,105,938,369	1,005,938,369	670,382,882	335,086,191	9,892,951	-
Net assets	12,912,139,051	(27,276,325,113)	626,651,540	4,503,624,402	615,529,413	388,776,005	8,776,216,162	22,957,488,990	2,565,950,177	-
Share capital/ Head office capital account	6,600,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,543,528,706	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	3,353,786,002	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,414,824,343	-	-	-	-	-	-	-	-	-
	12,912,139,051	-	-	-	-	-	-	-	-	-

42.5 Derivative Risk

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

43 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 Feb 2022.



GM/Chief Executive



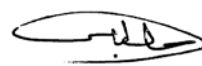
Chief Financial Officer



Director



Director



Director

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED

For The Year Ended December 31, 2021

Annexure - I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2021

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Name	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1	Ali Paper Board Industries Limited 309 Qadri Chamber, Lahore	Syed Nisar Ahmad Shah Mr. Farooq Alam Butt Mr. Asad Akhtar Mr. Amir Haider Mr. Siraj Din Butt Mr. Saeed Hussain Sufi	272-26-135542 271-46-106300 276-60-184668 276-57-181768 288-43-003013 265-30-026536	Syed Sardar Shah Mr. Ghulam Nabi Butt Sh. Akhtar Ali Sh. Ameer Ali Mr. Miraj Din Butt Mr. Ghulam Hussain	6	7	8	9	10	11	12	13
					7,593	20,197	0,060	27,850	7,593	20,197	0,060	27,850
2	Grotek Feeds (Pvt) Limited E-1/3, Street No. 6 Cavalary Ground Lahore Cantt	Mian Muhammad Ashraf Syed Zulqarnain Ahmed Rizvi Syed Ghulam Raza Rizvi	35202-7687396-5 272-55-017411 281-60-220347	Mian Fatehuddin Syed Saqlain Ahmed Rizvi Syed Zaheer Ahmed Rizvi	14,973	15,786	0,035	30,794	14,973	15,786	133,085	163,844
3	Dadabhoy Leasing Company Limited Ibrahim Estate D1 Block 7 & 8 K.C.S.H.U Sharah- Faisal Karachi	Mr. Noor Muhammad Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Abdul Rahim Dadabhoy Mr. Osman Dadabhoy Mr. Abdul Rehman Dadabhoy	517-86-203721 42301-9144426-7 517-88-229561 42301-9059021-7 42301-5544818-7	Mr. Abdul Ghani Dadabhoy Mr. Abdul Ghani Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Noor Muhammad Dadabhoy	15,907	14,228	18,750	48,885	15,907	14,228	18,750	48,885

(Rupees in million)

Annexure - I

(Rupees in million)

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Nanne	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1		3	4	5	6	7	8	9	10	11	12	13
4	Bhatti Spinning Mills Limited	Mr. Muhammad Iqbal Bhatti	35202-7936106-1	Mr. Muhammad Din Bhatti	13.076	11.497	70.096	94.669	0.000	11.497	70.096	81.593
	147-G-1, M.A. Johar Town, Lahore	Mr. Maqsood Ahmed Bhatti	35202-3032294-1	Mr. Muhammad Din Bhatti								
		Mr. Khalid Mahmood Bhatti	35202-5703019-7	Mr. Rehmat Ali								
		Mr. Maqbool Ahmed Bhatti	35202-7363588-3	Mr. Muhammad Din Bhatti								
5	Karachi Green Bus Co. Pvt Ltd.	Mr. Ashhad Ullah	42301-2818446-7	Mr. Amjad Ullah	12.461	9.863	31.218	53.542	12.461	9.863	31.218	53.542
	St-2, Sector 5/H, North Karachi	Syed Mudassir Hussain	42301-9372275-3	Syed Muzammil Hussain								
		Mr. Umer Farooqui	42301-2443258-5	Mr. Naseem Farooqui								
		Mr. Adnan Siddiqui	42101-5628088-9	Mr. Ahtasham Mazhar Siddiqui								
		Mr. Abdul Rasheed	42301-6382165-7	Mr. Muhammad Ishaq								
6	Mr. Khawar Ashfaq (Late),	Ms. Ghazala Amanullah	510-61-379337	Mr. Amanullah Khan	0.321	0.000	0.000	0.321	0.548	0.012	0.000	0.560
	SVP/CFO, Saudi Pak, Saudi Pak Tower, Islamabad	Mr. Khawar Ashfaq (Late)	61101-4100576-1	Mr. Ashfaq Ahmed								
					64.331	71.571	120.159	256.061	51.482	71.583	253.209	376.274

FINANCIAL STATEMENTS
for the year ended December 31, 2021
CONSOLIDATED



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT AUDITORS' 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 (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated profit and loss account, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 31 December 2021, 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 Auditors' 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 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 ultimate outcome of the tax references which are pending adjudication at various appellate forums. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' reports 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





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performed, 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 the accounting and reporting standards as applicable in Pakistan and 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.

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

Auditors' 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 auditors' 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 auditors' 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



KPMG Taseer Hadi & Co.

up to the date of our auditors' 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.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 03 March 2021.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Ubbaid Ullah

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
26 March 2022
UDIN: AR2021102400AiptvONI



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Cash and balances with treasury banks	6	101,956,575	107,801,624
Balances with other banks	7	179,155,362	616,653,510
Lendings to financial institutions	8	—	119,988,000
Investments	9	30,897,653,705	35,296,814,782
Advances	10	6,868,108,912	6,811,564,922
Non-current asset classified as held for sale	11	—	—
Fixed assets	12	4,468,645,879	3,151,298,418
Intangible assets	13	6,109,050	7,229,440
Deferred tax assets		—	—
Other assets	14	2,221,065,136	2,133,546,526
Development properties	15	198,210,163	198,210,163
		44,940,904,782	48,443,107,385
LIABILITIES			
Bills payable		—	—
Borrowings	16	26,456,618,972	32,319,679,434
Deposits and other accounts	17	2,911,587,775	2,445,800,000
Liabilities against assets subject to finance lease		—	—
Subordinated debt		—	—
Deferred tax liabilities	18	438,549,336	40,297,275
Other liabilities	19	423,993,771	504,367,572
		30,230,749,854	35,310,144,281
NET ASSETS			
		14,710,154,928	13,132,963,104
REPRESENTED BY			
Share capital	20	6,600,000,000	6,600,000,000
Statutory reserve		1,369,329,367	1,184,865,766
General reserve		358,662,940	358,662,940
Surplus on revaluation of assets	21	1,960,944,994	1,414,824,343
Unappropriated/ Unremitted profit		4,421,217,627	3,574,610,055
		14,710,154,928	13,132,963,104
CONTINGENCIES AND COMMITMENTS			
	22		

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


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2021

	Note	2021 Rupees	2020 Rupees
Mark-up / return / interest earned	24	3,743,064,292	3,758,299,840
Mark-up / return / interest expensed	25	2,289,041,188	2,738,341,703
Net mark-up / interest income		1,454,023,104	1,019,958,137
Non mark-up / interest income			
Fee and commission income	26	3,860,000	3,051,724
Dividend income		319,605,065	160,301,643
Foreign exchange income		2,202,435	375,816
Income / (loss) from derivatives		—	—
(Loss) / gain on securities	27	(300,119,731)	223,402,460
Other income	28	288,967,064	238,480,721
Total non-markup / interest income		314,514,833	625,612,364
Total income		1,768,537,937	1,645,570,501
Non mark-up / interest expenses			
Operating expenses	29	536,481,912	469,034,734
Workers welfare fund		—	—
Other charges	30	130,429	—
Total non-markup / interest expenses		536,612,341	469,034,734
Profit before provisions		1,231,925,596	1,176,535,767
Provisions and write offs - net	31	(139,676,460)	340,284,317
Extra ordinary / unusual items		—	—
Profit before taxation		1,371,602,056	836,251,450
Taxation	32	418,552,497	195,723,385
Profit after taxation		953,049,559	640,528,065
Basic and diluted earnings per share	33	1.444	0.970

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



GM/Chief Executive



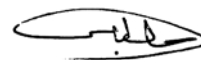
Chief Financial Officer



Director



Director



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2021

	2021 Rupees	2020 Rupees
Profit after taxation for the year	953,049,559	640,528,065
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(384,257,720)	(706,546,758)
	(384,257,720)	(706,546,758)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(2,188,829)	(1,093,702)
Movement in surplus on revaluation of operating fixed assets - net of tax	995,875,974	—
Movement in surplus on revaluation of non-banking assets	14,712,840	—
	1,008,399,985	(1,093,702)
Total comprehensive income / (loss)	1,577,191,824	(67,112,395)

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



GM/Chief Executive



Chief Financial Officer



Director



Director



Director

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended December 31, 2021

	Note	2021 Rupees	2020 Rupees
Cash flow from operating activities			
Profit before taxation		1,371,602,056	836,251,450
Less: dividend income		(319,605,065)	(160,301,643)
		1,051,996,991	675,949,807
Adjustments:			
Depreciation		143,832,933	140,414,444
Amortisation	13	4,592,471	4,146,275
Provision and write-offs	31	(139,676,460)	340,284,317
Loss / (gain) on sale of fixed assets		1,324,399	(4,317,151)
Gain on disposal of non banking assets		(60,630,049)	—
Interest expense on lease liability against ROU assets		—	—
Charge for defined benefit plan	29.1	5,385,748	7,718,259
Charge for compensated absences	29.1	6,821,564	4,047,081
Unrealized gain - held for trading investments	9.1	(1,860,369)	(1,607,097)
		(40,209,763)	490,686,128
		1,011,787,228	1,166,635,935
(Increase) / decrease in operating assets			
Lendings to financial institutions		119,988,000	(39,988,000)
Held-for-trading securities		(25,030,989)	(74,467,402)
Development properties		—	48,416,500
Advances		184,408,462	739,645,925
Others assets (excluding advance taxation)		(14,841,968)	63,527,218
		264,523,505	737,134,241
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		(5,863,060,462)	9,535,660,040
Deposits		465,787,775	1,935,800,000
Other liabilities (excluding current taxation)		(80,849,088)	12,235,204
		(5,478,121,775)	11,483,695,244
Payments against off-balance sheet obligations		—	—
Payment to defined benefit plan and compensated absences		(14,741,186)	(10,382,794)
Income tax paid		(525,641,447)	(549,986,789)
Net cash flow (used in) / from operating activities		(4,742,193,675)	12,827,095,837
Cash flow from investing activities			
Net investments in available-for-sale securities		4,139,972,919	(12,451,161,703)
Net investments in held-to-maturity securities		(237,670,578)	30,332,071
Dividends received		298,961,448	196,401,383
Investments in operating fixed assets		(65,777,004)	(68,105,233)
Proceeds from sale of fixed assets		5,363,693	7,547,179
Sale proceeds from disposal of non banking assets		158,000,000	—
Net cash flow from / (used in) investing activities		4,298,850,478	(12,284,986,303)
Cash flow from financing activities			
Payments against lease liabilities		—	—
Dividend paid		—	—
Net cash flow used in financing activities		—	—
Effects of exchange rate changes on cash and cash equivalents		—	—
(Decrease) / increase in cash and cash equivalents		(443,343,197)	542,109,534
Cash and cash equivalents at beginning of the year	34	724,455,134	182,345,600
Cash and cash equivalents at end of the year	34	281,111,937	724,455,134

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



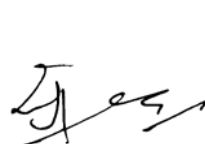
GM/Chief Executive



Chief Financial Officer



Director



Director



Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2021

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of			Total
				Investments	Fixed / non banking assets	Unappropriated / unremitted profit	
	Rupees						
Balance as at January 1, 2020	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,992,478,628	13,200,075,499
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	640,528,065	640,528,065
Other comprehensive loss - net of tax	-	-	-	(706,546,758)	-	(1,093,702)	(707,640,460)
Transfer to statutory reserve	-	123,250,040	-	-	-	(123,250,040)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(65,947,104)	65,947,104	-
Transactions with owners, recorded directly in equity							
Final dividend 2019: Nil per ordinary share	-	-	-	-	-	-	-
Balance as at December 31, 2020	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,574,610,055	13,132,963,104
Balance as at January 1, 2021	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,574,610,055	13,132,963,104
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	953,049,559	953,049,559
Other comprehensive (loss) / Income - net of tax	-	-	-	(384,257,720)	1,010,588,814	(2,188,829)	624,142,265
Transfer to statutory reserve	-	184,463,601	-	-	-	(184,463,601)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(80,210,443)	80,210,443	-
Transactions with owners, recorded directly in equity							
Final dividend 2020: Nil per ordinary share	-	-	-	-	-	-	-
Balance as at December 31, 2021	6,600,000,000	1,369,329,367	358,662,940	(880,415,670)	2,841,360,664	4,421,217,627	14,710,154,928

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


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2021

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 (KSA) and the Government of 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 was initially setup for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of Holding Company has been further extended for another period of fifty years.

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) and associate company namely Saudi Pak Leasing Company Limited (the associate 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 subsidiary company is wholly owned subsidiary of the Holding Company. 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.

Saudi Pak Leasing Company Limited (the associate company)

The Holding Company has 35.06% (2020: 35.06%) investment in ordinary share capital and 63% (2020: 63%) of the issued non-redeemable / convertible preference shares of the associate company. The license of associate company to carry out business of leasing expired on March 18, 2010, and is non-operational. However during the prior year, the Board of Directors of the Holding Company approved disposal of investment in Saudi Pak Leasing Company Limited. Consequent to the approval the investment has been classified as held for sale as per the requirements of IFRS 5 'Non-current asset classified as held for sale and discontinued operations'. Prior to the decision of disposal, the Group has accounted for the investment in the associate using the equity accounting of investments as per the requirements of IAS-28.

2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No.2 dated January 25, 2018.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Holding Company and the financial statements of subsidiary company from the date on which control of the subsidiary by the Holding Company commences until the date control ceases. Subsidiary company 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. 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 financial statements of the subsidiary company are incorporated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital and pre-acquisition reserve of subsidiary company in the consolidated financial statements.

The financial statements of subsidiary company are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company. However:

- Non-banking subsidiary company in Pakistan follows the requirements of International Financial Reporting Standard (IFRS) 9, Financial Instruments or International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement as applicable to the subsidiary company, IAS 40, Investment Property and IFRS 7, Financial Instruments: Disclosures.

Intra-group balances and transactions are eliminated.

Associate company is an entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associate company is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the consolidated profit or loss and consolidated comprehensive income of equity accounted investee, until the date on which significant influence or control ceases.

2.2 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting 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 and 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 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of IAS 40, Investment Property, for banking companies and DFIs till further instructions. Further, the SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of IAS 39, Financial Instrument; recognition and measurement and IFRS 10, Consolidated Financial Statement was made applicable from period beginning on or after January 01, 2015 vide S.R.O. 663(1)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O. 56(1)/2016 dated January 28, 2016, that the requirement of consolidation under section 2018 of Companies Act, 2017 and IFRS 10 is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs. Additionally, the SBP's BPRD Circular Letter no.24 of 2021 dated July 5, 2021, has deferred the applicability of IFRS

9 to banks and DFIs for accounting periods beginning on or after January 1, 2022. Accordingly, the requirements of these standards have not been considered in preparation of these consolidated financial statements to the extent of financial result of the Holding Company.

3.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain amendments to existing accounting and reporting standards that have become applicable to the Group for the accounting periods beginning on or after January 1, 2021. These are considered either not to be relevant or not to have any significant impact on these consolidated financial statements.

3.4 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective;

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest

period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost

nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on these consolidated financial statements other than in presentation / disclosures.

- As per State Bank of Pakistan (SBP)' BPRD circular letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective 1 January 2022. The aforementioned circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, further clarifications required in certain areas etc.

Due to the fact that final instructions have not yet been issued and the large number of reservations over the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as required under IAS 8.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Company which are exposed to credit risk.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered either not to be relevant or will not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

4. BASIS OF MEASUREMENT

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

- certain items of 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.
- investment properties which are carried at fair value.

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the accounting and reporting 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 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 consolidated financial statements are as follows:

- i) Classification of investments (note 5.4)
- ii) Provision against investments (note 5.18), advances (note 5.5) and other assets (note 14)
- iii) Valuation and impairment of available for sale securities (note 5.4(b))
- iv) Valuation, useful life and depreciation of fixed assets (note 5.7) and non-banking assets acquired in satisfaction of claims (note 5.10)
- v) Useful life of intangibles (note 5.8)
- vi) Taxation (note 5.13)
- vii) Present value of staff retirement benefits (note 5.14)
- viii) Net realizable value of development properties (note 5.11)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

5.1 Cash and cash equivalents

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

5.2 Non-current asset classified as held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determined.

5.3 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 financial institutions respectively.

5.4 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading'

investments is taken to consolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "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 and 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.

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.

5.5 Advances

Advances are stated net of provision. 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 are charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.6 Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.7 Fixed assets and depreciation

(a) Property and equipment (owned and leased)

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 / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and

the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

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

(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 fixed assets when available for intended use.

5.8 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.

5.9 IFRS 16 - Leases

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

The lease liabilities are initially measured as the present value of remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is charged to profit and loss account as markup expense over the lease period.

5.10 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.

5.11 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.

5.12 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.

5.13 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or 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 fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of fixed assets.

5.14 Staff retirement benefits

(a) Defined benefit plan

The Group operates an approved gratuity fund for its permanent employees as disclosed in note 36. 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 employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Group and the employees, which are transferred to the provident fund.

(c) Compensated absences

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

5.15 Revenue recognition

- 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 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 systematic basis.
- Gains and losses on disposal of fixed assets are taken to the consolidated profit and loss account.
- Revenue from sale of properties recognized on accrual basis.

5.16 Foreign currency transactions and translation

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.

5.17 Impairment

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

5.18 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.

5.19 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.

5.20 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.

5.21 Statutory reserve

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

5.22 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 State Bank of Pakistan. The Group's primary format of reporting is based on business segments. The Group comprises of the following main business segments:

(a) Business Segment

– Corporate finance

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

– Trading and Sales

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

– Building Rental Services & Real State

This segment undertakes the purchase, development and sale of properties, property management services, investment in joint ventures and other related services 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	2021 Rupees	2020 Rupees
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		343,708	269,806
With State Bank of Pakistan in			
Local currency current accounts	6.1	101,612,867	107,531,818
		<u>101,956,575</u>	<u>107,801,624</u>

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

	Note	2021 Rupees	2020 Rupees
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		6,946,411	8,363,102
In deposit accounts	7.1 & 7.2	172,208,951	608,290,408
		<u>179,155,362</u>	<u>616,653,510</u>

7.1 Deposit accounts include local currency accounts amounting to Rs. 148,455,340 (2020: Rs. 587,227,719) held in local currency accounts. These accounts carry markup at the rates ranging from 2.25% to 9.75% (2020: 3.00% to 9.5%) per annum.

7.2 Deposit accounts include USD 134,619.50 (2020: USD 131,426.27) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2020: 0.25%) per annum.

	Note	2021 Rupees	2020 Rupees
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	—	119,988,000
Less: provision held against Lending to Financial Institutions		—	—
Lending to Financial Institutions - net of provision		<u>—</u>	<u>119,988,000</u>
8.1 Particulars of lending			
In local currency		<u>—</u>	<u>119,988,000</u>

8.2 Securities held as collateral against lending to financial institutions

		2021			2020		
	Note	Held by the company	Further given as collateral Rupees	Total	Held by the company	Further given as collateral Rupees	Total
Pakistan Investment Bonds	8.2.1	—	—	—	119,988,000	—	119,988,000
Total		<u>—</u>	<u>—</u>	<u>—</u>	<u>119,988,000</u>	<u>—</u>	<u>119,988,000</u>

8.2.1 Market value of securities held as collateral at December 31, 2021 is Nil (2020: Rs. 120 million).

9. INVESTMENTS

9.1 Investments by type:

	2021				2020			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Held-for-trading securities								
Quoted shares	66,105,488	–	1,822,511	67,927,999	53,467,402	–	1,607,097	55,074,499
Open end mutual fund	35,000,000	–	37,858	35,037,858	21,000,000	–	–	21,000,000
	101,105,488	–	1,860,369	102,965,857	74,467,402	–	1,607,097	76,074,499
Available-for-sale securities								
Federal Government Securities								
-Pakistan Investment Bonds (PIBs)	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
Shares- quoted securities	3,208,180,629	(720,924,974)	(32,280,058)	2,454,975,597	2,827,625,073	(760,854,156)	181,945,188	2,248,716,105
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	1,171,060,447	(81,675,026)	14,458,400	1,103,843,821	1,171,612,766	(82,227,345)	8,994,400	1,098,379,821
-Commercial paper	–	–	–	–	32,784,012	–	–	32,784,012
Un-quoted securities	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	31,322,322,803	(1,076,433,040)	(1,006,189,337)	29,239,700,426	35,462,295,722	(1,116,914,541)	(583,715,235)	33,761,665,946
Held-to-maturity securities								
Federal Government Securities								
-Market treasury bills	166,634,489	–	–	166,634,489	148,655,979	–	–	148,655,979
Non Government Debt Securities								
-Term Finance Certificates (TFCs)	1,867,317,203	(544,249,203)	–	1,323,068,000	1,642,610,710	(402,491,710)	–	1,240,119,000
-Certificate of Investment (COI)	65,284,933	–	–	65,284,933	70,299,358	–	–	70,299,358
	2,099,236,625	(544,249,203)	–	1,554,987,422	1,861,566,047	(402,491,710)	–	1,459,074,337
Total Investments	33,522,664,916	(1,620,682,243)	(1,004,328,968)	30,897,653,705	37,398,329,171	(1,519,406,251)	(582,108,138)	35,296,814,782

9.2 Investments by segments:

	2021				2020			
	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	166,634,489	–	–	166,634,489	148,655,979	–	–	148,655,979
Pakistan Investment Bonds	26,156,748,679	–	(988,367,679)	25,168,381,000	30,643,940,823	–	(774,654,823)	29,869,286,000
	26,323,383,168	–	(988,367,679)	25,335,015,489	30,792,596,802	–	(774,654,823)	30,017,941,979
Shares:								
Listed companies	3,274,286,117	(720,924,974)	(30,457,547)	2,522,903,596	2,881,092,475	(760,854,156)	183,552,285	2,303,790,604
Unlisted companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	4,060,619,165	(994,758,014)	(30,457,547)	3,035,403,604	3,667,425,523	(1,034,687,196)	183,552,285	2,816,290,612
Non Government Debt Securities								
Listed TFCs / Sukuk	1,733,420,899	(44,035,478)	14,458,400	1,703,843,821	1,870,945,725	(181,560,304)	8,994,400	1,698,379,821
Unlisted TFCs / Sukuk	1,304,956,751	(581,888,751)	–	723,068,000	943,277,751	(303,158,751)	–	640,119,000
Commercial paper	–	–	–	–	32,784,012	–	–	32,784,012
	3,038,377,650	(625,924,229)	14,458,400	2,426,911,821	2,847,007,488	(484,719,055)	8,994,400	2,371,282,833
Other investments								
Mutual funds	35,000,000	–	37,858	35,037,858	21,000,000	–	–	21,000,000
Certificate of Investment (COI)	65,284,933	–	–	65,284,933	70,299,358	–	–	70,299,358
	100,284,933	–	37,858	100,322,791	91,299,358	–	–	91,299,358
Total Investments	33,522,664,916	(1,620,682,243)	(1,004,328,968)	30,897,653,705	37,398,329,171	(1,519,406,251)	(582,108,138)	35,296,814,782

	2021 Rupees	2020 Rupees
9.2.1 Investments given as collateral		
Pakistan Investment Bonds (PIBs)	21,908,529,525	26,592,235,980
	21,908,529,525	26,592,235,980
9.3 Provision for diminution in value of investments		
9.3.1 Opening balance	1,519,406,251	2,074,118,083
Charge / reversals		
Charge for the year	207,601,400	217,298,653
Reversals for the year	(3,757,789)	–
Reversal on disposals	(102,567,619)	(195,334,410)
	101,275,992	21,964,243
Transfers - net	–	(576,676,075)
Amounts written off	–	–
Closing balance	1,620,682,243	1,519,406,251

9.3.2 Particulars of provision against debt securities

Category of classification	2021		2020	
	NPI	Provision	NPI	Provision
	Rupees		Rupees	
Domestic				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	659,674,229	625,924,229	535,344,055	484,719,055
	659,674,229	625,924,229	535,344,055	484,719,055
Overseas	—	—	—	—
Total	659,674,229	625,924,229	535,344,055	484,719,055

9.4 Quality of Available for Sale Securities

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

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	26,156,748,679	30,643,940,823
	26,156,748,679	30,643,940,823

Shares:

Listed Companies

Cement	109,775,900	109,775,900
Chemical	417,127,705	417,127,705
Close-end Mutual Fund	37,745,634	37,745,634
Commercial Banks	647,875,278	649,330,721
Fertilizer	233,487,301	378,106,466
Food and Personal Care Products	—	35,090,111
Insurance	100,820,544	105,533,362
Oil & Gas Marketing Companies	211,761,553	141,229,459
Oil & Gas Exploration Companies	517,973,844	257,562,725
Power Generation and Distribution	897,641,805	625,325,445
Technology and Communication	33,971,065	33,971,065
Textile Composite	—	36,826,480
	3,208,180,629	2,827,625,073

	2021		2020	
	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	48,580,204	2,500,000	45,096,303
Pace Barka Properties Limited	168,750,000	210,367,051	168,750,000	217,609,092
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	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	737,382,277	330,000,000	415,481,552
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	—	10,000,000	—
Taurus Securities Limited	11,250,000	24,651,223	11,250,000	24,102,185
Trust Investment Bank Limited	20,000,000	—	20,000,000	—
	786,333,048	1,023,542,216	786,333,048	704,850,593

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.

	2021	2020
	Cost in Rupees	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,060,000,000	1,060,000,000
- CCC and below	29,385,421	29,385,421
- Unrated	24,417,686	24,970,005
	1,113,803,107	1,114,355,426
Unlisted		
- A+, A, A-	—	32,784,012
- Unrated	57,257,340	57,257,340
	57,257,340	90,041,352
	1,171,060,447	1,204,396,778

9.5 The Group does not have any investments in foreign securities as at December 31, 2021 (2020: Nil).

	Note	2021 Cost in Rupees	2020
9.6 Particulars relating to Held to Maturity securities are as follows:			
Federal Government Securities - Government guaranteed			
- Market Treasury Bills		166,634,489	148,655,979
Non Government Debt Securities			
Listed			
- AA+, AA, AA-		600,000,000	600,000,000
- Unrated		19,617,792	156,590,299
	9.6.1	619,617,792	756,590,299
Unlisted			
- AA+, AA, AA-		289,558,000	199,800,000
- A+, A, A-		100,000,000	89,874,000
- BBB+, BBB, BBB-		299,760,000	299,820,000
- Unrated		558,381,411	296,526,411
		1,247,699,411	886,020,411
Others			
- Unrated		65,284,933	70,299,358
		1,932,602,136	1,712,910,068

9.6.1 Market value of held-to-maturity securities other than non performing investments as at December 31, 2021 is Rs. 1,193 million (December 31, 2020: Rs. 1,167 million).

10. ADVANCES

		2021	2020	2021	2020	2021	2020
		Performing		Non performing		Total	
Note		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running							
finances- gross	10.1	6,722,162,869	5,450,707,130	2,387,298,720	3,894,704,806	9,109,461,589	9,345,411,936
Provision against advances							
- Specific		-	-	(2,241,352,677)	(2,533,847,014)	(2,241,352,677)	(2,533,847,014)
- General		-	-	-	-	-	-
		-	-	(2,241,352,677)	(2,533,847,014)	(2,241,352,677)	(2,533,847,014)
Advances - net of provision		6,722,162,869	5,450,707,130	145,946,043	1,360,857,792	6,868,108,912	6,811,564,922

10.1 Includes Net Investment in Finance Lease as disclosed below:

	2021				2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees				Rupees			
Lease rentals receivable	95,208,694	–	–	95,208,694	142,105,873	–	–	142,105,873
Residual value	–	–	–	–	–	–	–	–
Minimum lease payments	95,208,694	–	–	95,208,694	142,105,873	–	–	142,105,873
Financial charges for future periods	(28,746,708)	–	–	(28,746,708)	(50,106,929)	–	–	(50,106,929)
Present value of minimum lease payments	66,461,986	–	–	66,461,986	91,998,944	–	–	91,998,944

10.2 Particulars of advances (Gross)

	2021 Rupees	2020 Rupees
In local currency	9,109,461,589	9,329,495,883
In foreign currencies	–	15,916,053
	9,109,461,589	9,345,411,936

10.3 Advances include Rs. 2,387,298,720 (2020: Rs. 3,894,704,806) which have been placed under non-performing status as detailed below:-

Category of Classification	2021		2020	
	Non Performing loans Rupees	Provision Rupees	Non Performing loans Rupees	Provision Rupees
Domestic				
Substandard	–	–	–	–
Doubtful	291,892,086	145,946,043	309,470,937	154,735,469
Loss	2,095,406,634	2,095,406,634	3,585,233,869	2,379,111,545
Total	2,387,298,720	2,241,352,677	3,894,704,806	2,533,847,014

10.4 Particulars of provision against advances

		2021			2020		
	Note	Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
Opening balance		2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842
Charge for the year		176,878,680	–	176,878,680	465,742,475	–	465,742,475
Reversals		(418,438,954)	–	(418,438,954)	(147,422,401)	–	(147,422,401)
		(241,560,274)	–	(241,560,274)	318,320,074	–	318,320,074
Amounts written off	10.5	(50,934,063)	–	(50,934,063)	(24,633,902)	–	(24,633,902)
Closing balance		2,241,352,677	–	2,241,352,677	2,533,847,014	–	2,533,847,014

10.4.1 Particulars of provision against advances

		2021			2020		
		Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
In local currency		2,241,352,677	–	2,241,352,677	2,517,930,961	–	2,517,930,961
In foreign currencies		–	–	–	15,916,053	–	15,916,053
		2,241,352,677	–	2,241,352,677	2,533,847,014	–	2,533,847,014

10.4.2 The net FSV benefit already availed has been decreased by Rs. 1,206.122 million. Further, at December 31, 2021, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Nil (2020: Rs. 856.347 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	2021 Rupees	2020 Rupees
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	50,934,063	24,633,902
Directly charged to Profit & Loss account		607,822	–
		51,541,885	24,633,902
10.5.2 Write Offs of Rs. 500,000 and above	10.6		
- Domestic		51,493,885	24,633,902
- Overseas		–	–
Write Offs of Below Rs. 500,000		48,000	–
		51,541,885	24,633,902

10.6 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 rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given at Annexure I.

		2021 Rupees	2020 Rupees
10.7	Particulars of loans and advances to staff included in advances		
	Opening balance	64,036,392	55,942,914
	Amount disbursed during the year	17,877,546	31,065,790
	Amount received during the year	(24,539,953)	(22,972,312)
	Amount written off	(595,520)	–
	Closing balance	56,778,465	64,036,392
11.	NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE		
	Cost of investment reclassified from investments		
	- Investment in ordinary shares	243,467,574	243,467,574
	- Investment in preference shares	333,208,501	333,208,501
	Less: Provision on investment	(576,676,075)	(576,676,075)
		–	–
	Less: Amounts received till 31 December	–	–
		–	–
11.1	The Holding Company's investment in Saudi Pak Leasing Company Limited (the "associate company") has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at lower of carrying amount at designation and fair value less cost to sell.		
	Note	2021 Rupees	2020 Rupees
12.	FIXED ASSETS		
	Capital work-in-progress	12.1 3,204,338	3,366,482
	Property and equipment	12.2 4,465,441,541	3,147,931,936
		4,468,645,879	3,151,298,418
12.1	Capital work-in-progress		
	Advances to suppliers	3,204,338	3,366,482
		3,204,338	3,366,482

12.2 Property and equipment


SAUDI PAK

Industrial and Agricultural Investment Company Limited

2021

	Leasehold land	Building Karachi office	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, 2021											
Cost / Revalued amount	1,743,975,000	36,597,000	215,874,000	996,414,324	15,269,542	54,667,127	107,921,188	101,520,389	48,090,798	183,585,637	3,509,240,563
Accumulated depreciation	55,458,402	2,927,756	-	79,695,506	13,543,098	45,447,180	62,645,857	30,047,348	1,609,252	55,773,390	361,308,627
Net book value	1,688,516,598	33,669,244	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	127,812,247	3,147,931,936
Year ended December 31, 2021											
Opening net book value	1,688,516,598	33,669,244	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	127,812,247	3,147,931,936
Additions / revaluation	-	-	17,746,000	477,844	428,075	9,942,213	13,890,479	3,991,318	-	15,898,410	62,467,067
Movement in surplus on assets revalued during the year	917,262,603	20,076,634	-	367,079,645	-	-	-	41,518,234	25,083,655	1,374,996	1,402,642,217
Revaluation adjustment	(83,187,603)	(4,391,634)	-	(119,559,938)	-	-	-	(45,421,450)	(21,374,453)	(66,681,940)	(342,978,578)
Disposals	-	-	-	-	(78,500)	(5,607,390)	(18,630,424)	-	-	(269,631)	(24,585,945)
- Cost / Revalued amount	-	-	-	-	78,500	5,544,042	12,005,685	-	-	269,626	17,897,853
- Accumulated depreciation	-	-	-	-	-	(63,348)	(6,624,739)	-	-	(5)	(6,688,092)
Depreciation charge	(27,729,201)	(1,463,878)	-	(39,864,432)	(753,401)	(6,507,662)	(14,184,449)	(15,374,102)	(7,213,615)	(806,011)	(140,911,587)
Revaluation adjustment	83,187,603	4,391,634	-	119,559,938	-	-	-	45,421,450	21,374,453	66,681,940	342,978,578
Closing net book value	2,578,050,000	52,282,000	233,620,000	1,244,411,875	1,401,118	12,591,150	38,356,622	101,608,491	51,800,000	146,942,266	4,465,441,541
At December 31, 2021											
Cost / Revalued amount	2,578,050,000	52,282,000	233,620,000	1,244,411,875	15,619,117	59,001,950	103,181,243	101,608,491	51,800,000	162,778,926	4,606,785,324
Accumulated depreciation	-	-	-	-	14,217,999	46,410,800	64,824,621	-	-	53,703	141,343,783
Net book value	2,578,050,000	52,282,000	233,620,000	1,244,411,875	1,401,118	12,591,150	38,356,622	101,608,491	51,800,000	146,942,266	4,465,441,541
Rate of depreciation (percentage)	1.59	4	-	4	20	33.33	20	15	15	15	15

2020

	Leasehold land	Building Karachi office	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, 2020											
Cost / Revalued amount	1,743,975,000	204,841,000	996,328,224	15,269,565	50,962,212	97,275,268	101,520,389	47,000,000	5,327,507	162,284,043	3,461,380,208
Accumulated depreciation	27,729,201	1,463,878	39,842,306	12,938,097	41,519,072	62,539,178	14,973,999	7,049,996	810,752	33,434,818	242,301,297
Net book value	1,716,245,799	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
Year ended December 31, 2020											
Opening net book value	1,716,245,799	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
Additions	-	11,033,000	86,100	141,804	5,492,694	28,497,472	-	1,090,798	-	22,568,613	68,910,481
Disposals											
- Cost / Revalued amount	-	-	-	(141,827)	(1,787,779)	(17,851,552)	-	-	(1,949)	(1,267,019)	(21,050,126)
- Accumulated depreciation	-	-	-	141,818	1,665,562	14,745,190	-	-	516	1,267,012	17,820,098
Depreciation charge	(27,729,201)	(1,463,878)	(39,853,200)	(746,819)	(5,593,670)	(14,851,869)	(15,073,349)	(7,110,842)	(799,016)	(23,605,584)	(136,827,428)
Closing net book value	1,688,516,598	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	3,716,306	127,812,247	3,147,931,936
At December 31, 2020											
Cost / Revalued amount	1,743,975,000	215,874,000	996,414,324	15,269,542	54,667,127	107,921,188	101,520,389	48,090,798	5,325,558	183,685,637	3,509,240,563
Accumulated depreciation	55,458,402	2,927,756	79,695,506	13,543,098	45,447,180	62,645,857	30,047,348	14,160,838	1,609,252	55,773,390	361,308,627
Net book value	1,688,516,598	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	3,716,306	127,812,247	3,147,931,936
Rate of depreciation (percentage)	1.59	4	-	4	20	33.33	15	15	15	15	

* This represents security system at Islamabad and Karachi office of Holding Company. Security system of Islamabad office are revalued only, as they form an integral part of building structure.

** This represents electrical fittings, fire fighting equipment, telephone installation, leasehold improvements, electrical appliances, loose tools & miscellaneous item at Islamabad, Lahore and Karachi office of Holding Company and office of subsidiary company. The Group revalues electrical fittings, fire fighting equipment and telephone installation for its Islamabad office only, as they form an integral part of building structure.

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						
Furniture and fixture						
Furniture and fixture - subsidiary company	78,500	78,500	–	78,500	Auction	Sadiq Shah
	78,500	78,500	–	78,500		
Office equipment						
Mobile - iPhone 8	100,000	99,999	1	1	As per policy *	Kashif Suhail
Mobile - iPhone 8	100,000	99,999	1	1	As per policy *	Fateh Tariq
Mobile - iPhone 6S Plus	64,000	59,478	4,522	4,522	As per policy *	Irfan Karim
Mobile - Samsung A71	65,500	8,388	57,112	–	As per policy *	Mr Khawar Ashfaq
Laptop - HP Elitebook 850 G4	146,000	144,327	1,673	–	As per policy *	Mr Khawar Ashfaq
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Fateh Tariq
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Kamal Uddin Khan
Laptop - HP Elitebook 850 G4	146,000	145,999	1	7,300	As per policy *	Kashif Suhail
Mobile - Samsung S9	67,500	67,499	1	1	As per policy *	Safdar Abbas Zaidi
Mobile - Samsung Note 8	97,500	97,499	1	1	As per policy *	Muhammad Nayeem Akhtar
Mobile - iPhone X	155,000	154,999	1	1	As per policy *	Kamaluddin Khan
Mobile - iPhone XS Maxx	214,000	213,999	1	1	As per policy *	Kamaluddin Khan
Mobile - Samsung Note 9	67,500	67,499	1	1	As per policy *	Ali Imran
Mobile - iPhone 7	67,500	67,499	1	1	As per policy *	M. Ghairat Hayat
Office Equipment - Islamabad office	3,924,990	3,924,961	29	90,000	Auction	Arif Mashi
Mobile - iPhone 8	99,900	99,899	1	1	As per policy *	Arshad Ahmed Khan
	5,607,390	5,544,042	63,348	116,431		
Vehicles						
Toyota Altis Grandy 1.8 - FB 960	2,390,724	2,390,723	1	1	As per policy *	Yawar Khan Afridi
Suzuki Cultus - FT 980	1,047,002	1,047,001	1	1	As per policy *	Muhammad Faisal Israr
Honda City Prosmetic 1.3 - AJS 806	1,948,424	1,054,104	894,320	894,320	As per policy *	Irfan Karim
Honda City Prosmetic 1.3 - AJJ 304	1,947,940	1,090,580	857,360	–	As per policy *	Mr. Khawar Ashfaq
Suzuki Wagon R - AAT 863	1,022,374	1,022,373	1	1	As per policy *	Ali Aosjah
Kia Picanto - APY 837	2,057,502	595,360	1,462,142	1,462,142	As per policy *	Abdul Nasir
Honda City Aspire 1.3 - ABV 163	1,845,024	1,845,023	1	1	As per policy *	Safdar Abbas Zaidi
Honda Civic I-Vtech Oriel - AGH 088	2,878,884	1,976,699	902,185	902,185	As per policy *	Kamaluddin Khan
Kia Picanto - BSQ 018	2,084,790	184,679	1,900,111	1,900,111	As per policy *	Muhammad Farman Shamsi
Suzuki Cultus - subsidiary company	1,407,760	799,143	608,617	–	As per policy *	Javaid Khan
	18,630,424	12,005,685	6,624,739	5,158,762		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Electrical fittings, fire fighting equipment and others						
Mitsubishi Split AC 2 Ton	39,300	39,299	1	2,000	Auction	Maqbool Hussain
LG Jet Cool Split AC 1.5 Ton	41,500	41,499	1	2,000	Auction	Maqbool Hussain
LG Jet Cool Split AC 2 Ton	57,675	57,674	1	2,000	Auction	Maqbool Hussain
Haier Split AC 2 Ton	81,956	81,955	1	2,000	Auction	Maqbool Hussain
Acson AC 1 Ton	49,200	49,199	1	2,000	Auction	Maqbool Hussain
	269,631	269,626	5	10,000		
	24,585,945	17,897,853	6,688,092	5,363,693		

* 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 revalued by independent professional valuer on the estimated value on market / depreciated basis as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited; member of Pakistan Engineering Council and on panel of Pakistan Banking Association; on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 1,402.642 million. The total surplus arising against revaluation of fixed assets as at December 31, 2021 amounted to Rs. 3,968.328 million.

12.5 Cost / revalued amount of fully depreciated assets that are still in use:

	2021 Rupees	2020 Rupees
Furniture and fixture	10,513,608	10,276,514
Office equipment	36,251,129	34,594,697
Vehicles	27,129,060	28,112,562
Electrical fittings, fire fighting equipment and others	8,386,490	7,673,966
	82,280,287	80,657,739

	2021 Computer Software Rupees	2020 Computer Software Rupees
13. INTANGIBLE ASSETS		
At January 1		
Cost	26,731,503	23,843,863
Accumulated amortisation and impairment	19,502,063	15,355,788
Net book value	7,229,440	8,488,075
Year ended December 31		
Opening net book value	7,229,440	8,488,075
Additions - directly purchased	3,472,081	2,887,640
Amortisation charge	4,592,471	4,146,275
Closing net book value	6,109,050	7,229,440
At December 31		
Cost	30,203,584	26,731,503
Accumulated amortisation and impairment	24,094,534	19,502,063
Net book value	6,109,050	7,229,440
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. 18,444,698 (2020: Rs. 11,805,299).

	Note	2021 Rupees	2020 Rupees
14. OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision			
On investments		842,458,570	998,046,764
On advances		311,550,059	108,403,187
On lending to financial institutions		—	21,039
On saving bank accounts		14,414	6,782
		1,154,023,043	1,106,477,772
Advances, deposits, advance rent and other prepayments		11,314,549	43,395,381
Advance taxation (payments less provisions)		855,962,478	718,350,996
Excise duty		78,817,895	78,817,895
Non-banking assets acquired in satisfaction of claims	14.1	53,803,576	139,309,214
Dividend receivable		42,867,904	21,022,808
Other receivables		684,959	2,508,909
		2,197,474,404	2,109,882,975
Less: Provision held against other assets	14.2	(256,792)	(256,792)
Other assets (net of provision)		2,197,217,612	2,109,626,183
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		23,847,524	23,920,343
Other assets - total		2,221,065,136	2,133,546,526

		2021 Rupees	2020 Rupees
14.1	Market value of non-banking assets acquired in satisfaction of claims	77,651,100	169,677,403

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 statements in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants on the basis of assessment of Present Market Value on 31 December 2021 at Rs. 77.651 million. M/s Impulse (Pvt) Limited is member of Pakistan Engineering Council and also on panel of Pakistan Banking Association.

	Note	2021 Rupees	2020 Rupees
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		163,229,557	166,816,572
Revaluation during the year		14,712,840	—
Disposals during the year		(97,369,951)	—
Depreciation		(2,921,346)	(3,587,015)
Closing balance		77,651,100	163,229,557
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		158,000,000	—
less: carrying value		(97,369,951)	—
Gain realized on disposal		60,630,049	—
14.2 Provision held against other assets			
Advances, deposits, advance rent & other prepayments	14.2.1	256,792	256,792
14.2.1 Movement in provision held against other assets			
Opening balance		256,792	256,792
Charge for the year		—	—
Reversals / transfer		—	—
Amount Written off		—	—
Closing balance		256,792	256,792

	Note	2021 Rupees	2020 Rupees
15. DEVELOPMENT PROPERTIES			
Balance at beginning of the year		198,210,163	246,626,663
Additions during the year		—	—
Cost of plots / house sold during the year		—	(48,416,500)
Balance at end of the year	15.1	198,210,163	198,210,163

15.1 This represents cost of 35 - eight marla plots situated at Royal Residencia Housing Scheme, Lahore

	Note	2021 Rupees	2020 Rupees
16. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under refinance scheme			
Long term financing facility	16.1	845,810,022	872,306,098
Temporary economic relief facility	16.2	491,424,500	—
		1,337,234,522	872,306,098
Repurchase agreement borrowings	16.3	21,831,884,450	26,476,540,000
Against book debts/receivables	16.4	3,287,500,000	4,970,833,336
Total secured		26,456,618,972	32,319,679,434
Total unsecured		—	—
		26,456,618,972	32,319,679,434

16.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rate of 2.00% (2020: 2.00%) per annum. These facilities will mature during January 2022 to January 2029 (2020: January 2021 to January 2029).

16.2 These represent facilities obtained against State Bank of Pakistan refinance schemes under TERF. The mark up is charged at the rate of 1.00% per annum. These facilities will mature during April 2023 to January 2031.

16.3 These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 10.25% to 10.65% (2020: 7.20% to 7.30%) per annum having maturity during January 2022 (2020: during January 2021).

- 16.4** These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 10,267 million (2020: Rs. 12,000 million). The mark up is charged at varying rates ranging from 7.96% to 11.79% (2020: 7.48% to 7.64%) per annum. These facilities will mature during January 2022 to April 2025 (2020: January 2021 to April 2025).

	Note	2021 Rupees	2020 Rupees
16.5 Particulars of borrowings with respect to Currencies			
In local currency		26,456,618,972	32,319,679,434
In foreign currencies		—	—
		<u>26,456,618,972</u>	<u>32,319,679,434</u>
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits (local currency)	17.1	2,911,587,775	2,445,800,000
17.1 Composition of deposits			
- Public Sector Entities	17.2	2,701,587,775	2,435,800,000
- Non-Banking Financial Institutions	17.3	10,000,000	10,000,000
- Private Sector	17.4	200,000,000	—
		<u>2,911,587,775</u>	<u>2,445,800,000</u>
17.2			
These represent Certificate of Investments (COIs) issued to Port Qasim Authority & National Fertilizer Corporation of Pakistan for Rs. 2,701.59 million (2020: Rs. 2,435.80 million). These COIs carry mark up at the rates ranging from 8.00% to 10.55% (2020: 7.00% to 7.51%) per annum and is repayable during January 2022 to November 2022 (2020: January 2021 to June 2021).			
17.3			
These represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs.10 million (2020: Rs. 10 million). These COIs carry mark up at the rate of 7.75% (2020: 7.30%) per annum and is repayable in March 2022 (2020: March 2021).			
17.4			
These represent Certificate of Investments (COIs) issued to Air Link Communication Limited for Rs. 200 million (2020: Nil). These COIs carry mark up at the rate of 11.14% per annum and is repayable in December 2022.			

18. DEFERRED TAX LIABILITIES

		2021				
Note		At January 1, 2021	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2021
Rupees						
Deductible Temporary Differences on						
	Actuarial loss on defined benefit plan	(5,087,885)	–	–	(765,989)	(5,853,874)
	Unused tax losses	(8,513,171)	(8,704,967)	–	–	(17,218,138)
	Surplus / (deficit) on revaluation of securities - AFS	(87,557,285)	–	–	(38,216,382)	(125,773,667)
	Provision on non-performing loans	(592,956,000)	43,874,000	–	–	(549,082,000)
	Impairment loss on available for sale quoted securities	(91,939,258)	24,172,085	–	–	(67,767,173)
		(786,053,599)	59,341,118	–	(38,982,371)	(765,694,852)
Taxable Temporary Differences on						
	Accelerated tax depreciation	21,720,964	3,707,758	–	–	25,428,722
	Dividend receivable	5,255,702	5,461,274	–	–	10,716,976
	Net investment in leases	18,670,058	(18,670,058)	–	–	–
	Surplus on revaluation of securities - HFT	241,065	32,312	–	–	273,377
	Surplus on revaluation of operating fixed assets	770,771,780	(26,722,800)	–	406,766,243	1,150,815,223
	Short term investment - COI & T Bill	679,099	(176,085)	–	–	503,014
		817,338,668	(36,367,599)	–	406,766,243	1,187,737,312
18.1	Excess deferred tax asset of the subsidiary company not recognized	9,012,206	7,549,013	–	(54,343)	16,506,876
		40,297,275	30,522,532	–	367,729,529	438,549,336
2020						
Note		At January 1, 2020	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2020
Rupees						
Deductible Temporary Differences on						
	Actuarial loss on defined benefit plan	(4,714,957)	10,900	–	(383,828)	(5,087,885)
	Unused tax losses	(5,559,913)	(2,953,258)	–	–	(8,513,171)
	Surplus on revaluation of securities - AFS	37,127,436	–	–	(124,684,721)	(87,557,285)
	Provision on non-performing loans	(507,787,000)	(85,169,000)	–	–	(592,956,000)
	Impairment loss on available for sale quoted securities	(88,542,914)	(3,396,344)	–	–	(91,939,258)
		(569,477,348)	(91,507,702)	–	(125,068,549)	(786,053,599)
Taxable Temporary Differences on						
	Accelerated tax depreciation	22,826,856	(1,105,892)	–	–	21,720,964
	Dividend receivable	8,568,382	(3,312,680)	–	–	5,255,702
	Net investment in leases	32,770,878	(14,100,820)	–	–	18,670,058
	Surplus on revaluation of securities - HFT	–	241,065	–	–	241,065
	Surplus on revaluation of operating fixed assets	797,494,580	(26,722,800)	–	–	770,771,780
	Short term investment - COI & T Bill	16,568	662,531	–	–	679,099
		861,677,264	(44,338,596)	–	–	817,338,668
18.1	Excess deferred tax asset of the subsidiary company not recognized	7,266,133	1,746,073	–	–	9,012,206
		299,466,049	(134,100,225)	–	(125,068,549)	40,297,275

18.1 Deferred tax asset to the extent of Rs. 16,506,876 (2020: Rs. 9,012,206) related to the subsidiary company has not been recognized by its management in view of uncertainty related to taxable profits in foreseeable future.

	Note	2021 Rupees	2020 Rupees
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		149,516,538	281,881,028
Accrued expenses		62,594,158	36,123,327
Advance rental income	19.1	126,425,325	127,746,916
Security deposits against rented properties	19.2	37,225,579	28,414,282
Payable to defined benefit plan	37	8,015,251	8,313,559
Provision for compensated absences		9,913,246	9,139,651
Directors' remuneration		5,293,500	4,647,610
Payable to stock brokers - net		119,060	341,946
Others		24,891,114	7,759,253
		423,993,771	504,367,572

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

19.2 This represents security deposits received from tenants against rented properties.

20. SHARE CAPITAL

20.1 Authorized Capital

2021 Number of Share	2020 Number of Share		2021 Rupees	2020 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

2021 Number of Share	2020 Number of Share		2021 Rupees	2020 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 Kingdom of Saudi Arabia are equal shareholders of the Holding Company.

20.4 Subsequent events - non adjusting event after reporting date

The Board of Directors of the Holding Company in its meeting held subsequent to the year end on February 26, 2022 has recommended cash dividend @ 2.5% on paid up share capital amounting to Rs. 165 million (2020: Rs. Nil) and also recommended issue of fully paid bonus shares @ 2.5% of paid up share capital i.e. 16,500,000 shares out of unappropriated profits amounting to Rs. 165 million (2020: Rs. Nil). These shares shall rank pari passu with the existing shares. These appropriations will be put forward for approval of the shareholders in the Annual General Meeting.

	Note	2021 Rupees	2020 Rupees
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(1,006,189,337)	(583,715,235)
- Fixed assets	21.1	3,968,328,363	2,657,833,730
- Non-banking assets acquired in satisfaction of claims	21.2	23,847,524	23,920,343
		2,985,986,550	2,098,038,838
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		125,773,667	87,557,285
- Fixed assets	21.1	(1,150,815,223)	(770,771,780)
- Non-banking assets acquired in satisfaction of claims		—	—
		(1,025,041,556)	(683,214,495)
		1,960,944,994	1,414,824,343
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		2,657,833,730	2,749,981,314
Recognised during the year		1,402,642,217	—
Realised on disposal during the year - net of deferred tax		—	—
Related deferred tax liability on surplus realised on disposal		—	—
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(65,424,784)	(65,424,784)
Related deferred tax liability on incremental depreciation charged during the year		(26,722,800)	(26,722,800)
Surplus on revaluation of fixed assets as at December 31		3,968,328,363	2,657,833,730
Less: related deferred tax liability on:			
- revaluation as at January 1		770,771,780	797,494,580
- revaluation recognised during the year		406,766,243	—
- surplus realised on disposal during the year		—	—
- Impact of change in tax rate		—	—
- incremental depreciation charged during the year		(26,722,800)	(26,722,800)
		1,150,815,223	770,771,780
		2,817,513,140	1,887,061,950
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		23,920,343	24,442,663
Recognised during the year		14,712,840	—
Realized on disposal during the year		(14,361,521)	—
Incremental depreciation		(424,138)	(522,320)
Surplus on revaluation as at December 31		23,847,524	23,920,343

	Note	2021 Rupees	2020 Rupees
22. CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	—	502,224,393
-Commitments	22.2	1,342,595,377	2,091,293,614
		<u>1,342,595,377</u>	<u>2,593,518,007</u>
22.1 Guarantees:			
Financial guarantees		—	502,224,393
22.2 Commitments:			
Commitment for the acquisition of:			
- Operating fixed assets		5,527,051	2,964,301
- Intangible assets		3,940,759	2,329,313
		<u>9,467,810</u>	<u>5,293,614</u>
Non disbursed commitment for term and working capital finance		1,333,127,567	2,086,000,000
		<u>1,342,595,377</u>	<u>2,091,293,614</u>

22.3 Other contingent liabilities

22.3.1 Tax contingencies- Holding Company

- i) The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the Holding Company's contention on certain matters in appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. These issues mainly relate to disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Holding Company has filed tax references before the Islamabad High Court. The references for the tax years 2004 to 2006 and 2008 to 2010 have been admitted for hearing whereas the references for tax years 2012 to 2014 are at pre-admission stage.

The related tax demands for all the aforesaid tax years aggregate to Rs 1,068.844 million, out of which Rs 635.194 million has been paid by / recovered from the Holding Company.

- ii) For the tax years 2015 to 2018, the assessing officer amended the Holding Company's assessment under section 122(5A) of the Ordinance and created an aggregate tax demand of Rs. 1,463.932 million by making various add backs and disallowances. The Holding Company preferred appeals before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Holding Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.
- iii) For tax years 2015 to 2017 proceedings under section 161 were initiated and cumulative demand of Rs. 276.482 million was created on account of alleged default in withholding of tax out of which Rs 26.034 million has been paid by / recovered from the Holding Company. The Holding Company preferred appeal before the CIR(A) who remanded certain issues and upheld certain matters. The Holding Company preferred further appeal before ATIR which is pending adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are most likely to be decided in favour of the Holding Company at superior appellate fora and no further provision has been booked relating to these matters in these consolidated financial statements.

22.3.2 Tax contingencies- subsidiary company

The subsidiary company was selected for tax audit under section 177 of the Ordinance for the tax year 2014 and a tax demand of Rs 4,787,629 was raised. The subsidiary company filed an appeal against the aforesaid assessment order before the CIR(A). The CIR(A) has remand back the case and the proceedings in this respect has not been initiated yet. Potential outcome of this proceedings cannot be ascertained at this stage.

The subsidiary company was selected for tax audit under section 177 of the Income Tax Ordinance 2001 for the tax year 2015 and a tax demand of Rs 9,022,333 was raised. The subsidiary company filed an appeal against the aforesaid assessment order before the CIR(A). Potential outcome of this proceedings cannot be ascertained at this stage.

22.3.3 Other contingencies

i) **MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.623 million)**

MACPAC Films Limited Karachi ("Customer") availed a Term Finance of Rs. 125 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Saudi Pak which contained waiver/write-off of Rs. 72.659 million on account of Markup and Liquidated Damages subject to payment of Rs.100.141 million. The Customer accepted and paid Rs.100.141 million. The write off/waiver was reported to the Credit Information Bureau of the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer requested the Holding Company and SBP to remove its name from CIB as it was allegedly reflecting bad on its business. Neither SBP nor the Holding Company agreed however, the Customer filed the subject suit in 2014 in the Sindh High Court, Karachi which is being contested on merits. On the Court's direction, SBP has also filed comments endorsing regulatory compliance by the Holding Company. So far, the Customer could not yet complete its evidence. Mr. Maqbool Elahi, CEO of the customer died on 14 May 2020, whereof evidence on its behalf will now be recorded by the new CEO, Mr. Najamul Hassan. The Holding Company is confident that there is no substance in the present suit and that it will be dismissed after due process of law.

ii) **Muhammad Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs. 200 million)**

On April 27, 2014, the Holding Company invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs. 134.500 million offered by Mr. Mudassir for only three plots at DHA was accepted, down payment was received and sale agreement dated June 2, 2014 was executed between the Holding Company and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93 million against all the four properties therefore rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots. The Holding Company contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which is also contested by the Holding Company, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. The Holding Company filed its reply in the Court with a prayer to dismiss this suit. The Holding Company is confident that there is no substance in this suit and will be dismissed per Holding Company's contention after due process of law.

iii) **Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No.258676/2018 of Rs. 600 million)**

The Customer had availed Term Finance Facility (TFF) of Rs. 400 million from the Holding Company in 2014 but defaulted after part payments whereof the Holding Company filed a recovery suit of Rs. 396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. In 2018, the Customer has filed a Damages Suit of Rs. 600 million against the Holding Company in the same court. The Customer alleged that TFF of Rs. 400 million approved by the Holding Company was not disbursed to the Customer and that due to non-disbursement of the approved TFF, the Customer suffered business losses of Rs. 200 million. Its reply was filed by the Holding Company. Case is at evidence stage. Customer has filed affidavits in evidence of its witnesses and cross examination of customer's witnesses was fixed on September 14, 2021. The Holding Company's evidence will be recorded after completion of customer's evidence. The Holding Company believes that the suit of the Customer is a counter move to the Holding Company's initiated litigation and further reply to this has been filed by the Holding Company in the Court. The management believes there is no substance in this suit and will be dismissed on merits after due process of law.

23. Presently, the Group does not deal in derivative products.

	Note	2021 Rupees	2020 Rupees
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		1,131,054,292	708,767,311
On investments		2,597,861,136	3,031,039,530
On lendings to financial institutions		4,686,802	11,753,210
On balances with banks		9,462,062	6,739,789
		<u>3,743,064,292</u>	<u>3,758,299,840</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	25.1	197,052,381	128,608,109
Borrowings			
Securities purchased under repurchase agreements		1,522,641,882	1,774,852,243
Other short term borrowings		281,373,700	328,951,849
Long term finance for export oriented projects from SBP		21,758,569	16,364,944
Long term borrowings		257,058,285	476,899,776
		<u>2,082,832,436</u>	<u>2,597,068,812</u>
Brokerage fee		9,156,371	12,664,782
		<u>2,289,041,188</u>	<u>2,738,341,703</u>

25.1 The markup expense amounting to Rs. 771,746 (2020: Rs. 1,133,499) relates to Saudi Pak Employees Contributory Fund.

	2021 Rupees	2020 Rupees
26. FEE & COMMISSION INCOME		
Credit related fees	3,860,000	551,724
Commission on trade	—	2,500,000
	<u>3,860,000</u>	<u>3,051,724</u>

	Note	2021 Rupees	2020 Rupees
27. (LOSS) / GAIN ON SECURITIES			
Realised	27.1	(301,980,100)	221,795,363
Unrealised - held for trading	9.1	1,860,369	1,607,097
		(300,119,731)	223,402,460
27.1 Realised (loss) / gain on:			
Federal Government Securities		(345,070,665)	79,638,252
Mutual funds		9,173	(1,962,812)
Shares- listed		43,081,392	144,119,923
		(301,980,100)	221,795,363
28. OTHER INCOME			
Rent on property - net	28.1	209,539,229	212,037,818
(Loss) / gain on sale of fixed assets - net		(1,324,399)	4,317,151
Gain on sale of non banking assets		60,630,049	–
Others		20,122,185	22,125,752
		288,967,064	238,480,721
28.1 Rent on property - net			
Rental income		407,881,489	409,600,405
Less: property expense			
Salaries, allowances and employee benefits		28,861,689	26,585,061
Traveling and conveyance		3,100	10,808
Medical		500,424	455,637
Janitorial services		11,681,103	10,812,610
Security services		23,533,773	21,938,390
Insurance		1,817,391	2,204,515
Postage, telegraph, telegram and telephone		97,321	111,921
Printing and stationery		46,132	19,832
Utilities		14,424,300	17,492,325
Consultancy and professional charges		100,000	760,000
Repairs and maintenance		11,076,469	13,022,248
Rent, rates and taxes		2,735,184	4,228,899
Depreciation		102,131,308	99,095,290
Office general expenses		1,334,066	825,051
		198,342,260	197,562,587
		209,539,229	212,037,818

	Note	2021 Rupees	2020 Rupees
29. OPERATING EXPENSES			
Total compensation expense	29.1	309,522,453	261,815,727
Property expense			
Rent & taxes		537,895	750,280
Insurance		259,627	314,930
Utilities cost		16,844,118	15,844,509
Security (including guards)		4,608,168	4,352,852
Repair and maintenance (including janitorial charges)		3,251,082	3,404,980
Depreciation on ROU assets		—	—
Depreciation		14,590,187	14,156,470
		40,091,077	38,824,021
Information technology expenses			
Software maintenance		6,241,842	5,861,208
Hardware maintenance		1,457,324	1,487,590
Amortisation		4,592,471	4,146,275
Network charges		4,032,596	3,039,656
		16,324,233	14,534,729
Other operating expenses			
Shareholders' fee		5,293,500	4,647,610
Directors' fees and allowances		22,790,000	18,393,314
Legal and professional charges		8,252,533	7,318,640
Consultancy, custodial and rating services		9,517,366	9,641,393
Outsourced services costs		40,121,512	35,045,751
Travelling and conveyance		13,367,063	10,653,586
Depreciation		27,111,438	27,162,684
Training and development		2,786,747	2,090,237
Postage and courier charges		688,466	673,768
Communication		3,813,302	3,743,838
Stationery and printing		5,757,294	5,341,122
Marketing, advertisement and publicity		2,855,166	3,400,272
Donations	29.2	1,000,000	1,000,000
Auditors' remuneration	29.3	2,825,000	4,482,157
Repair and maintenance		4,954,829	4,963,269
Insurance		2,530,678	2,342,445
Office and general expenses		16,580,100	12,678,144
Bank charges		299,155	282,027
		170,544,149	153,860,257
		536,481,912	469,034,734

	Note	2021 Rupees	2020 Rupees
29.1 Total compensation expense			
Fees and allowances etc.		—	—
Managerial remuneration			
i) Fixed		120,757,046	122,077,502
ii) Variable			
of which;			
a) Cash bonus / awards etc.		50,000,000	18,000,000
b) Bonus & awards in shares etc.		—	—
Charge for defined benefit plan		5,385,748	7,718,259
Contribution to defined contribution plan		10,008,653	9,356,454
Compensated absences		6,821,564	3,575,270
Leave fare assistance		4,486,970	4,474,640
Exgratia		8,342,846	7,360,524
Rent & house maintenance		50,934,136	47,134,748
Utilities		10,609,962	9,724,660
Medical		21,114,232	13,705,745
Conveyance		16,556,309	14,808,645
Grant to employee		2,500,000	—
Others	29.1.1	2,004,987	3,879,280
Sub-total		309,522,453	261,815,727
Sign-on bonus		—	—
Severance allowance		—	—
Grand total		309,522,453	261,815,727
29.1.1	This includes mainly group life insurance for permanent employees.		
29.2	Donations individually do not exceed Rs. 500,000.		
29.3 Auditors' remuneration			
KPMG Taseer Hadi & Co.			
Audit fee		1,700,000	—
Half yearly review		750,000	—
Fee for other statutory certifications		200,000	—
Out of pocket expenses		175,000	—
		2,825,000	—
A. F. Ferguson & Co.			
Audit fee		—	1,700,000
Half yearly review		—	750,000
Fee for other statutory certifications		—	200,000
Out of pocket expenses		—	175,000
		—	2,825,000
Fee for other certifications		—	293,630
Tax services		—	1,363,527
		2,825,000	4,482,157
30. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		130,429	—
		130,429	—

	Note	2021 Rupees	2020 Rupees
31. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments- net	9.3.1	101,275,992	21,964,243
(Reversal) / provisions against loans & advances- net	10.4	(241,560,274)	318,320,074
Bad debts written off directly		607,822	–
		(139,676,460)	340,284,317
32. TAXATION			
Current tax			
Current year		389,087,844	325,867,829
Prior years		(1,057,879)	3,955,781
		388,029,965	329,823,610
Deferred tax			
Current year		30,522,532	(134,100,225)
Prior year		–	–
		30,522,532	(134,100,225)
	32.1	418,552,497	195,723,385
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		1,371,602,056	836,251,450
Tax rate		29%	29%
Tax on accounting profit		397,764,596	242,512,920
Tax effect on income subject to lower rate of taxation		42,263,200	(42,485,255)
Tax effect of prior years		(1,057,879)	3,955,781
Impact of super tax for current year		–	–
Reversal of deferred tax asset for prior year		–	–
Minimum tax of subsidiary company		2,621,668	3,174,930
Permanent differences on			
Reversal of provision against investment		53,542,123	2,973,287
Expenses not claimable against rental income		(2,110,090)	(2,222,073)
Right of use asset under IFRS - 16 Leases		–	–
Others		(74,471,121)	(12,186,205)
		418,552,497	195,723,385
33. BASIC / DILUTED EARNINGS PER SHARE			
Profit for the year - Rupees		953,049,559	640,528,065
Weighted average number of ordinary shares		660,000,000	660,000,000
Basic / diluted earnings per share - Rupee		1.444	0.970
34. CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks		101,956,575	107,801,624
Balance with other banks		179,155,362	616,653,510
		281,111,937	724,455,134

	2021 (Number)	2020 (Number)
35. STAFF STRENGTH		
Permanent	71	78
On Group's contract	3	5
Group's own staff strength at the end of the year	74	83

- 35.1** In addition to the above, 92 (2020: 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 Group operates an approved funded gratuity scheme for all its regular employees and GM/CEO. Contributions are made in accordance with the actuarial recommendations. 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 and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2021 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 scheme are:

	2021 (Number)	2020 (Number)
Gratuity fund	72	79

36.3 Principal actuarial assumptions

The latest actuarial valuations was carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
Discount rate - (the Holding Company)	11.75% per annum	9.75% per annum
Discount rate - (the subsidiary company)	9.75% per annum	9.75% per annum
Expected rate of return on plan assets	8.02% per annum	10.08% per annum
Expected rate of salary increase - (the Holding Company)	9.75% per annum	7.75% per annum
Expected rate of salary increase - (the subsidiary company)	N/A	10.00% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Moderate	Moderate

36.4 Reconciliation of payable to defined benefit plans

	2021 Rupees	2020 Rupees
Present value of obligations	67,985,232	67,900,973
Fair value of plan assets	(60,397,842)	(59,587,414)
Payable to Member	427,861	—
Net liability payable	8,015,251	8,313,559

	Note	2021 Rupees	2020 Rupees
36.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		67,900,973	57,109,080
Current service cost		7,067,466	7,100,642
Interest cost		6,142,339	6,508,841
Benefits paid by the Group		(12,371,018)	(3,513,477)
Plan Curtailment		(2,141,006)	–
Benefits Payable		(427,861)	–
Re-measurement loss		1,814,339	695,887
Obligations at the end of the year		67,985,232	67,900,973
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		59,587,414	50,932,283
Interest income on plan assets		5,683,051	5,891,224
Contributions by Group - net		8,693,217	7,059,027
Benefits paid by the Fund to the Group		(12,371,018)	(3,513,477)
Re-measurements: net return on plan assets over interest income - loss	36.8.2	(1,194,822)	(781,643)
Fair value at the end of the year		60,397,842	59,587,414
36.7 Movement in payable under defined benefit schemes			
Opening balance		8,313,559	6,176,797
Charge for the year		5,385,748	7,718,259
Benefits paid to outgoing members		(12,371,018)	(3,513,477)
Contribution by the Group - net		(8,693,217)	(7,059,027)
Re-measurement loss recognised in OCI during the year	36.8.2	3,009,161	1,477,530
Amount paid by the fund to the Group		12,371,018	3,513,477
Closing balance		8,015,251	8,313,559
36.8 Charge for defined benefit plans			
36.8.1 Cost recognised in profit and loss			
Current service cost		7,067,466	7,100,642
Past service cost (credit) arising on plan curtailment		(2,141,006)	–
Net interest on defined benefit liability		459,288	617,617
		5,385,748	7,718,259
36.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		–	–
- Financial assumptions		526,828	(546,737)
- Experience adjustments		1,287,511	1,242,624
Total actuarial loss on obligation		1,814,339	695,887
Return on plan assets over interest income - loss		1,194,822	781,643
Total re-measurements recognised in OCI		3,009,161	1,477,530

	2021 Rupees	2020 Rupees
36.9 Components of plan assets		
Cash and cash equivalents - net	5,356,645	10,153,351
Term deposit receipts (TDR) / Certificate of Investment	52,828,325	48,344,681
Investment in mutual funds	2,212,872	1,089,382
	60,397,842	59,587,414

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

36.10 Sensitivity analysis

A sensitivity analysis is performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the gratuity scheme. The increase in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	2021 Rupees	2020 Rupees
Discount rate +0.5%	65,239,549	63,281,944
Discount rate -0.5%	68,964,370	66,984,850
Long term salary increase +0.5%	69,095,674	67,163,901
Long term salary increase -0.5%	65,097,947	63,096,099

	2022 Rupees
36.11 Expected contributions to be paid to the fund in the next financial year	8,759,371
36.12 Expected charge for next financial year	
Current service cost	7,608,025
Net interest on defined benefit asset / liability	1,151,346
	8,759,371

	2021 Rupees	2020 Rupees
36.13 Maturity profile		
Distribution of timing of benefit payments (years)		
- 1	8,008,153	10,785,892
- 2	31,549,238	29,288,897
- 3	7,575,835	4,683,735
- 4	10,754,397	7,390,543
- 5	2,862,200	9,669,289
- 6-10	48,122,888	59,243,103
Weighted average duration of the PBO (years) - (the Holding Company)	5.45	5.33
Weighted average duration of the PBO (years) - (the subsidiary company)	6.00	-

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 underlying interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may lose its value due to the increase of general inflation rate.
Life expectancy	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 unaudited financial statements of the Fund, total assets of the Fund as at December 31, 2021 were Rs. 124,256,264 (2020: Rs. 119,674,528).

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

	2021				
	Directors				
Items	Chairman	Executives (other than CEO)	Non- Executives	GM / CEO	Key Management Personnel
	Rupees				
Fees and allowances etc.	3,240,000	–	19,550,000	220,000	–
Managerial remuneration					
i) Fixed	–	–	–	25,658,395	46,304,760
ii) Total variable	–	–	–	–	–
of which					
a) Cash bonus / awards	–	–	–	8,500,000	11,850,000
b) Bonus & awards in shares	–	–	–	–	–
Charge for defined benefit plan	–	–	–	2,117,039	2,061,558
Contribution to defined contribution plan	–	–	–	2,395,215	3,171,025
Compensated absences	–	–	–	1,996,500	2,104,543
Leave fare assistance	–	–	–	1,996,500	2,490,470
Exgratia	–	–	–	2,121,500	2,582,765
Rent & house maintenance	–	–	–	7,560,000	17,639,083
Utilities	–	–	–	3,263,519	3,057,245
Medical	–	–	–	411,810	5,595,669
Conveyance	–	–	–	3,576,344	6,469,873
Others	–	–	–	–	2,500,000
Total	3,240,000	–	19,550,000	59,816,822	105,826,991
Number of persons	1	0	5	2	20

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

For the purposes of the foregoing, the term “Key Management Personnel” as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

	2020				
	Directors			GM / CEO	Key Management Personnel
Items	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and Allowances etc.	1,903,375	–	16,489,939	450,000	–
Managerial Remuneration					
i) Fixed	–	–	–	23,880,000	47,465,771
ii) Total Variable	–	–	–	–	–
of which					
a) Cash Bonus / Awards	–	–	–	6,000,000	5,500,000
b) Bonus & Awards in Shares	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,069,902	3,321,545
Contribution to defined contribution plan	–	–	–	2,178,000	2,749,316
Compensated absences	–	–	–	–	1,433,128
Leave fare assistance	–	–	–	1,815,000	2,659,640
Exgratia	–	–	–	2,015,000	2,289,033
Rent & house maintenance	–	–	–	7,560,000	14,074,011
Utilities	–	–	–	3,058,088	2,416,414
Medical	–	–	–	408,000	5,004,240
Conveyance	–	–	–	3,487,424	5,292,968
Others	–	–	–	1,200,000	1,200,000
Total	1,903,375	–	16,489,939	55,121,414	93,406,066
Number of Persons	1	0	5	2	18

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

		2021					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Directors	For Board meetings	For Annual General Meeting	For Board Committees			Total amount paid
				Audit committee	Risk management committee	Human Resource committee	
Rupees							
1	Sultan Mohammed Hasan Abdulrauf	2,640,000	150,000	–	–	450,000	3,240,000
2	Majid Misfer J.Alghamdi	2,200,000	80,000	950,000	450,000	450,000	4,130,000
3	Ghanem Alghanem	2,200,000	80,000	950,000	450,000	–	3,680,000
4	Zafar Hasan	2,500,000	80,000	–	500,000	500,000	3,580,000
5	Qumar Sarwar Abbasi	2,500,000	80,000	1,000,000	500,000	–	4,080,000
6	Mohammad Tanvir Butt	2,500,000	80,000	1,000,000	–	500,000	4,080,000
Total Amount Paid		14,540,000	550,000	3,900,000	1,900,000	1,900,000	22,790,000

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

		2020					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Directors	For Board meetings	For Annual General Meeting	For Board Committees			Total amount paid
				Audit committee	Risk management committee	Human Resource committee	
		Rupees					
1	Sultan Mohammed Hasan Abdulrauf	1,503,375	–	–	–	400,000	1,903,375
2	Majid Misfer J.Alghamdi	1,343,375	–	794,063	600,000	400,000	3,137,438
3	Ghanem Alghanem	800,000	–	400,000	600,000	–	1,800,000
4	Zafar Hasan	2,388,125	–	–	750,000	500,000	3,638,125
5	Qumar Sarwar Abbasi	2,388,125	–	944,063	750,000	–	4,082,188
6	Mohammad Tanvir Butt	2,388,125	–	944,063	–	500,000	3,832,188
Total Amount Paid		10,811,125	–	3,082,189	2,700,000	1,800,000	18,393,314

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Group and are included in traveling 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, 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 Group's accounting policy as stated in note 5.5.

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

39.1 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 financial instruments carried at fair values, by the level in the fair value hierarchy into which the fair value measurement is categorised.

2021					
	Carrying / Notional Value	Level 1	Level 2	Level 3	Total
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	25,168,381,000	–	25,168,381,000	–	25,168,381,000
Shares	2,522,903,596	2,522,903,596	–	–	2,522,903,596
Open end Mutual Fund	35,037,858	–	35,037,858	–	35,037,858
Non-Government Debt Securities	1,103,843,821	–	1,103,843,821	–	1,103,843,821
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,323,068,000	–	–	1,323,068,000	1,323,068,000
Federal Government Securities	166,634,489	–	–	166,634,489	166,634,489
Certificate of Investment	65,284,933	–	–	65,284,933	65,284,933
Cash and balances with treasury banks	101,956,575	–	–	–	–
Balances with other banks	179,155,362	–	–	–	–
Advances	6,868,108,912	–	–	–	–
Other assets	1,197,575,906	–	–	–	–
Off-balance sheet financial instruments - measured at fair value	–	–	–	–	–
2020					
	Carrying / Notional Value	Level 1	Level 2	Level 3	Total
Rupees					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	29,869,286,000	–	29,869,286,000	–	29,869,286,000
Shares	2,303,790,604	2,303,790,604	–	–	2,303,790,604
Open end Mutual Fund	21,000,000	–	21,000,000	–	21,000,000
Non-Government Debt Securities	1,131,163,833	–	1,131,163,833	–	1,131,163,833
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,240,119,000	–	–	1,240,119,000	1,240,119,000
Federal Government Securities	148,655,979	–	–	148,655,979	148,655,979
Certificate of Investment	70,299,358	–	–	70,299,358	70,299,358
Cash and balances with treasury banks	107,801,624	–	–	–	–
Balances with other banks	616,653,510	–	–	–	–
Advances	6,811,564,922	–	–	–	–
Other assets	1,130,009,489	–	–	–	–
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.
Non-Government Debt Securities	Investment in Non-Government Debt Securities determined in Rupees are valued on the basis of rates announced by MUFAP. These are classified in level 2. Where market rates of these securities are not available on MUFAP as at December 31, 2021, therefore, these securities are classified 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 of 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 In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of leasehold land, building and non-banking assets acquired in satisfaction of claims.

The property and equipment of the Holding Company were recently revalued by independent professional valuer as at December 31, 2021. 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 Irfan Textile were last revalued by independent professional valuer in December 2021. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

2021				
	Level 1	Level 2 Rupees	Level 3	Total
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	4,407,777,516	4,407,777,516
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	77,651,100	77,651,100
2020				
	Level 1	Level 2 Rupees	Level 3	Total
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	3,086,097,977	3,086,097,977
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	163,229,557	163,229,557

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

	2021		
	Corporate finance	Trading and sales	Building rental services
	Rupees		
Profit & loss			
Net mark-up/return/profit	521,321,315	910,670,360	22,031,429
Non mark-up / return / interest income	3,860,000	81,226,517	229,428,316
Total income	525,181,315	991,896,877	251,459,745
Segment direct expenses	178,905,730	337,894,798	19,811,813
Total expenses	178,905,730	337,894,798	19,811,813
Provisions	(99,795,278)	(39,929,182)	48,000
Profit before tax	446,070,863	693,931,261	231,599,932
Balance sheet			
Cash & bank balances	—	236,426,396	44,685,541
Investments	1,323,068,000	29,307,628,425	266,957,280
Lendings to financial institutions	—	—	—
Advances - performing	6,721,837,122	—	325,747
- non-performing	145,946,043	—	—
Others	853,566,301	1,640,160,148	4,400,303,779
Total assets	9,044,417,466	31,184,214,969	4,712,272,347
Borrowings	7,055,296,406	19,401,322,566	—
Deposits & other accounts	776,445,198	2,135,142,577	—
Others	(473,173,933)	29,638,884	1,306,078,156
Total liabilities	7,358,567,671	21,566,104,027	1,306,078,156
Equity	—	—	—
Total equity & liabilities	7,358,567,671	21,566,104,027	1,306,078,156
Contingencies & commitments	1,334,205,547	2,964,330	5,425,500

	2020			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	286,409,448	709,179,157	24,369,532	1,019,958,137
Non mark-up / return / interest income	551,724	390,859,289	234,201,351	625,612,364
Total income	286,961,172	1,100,038,446	258,570,883	1,645,570,501
Segment direct expenses	91,217,777	349,674,699	28,142,258	469,034,734
Total expenses	91,217,777	349,674,699	28,142,258	469,034,734
Provisions / (reversals)	318,320,074	21,964,243	–	340,284,317
Profit before tax	(122,576,679)	728,399,504	230,428,625	836,251,450
Balance sheet				
Cash & bank balances	–	665,001,033	59,454,101	724,455,134
Investments	1,240,119,000	33,816,740,445	239,955,337	35,296,814,782
Lendings to financial institutions	–	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	574,495	5,450,707,130
- non-performing	1,360,857,792	–	–	1,360,857,792
Others	425,387,014	1,926,056,360	3,138,841,173	5,490,284,547
Total assets	8,476,496,441	36,527,785,838	3,438,825,106	48,443,107,385
Borrowings	7,485,055,191	24,834,624,243	–	32,319,679,434
Deposits & other accounts	566,433,464	1,879,366,536	–	2,445,800,000
Others	(489,364,283)	111,697,656	922,331,474	544,664,847
Total liabilities	7,562,124,372	26,825,688,435	922,331,474	35,310,144,281
Equity	–	–	–	13,132,963,104
Total equity & liabilities	7,562,124,372	26,825,688,435	922,331,474	48,443,107,385
Contingencies & commitments	2,590,507,027	835,791	2,175,189	2,593,518,007

40.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021		
	In Pakistan	Outside Pakistan	Total
	Rupees		
Profit & loss			
Net mark-up/return/profit	1,454,023,104	–	1,454,023,104
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	314,514,833	–	314,514,833
Total income	1,768,537,937	–	1,768,537,937
Segment direct expenses	536,612,341	–	536,612,341
Inter segment expense allocation	–	–	–
Total expenses	536,612,341	–	536,612,341
Provisions	(139,676,460)	–	(139,676,460)
Profit before tax	1,371,602,056	–	1,371,602,056
Balance sheet			
Cash & bank balances	281,111,937	–	281,111,937
Investments	30,897,653,705	–	30,897,653,705
Net inter segment lendings	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing	6,722,162,869	–	6,722,162,869
- non-performing net of provision	145,946,043	–	145,946,043
Others	6,894,030,228	–	6,894,030,228
Total assets	44,940,904,782	–	44,940,904,782
Borrowings	26,456,618,972	–	26,456,618,972
Deposits & other accounts	2,911,587,775	–	2,911,587,775
Net inter segment borrowing	–	–	–
Others	862,543,107	–	862,543,107
Total liabilities	30,230,749,854	–	30,230,749,854
Equity	14,710,154,928	–	14,710,154,928
Total equity & liabilities	44,940,904,782	–	44,940,904,782
Contingencies & commitments	1,342,595,377	–	1,342,595,377

	2020		
	In Pakistan	Outside Pakistan	Total
	Rupees		
Profit & loss			
Net mark-up/return/profit	1,019,958,137	–	1,019,958,137
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	625,612,364	–	625,612,364
Total Income	1,645,570,501	–	1,645,570,501
Segment direct expenses	469,034,734	–	469,034,734
Inter segment expense allocation	–	–	–
Total expenses	469,034,734	–	469,034,734
Provisions	340,284,317	–	340,284,317
Profit before tax	836,251,450	–	836,251,450
Balance sheet			
Cash & bank balances	724,455,134	–	724,455,134
Investments	35,296,814,782	–	35,296,814,782
Net inter segment lendings	–	–	–
Lendings to financial institutions	119,988,000	–	119,988,000
Advances - performing	5,450,707,130	–	5,450,707,130
- non-performing net of provision	1,360,857,792	–	1,360,857,792
Others	5,490,284,547	–	5,490,284,547
Total assets	48,443,107,385	–	48,443,107,385
Borrowings	32,319,679,434	–	32,319,679,434
Deposits & other accounts	2,445,800,000	–	2,445,800,000
Net inter segment borrowing	–	–	–
Others	544,664,847	–	544,664,847
Total liabilities	35,310,144,281	–	35,310,144,281
Equity	13,132,963,104	–	13,132,963,104
Total equity & liabilities	48,443,107,385	–	48,443,107,385
Contingencies & commitments	2,593,518,007	–	2,593,518,007

41 RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares of the Holding Company. 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. Contributions to and accruals in respect of Staff Gratuity Fund are made in accordance with the actuarial valuation. The Group has not extended any financing facilities to entities owned by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan.

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

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

	2021			
	Directors	Key management personnel	Associates	Other related parties
	Rupees			
Lendings to financial institutions				
Opening balance	–	–	–	–
Addition during the year	–	–	–	4,386,984,450
Repaid during the year	–	–	–	(4,386,984,450)
Closing balance	–	–	–	–
Investments				
Opening balance	–	–	–	199,800,000
Investment made during the year	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	(80,000)
Transfer in / (out) - net	–	–	–	–
Closing balance	–	–	–	199,720,000
Provision for diminution in value of investments	–	–	–	–
Advances				
Opening balance	–	22,314,824	–	–
Addition during the year	–	8,034,694	–	–
Repaid during the year	–	(12,347,584)	–	–
Transfer in / (out) - net	–	8,025,000	–	–
Closing balance	–	26,026,934	–	–
Provision held against advances	–	–	–	–
Non-current asset classified as held for sale				
Opening balance	–	–	576,676,075	–
Addition during the year	–	–	–	–
Repaid during the year	–	–	–	–
Transfer in / (out) - net	–	–	–	–
Closing balance	–	–	576,676,075	–
Provision for Non-current asset classified as held for sale	–	–	576,676,075	–
Other assets - Income / markup accrued	–	–	–	3,826,416
Other assets - security deposit	–	–	–	–
Provision against other assets	–	–	–	–
Borrowings				
Opening balance	–	–	–	13,000,000,000
Borrowings during the year	–	–	–	94,074,973,235
Settled during the year	–	–	–	(100,404,973,235)
Closing balance	–	–	–	6,670,000,000
Deposits and other accounts				
Opening balance	–	–	–	2,445,800,000
Received during the year	–	–	–	406,587,775
Withdrawn during the year	–	–	–	(140,800,000)
Closing balance	–	–	–	2,711,587,775
Other Liabilities				
Interest / mark-up payable	–	–	–	43,413,083
Payable to defined benefit plan	–	–	–	8,015,251
Security deposit	–	–	–	1,697,850
Rent received in advance	–	–	–	22,596,961
Income				
Mark-up / return / interest earned	–	1,536,707	–	20,277,364
Rental income	–	–	–	24,168,462
Expense				
Mark-up / return / interest expensed	–	–	–	577,049,331
Contribution to employees' funds	–	–	–	10,396,764
Directors' fees and allowances	22,790,000	–	–	–
Shareholders' fee	–	–	–	5,293,500
Operating expenses	–	165,643,813	369,875	–

	2020			
	Directors	Key management personnel	Associates	Other related parties
	Rupees			
Lendings to financial institutions				
Opening balance	-	-	-	80,000,000
Addition during the year	-	-	-	13,696,888,120
Repaid during the year	-	-	-	(13,776,888,120)
Closing balance	-	-	-	-
Investments				
Opening balance	-	-	576,676,075	199,880,000
Investment made during the year	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(80,000)
Transfer in / (out) - net	-	-	(576,676,075)	-
Closing balance	-	-	-	199,800,000
Provision for diminution in value of investments	-	-	-	-
Advances				
Opening balance	-	21,788,773	-	-
Addition during the year	-	13,225,034	-	-
Repaid during the year	-	(12,698,983)	-	-
Transfer in / (out) - net	-	-	-	-
Closing balance	-	22,314,824	-	-
Provision held against advances	-	-	-	-
Non-current asset classified as held for sale				
Opening balance	-	-	-	-
Addition during the year	-	-	-	-
Repaid during the year	-	-	-	-
Transfer in / (out) - net	-	-	576,676,075	-
Closing balance	-	-	576,676,075	-
Provision for Non-current asset classified as held for sale	-	-	576,676,075	-
Other assets - Income / markup accrued	-	-	-	3,286,328
Other assets - security deposit	-	-	-	-
Provision against other assets	-	-	-	-
Borrowings				
Opening balance	-	-	-	4,366,721,000
Borrowings during the year	-	-	-	67,094,085,815
Settled during the year	-	-	-	(58,460,806,815)
Closing balance	-	-	-	13,000,000,000
Deposits and other accounts				
Opening balance	-	-	-	510,000,000
Received during the year	-	-	-	1,935,800,000
Withdrawn during the year	-	-	-	-
Closing balance	-	-	-	2,445,800,000
Other Liabilities				
Interest / mark-up payable	-	-	-	149,761,677
Payable to defined benefit plan	-	-	-	8,313,559
Security deposit	-	-	-	1,697,850
Rent received in advance	-	-	-	20,858,079
Income				
Mark-up / return / interest earned	-	764,927	-	30,640,275
Rental income	-	-	-	22,308,165
Expense				
Mark-up / return / interest expensed	-	-	-	649,452,088
Contribution to employees' funds	-	-	-	9,656,348
Directors' fees and allowances	18,393,314	-	-	-
Shareholders' fee	-	-	-	4,647,610
Operating expenses	-	148,527,480	347,793	-

	2021 Rs '000'	2020 Rs '000'
42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,600,000	6,600,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	11,993,920	10,917,992
Eligible Additional Tier 1 (ADT 1) Capital	—	—
Total Eligible Tier 1 Capital	11,993,920	10,917,992
Eligible Tier 2 Capital	1,662,546	1,130,999
Total Eligible Capital (Tier 1 + Tier 2)	13,656,466	12,048,991
Risk Weighted Assets (RWAs):		
Credit Risk	18,537,351	20,099,834
Market Risk	7,191,165	8,777,126
Operational Risk	3,238,102	2,558,919
Total	28,966,618	31,435,879
Common Equity Tier 1 Capital Adequacy ratio	41.41%	34.73%
Tier 1 Capital Adequacy Ratio	41.41%	34.73%
Total Capital Adequacy Ratio	47.15%	38.33%

As of December 2021, the Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% 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.

	2021 Rs '000'	2020 Rs '000'
Leverage Ratio (LR):		
Eligible Tier-1 Capital	11,993,920	10,917,992
Total Exposures	45,532,808	50,257,207
Leverage Ratio	26.34%	21.72%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,109,796	5,553,281
Total Net Cash Outflow	2,266,280	2,234,569
Liquidity Coverage Ratio	225.47%	248.52%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	30,780,826	31,845,109
Total Required Stable Funding	18,385,334	17,316,679
Net Stable Funding Ratio	167.42%	183.90%

- 42.1** The link to the full disclosures for capital adequacy, leverage and liquidity ratios will be available at <https://www.saudipak.com/financial/>

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 (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 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, facility risk and environmental 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'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 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 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 Group is presently not involved in securitization activities.

The Group's maximum credit risk exposure as at December 31, 2021 amounted to:

	2021 without benefit of collateral Rupees	2021 with benefit of collateral Rupees
Lending to financial institutions	—	—
Debt investments (excluding Government of Pakistan local currency denominated debt)	—	2,426,911,821
Advances	—	6,868,108,912
	—	9,295,020,733

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

	2021	2020	2021	2020	2021	2020
43.1.1 Lendings to financial institutions	Gross lendings		Non-performing lendings		Provision held	
Credit risk by public / private sector	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public / Government	—	—	—	—	—	—
Private	—	119,988,000	—	—	—	—
	—	119,988,000	—	—	—	—
43.1.2 Investment in debt securities	2021	2020	2021	2020	2021	2020
Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	329,355,000	204,114,140	329,355,000	204,114,140	295,605,000	153,489,140
Chemical and Pharmaceuticals	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751
Power (electricity), Gas, Water, Sanitary	1,000,000,000	1,000,000,000	—	—	—	—
Transport, Storage and Communication	40,286,978	73,981,676	40,286,978	41,197,664	40,286,978	41,197,664
Financial	1,447,736,854	1,352,927,279	3,748,500	3,748,500	3,748,500	3,748,500
	3,103,662,583	2,917,306,846	659,674,229	535,344,055	625,924,229	484,719,055
Credit risk by public / private sector						
Public / Government	265,004,933	270,099,358	—	—	—	—
Private	2,838,657,650	2,647,207,488	659,674,229	535,344,055	625,924,229	484,719,055
	3,103,662,583	2,917,306,846	659,674,229	535,344,055	625,924,229	484,719,055

43.1.3 Advances
Credit risk by industry sector

	2021	2020	2021	2020	2021	2020
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	3,452,666,967	2,611,665,253	1,166,887,577	1,217,804,046	1,020,941,534	1,063,068,578
Chemical and Pharmaceuticals	–	14,972,941	–	14,972,941	–	14,972,941
Cement	141,075,041	154,163,521	116,206,923	116,206,923	116,206,923	116,206,923
Sugar	243,114,473	843,114,473	243,114,473	243,114,473	243,114,473	243,114,473
Automobile and transportation equipment	153,000,000	162,999,822	153,000,000	153,000,000	153,000,000	153,000,000
Electronics and electrical appliances	871,447,933	368,166,667	–	–	–	–
Construction	200,044,160	200,044,160	200,044,160	200,044,160	200,044,160	200,044,160
Power (electricity), Gas, Water, Sanitary	1,194,574,207	1,500,596,934	165,028,752	165,028,752	165,028,752	165,028,752
Transport, Storage and Communication	800,000,000	12,461,152	–	12,461,152	–	12,461,152
Financial	123,500,000	189,406,858	73,500,000	89,406,858	73,500,000	89,406,858
Services	275,530,294	318,030,294	133,030,294	133,030,294	133,030,294	133,030,294
Paper board and products	26,143,311	33,736,423	26,143,311	33,736,423	26,143,311	33,736,423
Rubber and plastic products	270,000,000	270,000,000	–	–	–	–
Basic metals	204,781,184	217,711,493	69,093,230	69,093,230	69,093,230	69,093,230
Dairy & Poultry	1,055,555,554	1,405,555,554	–	1,405,555,554	–	199,433,230
Others	98,028,465	1,042,786,391	41,250,000	41,250,000	41,250,000	41,250,000
	<u>9,109,461,589</u>	<u>9,345,411,936</u>	<u>2,387,298,720</u>	<u>3,894,704,806</u>	<u>2,241,352,677</u>	<u>2,533,847,014</u>

Credit risk by public / private sector

	2021	2020	2021	2020	2021	2020
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public/ Government	–	–	–	–	–	–
Private	9,109,461,589	9,345,411,936	2,387,298,720	3,894,704,806	2,241,352,677	2,533,847,014
	<u>9,109,461,589</u>	<u>9,345,411,936</u>	<u>2,387,298,720</u>	<u>3,894,704,806</u>	<u>2,241,352,677</u>	<u>2,533,847,014</u>

43.1.4 Contingencies and Commitments

Commitments: credit risk by industry sector

	2021 Rupees	2020 Rupees
Textile	8,575,500	1,002,224,393
Chemical and Pharmaceuticals	—	350,000,000
Cement	1,000,000,000	—
Electronics and electrical appliances	124,552,067	386,000,000
Power (electricity), Gas, Water, Sanitary	—	500,000,000
Financial	200,000,000	150,000,000
Basic metals	—	200,000,000
Others	9,467,810	5,293,614
	1,342,595,377	2,593,518,007

Credit risk by public / private sector

Public/ Government	—	—
Private	1,342,595,377	2,593,518,007
	1,342,595,377	2,593,518,007

43.1.5 Concentration of Advances

Top 10 exposures of the Group on the basis of total (funded and non-funded exposures) aggregated to Rs. 5,752 million (2020: Rs. 5,695 million) as follows:

	2021 Rupees	2020 Rupees
Funded	5,751,975,737	5,192,558,992
Non Funded	—	502,224,393
Total Exposure	5,751,975,737	5,694,783,385

The sanctioned limits against these top 10 exposures aggregated to Rs. 6,901,341,120 (2020: Rs. 7,221,341,120).

	2021		2020	
	Amount	Provision held	Amount	Provision held
	Rupees		Rupees	
Total funded classified therein				
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	719,909,649	719,909,649	2,125,465,203	919,342,879
Total	719,909,649	719,909,649	2,125,465,203	919,342,879

43.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	3,024,787,500	2,483,363,000	541,424,500	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,024,787,500	2,483,363,000	541,424,500	–	–	–	–

Province/Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	449,447,607	349,447,607	100,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	449,447,607	349,447,607	100,000,000	–	–	–	–

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. The Group uses Basel Standardized Approach to assess the market risk for its trading book exposures. The portfolios covered under the approach include the Held for Trading (HFT) and Available for Sale (AFS) investments in debt and listed equity instruments. The capital charge required there against is presented in Note 41.

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 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, 10-day and 30-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 an appropriate 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

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	101,956,575	–	101,956,575	107,801,624	–	107,801,624
Balances with other banks	179,155,362	–	179,155,362	616,653,510	–	616,653,510
Lendings to financial institutions	–	–	–	119,988,000	–	119,988,000
Investments	3,206,369,109	27,691,284,596	30,897,653,705	3,123,738,178	32,173,076,604	35,296,814,782
Advances	6,868,108,912	–	6,868,108,912	6,811,564,922	–	6,811,564,922
Fixed assets	4,468,645,879	–	4,468,645,879	3,151,298,418	–	3,151,298,418
Intangible assets	6,109,050	–	6,109,050	7,229,440	–	7,229,440
Deferred tax assets	–	–	–	–	–	–
Other assets	2,221,065,136	–	2,221,065,136	2,133,546,526	–	2,133,546,526
Development Properties	198,210,163	–	198,210,163	198,210,163	–	198,210,163
	<u>17,249,620,186</u>	<u>27,691,284,596</u>	<u>44,940,904,782</u>	<u>16,270,030,781</u>	<u>32,173,076,604</u>	<u>48,443,107,385</u>

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:

	2021				2020			
	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	23,753,611	–	–	23,753,611	21,062,689	–	–	21,062,689

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	237,536	–	210,627	–
- Other comprehensive income	–	–	–	–

42.2.3 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 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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 5% change in equity prices on				
- Profit and loss account	-	3,396,400	-	2,753,725
- Other comprehensive income	-	122,748,780	-	112,435,805

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, and ALCO-approved earnings at risk tolerance limit is also in place. 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 (PVB), 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.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in interest rates on				
- Profit and loss account	54,993,234	-	49,549,939	-
- Other comprehensive income	-	-	-	-

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021

Effective yield/ interest rate	Total	Exposed to Yield / Interest risk								Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	101,956,575
Balances with other banks	5.50	172,208,951	-	-	-	-	-	-	-	6,946,411
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	8.72	30,897,653,705	18,886,061,444	318,943,421	-	-	-	-	-	-
Advances	10.66	6,868,108,912	2,462,898,040	2,833,547,052	1,589,444	5,426,534	5,926,611,000	-	2,190,370,000	3,070,441,462
Other assets	-	1,197,575,906	-	-	-	-	-	-	49,762,087	-
										1,197,575,906
	39,244,450,460	2,192,320,684	21,348,959,484	3,152,490,473	1,589,444	5,426,534	5,926,611,000	-	2,240,132,087	4,376,920,354
Liabilities										
Borrowings	9.83	26,456,618,972	327,984,632	2,008,830,282	67,660,564	181,392,173	191,183,014	336,506,312	492,831,895	-
Deposits and other accounts	10.16	2,911,587,775	306,660,544	200,000,000	-	-	-	-	-	-
Other liabilities	-	279,639,949	-	-	-	-	-	-	-	279,639,949
	29,647,846,696	25,255,157,271	634,645,236	2,208,830,282	67,660,564	181,392,173	191,183,014	336,506,312	492,831,895	279,639,949
	9,596,603,764	(23,062,836,587)	20,714,314,248	943,660,191	(66,071,120)	(175,965,239)	5,735,427,986	(336,506,312)	1,747,300,192	4,087,280,405
On-balance sheet gap										
Off-balance sheet financial instruments										
Off-balance sheet gap										
Total Yield/Interest Risk Sensitivity Gap										
	(23,062,836,587)	20,714,314,248	943,660,191	(66,071,120)	(175,965,239)	5,735,427,986	(336,506,312)	1,747,300,192	5,499,323,359	4,087,280,405
Cumulative Yield/Interest Risk Sensitivity Gap										
	(23,062,836,587)	(2,348,522,339)	(1,404,862,148)	(1,470,933,268)	(1,470,933,268)	(1,646,898,507)	4,086,529,479	3,752,023,167	5,499,323,359	-

2020

Effective yield/interest rate	Total	Exposed to Yield / Interest risk								Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
-	107,801,624	-	-	-	-	-	-	-	-	107,801,624
5.50	616,653,510	608,230,408	-	-	-	-	-	-	-	8,363,102
6.40	119,988,000	119,988,000	-	-	-	-	-	-	-	-
8.65	35,286,814,782	516,308,553	18,751,570,196	319,059,421	1,000,335,000	-	7,143,206,000	4,728,845,000	-	2,837,230,612
10.13	6,811,564,922	1,221,895,716	3,049,030,385	2,476,582,429	4,922,949	4,639,441	-	54,474,002	-	-
-	1,130,009,489	-	-	-	-	-	-	-	-	1,130,009,489
	44,082,832,327	2,466,682,677	21,800,620,581	2,795,641,860	1,005,257,949	4,639,441	-	7,143,206,000	4,783,319,002	4,083,464,827
Liabilities										
7.18	32,319,679,434	27,710,106,428	695,028,419	3,075,874,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	-
7.41	2,445,800,000	2,095,000,000	10,000,000	340,800,000	-	-	-	-	-	-
-	359,167,446	-	-	-	-	-	-	-	-	359,167,446
	35,124,646,880	29,805,106,428	705,028,419	3,416,674,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	359,167,446
	8,958,185,447	(27,338,423,751)	21,085,592,162	(621,032,159)	953,509,931	(122,269,191)	(126,908,632)	6,923,450,942	4,469,968,764	3,724,297,381
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	(27,338,423,751)	21,085,592,162	(621,032,159)	953,509,931	(122,269,191)	(126,908,632)	6,923,450,942	4,469,968,764	-	3,724,297,381
	(27,338,423,751)	(6,242,831,589)	(6,863,863,748)	(5,910,353,817)	(6,032,623,008)	(6,159,531,640)	763,919,302	5,233,888,066	5,233,888,066	-

43.2.6 Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

43.2.7 Assets do not include fixed assets of Rs. 4,468,645,879 (2020: Rs. 3,151,298,418), Intangible assets of Rs. 6,109,050 (2020: Rs. 7,229,440), other assets consisting of Advances, deposits, advance rent and other prepayments, advance taxation, excise duty, non-banking assets acquired in satisfaction of claims of Rs. 1,023,489,230 (2020: Rs. 1,003,537,037) and development property of Rs. 198,210,163 (2020: Rs. 198,210,163)

43.2.8 Liabilities do not include other liabilities consisting of advance rental income, Payable to defined benefit plan, Provision for compensated absences of Rs. 144,353,822 (2020: Rs. 145,200,126)

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

2021

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	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
Assets												
Cash and balances with treasury banks	101,956,575	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	179,155,362	-	-	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	30,887,653,705	-	-	-	75,226,378	406,723,044	136,715,857	2,536,856,018	559,508,400	5,949,206,000	9,693,740,000	20,053,590,008
Advances	6,888,108,912	137,501,026	-	25,875,000	44,370,026	37,688,717	330,389,703	328,857,574	1,091,619,872	1,95,257,120	2,002,846,872	1,245,197,765
Fixed assets	4,468,646,879	418,035	2,506,207	2,526,242	6,688,552	12,541,036	40,827,445	37,623,108	150,492,429	150,492,429	527,497,231	3,466,467,022
Intangible assets	6,108,050	5,656	33,936	39,592	90,495	168,678	509,036	509,036	2,036,144	2,036,144	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2,221,065,136	335,438,411	-	63,122,939	108,242,182	138,121,176	321,923,526	480,117,412	-	-	-	-
Development Properties	198,210,163	-	-	-	-	-	-	-	-	-	198,210,163	-
	44,940,904,782	754,475,065	2,542,143	91,983,773	234,617,633	595,244,651	743,707,710	1,097,137,130	1,803,656,845	7,236,992,311	3,688,297,266	24,785,254,795
Liabilities												
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	26,456,618,972	-	4,492,426,600	10,064,007,348	8,293,796,092	6,235,246	508,630,282	96,330,282	1,056,392,773	533,683,014	461,506,312	492,831,895
Deposits and other accounts	2,911,587,775	-	-	-	169,927,231	62,888,133	-	300,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	498,549,336	2,434,543	-	458,133	785,600	3,678,096	11,034,288	7,356,012	44,106,611	44,136,611	88,273,221	217,003,694
Other liabilities	423,993,771	1,935,781	13,550,464	27,100,928	15,486,245	38,715,612	99,461,983	62,082,848	-	-	6,465,142	15,134,330
	30,220,749,854	4,370,324	4,505,977,064	10,091,566,409	8,479,995,168	111,517,087	619,326,553	465,768,142	1,100,528,784	547,819,625	556,265,675	724,989,919
	14,710,154,928	753,104,741	(4,503,434,921)	(9,999,602,636)	(8,245,377,535)	58,946,372	124,381,157	631,367,988	703,128,061	6,749,172,686	3,132,031,591	24,060,284,676
Net assets												
Share capital/ Head office capital account	6,800,000,000	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,727,992,307	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	4,421,217,627	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,960,944,994	-	-	-	-	-	-	-	-	-	-	-
	14,710,154,928	-	-	-	-	-	-	-	-	-	-	-

2020

[illegible]

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

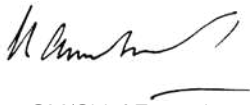
	2021									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	101,956,575	101,956,575	-	-	-	-	-	-	-	-
Balances with other banks	179,155,362	179,155,362	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	30,897,653,705	75,226,378	543,438,901	58,000	2,756,886,018	559,508,400	5,949,206,000	959,740,000	20,053,590,008	-
Advances	6,888,108,912	207,746,052	71,176,436	380,389,703	673,872,092	1,091,619,872	1,195,257,120	2,002,849,872	1,242,429,434	2,768,331
Fixed assets	4,488,645,879	12,541,036	25,082,072	40,827,445	75,246,215	150,492,429	150,492,429	527,497,231	540,310,658	2,946,156,364
Intangible assets	6,109,050	169,679	339,357	509,036	1,018,072	2,036,144	2,036,762	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,221,065,136	506,803,532	414,363,529	321,923,526	977,974,549	-	-	-	-	-
Development Properties	198,210,163	-	-	-	-	-	-	198,210,163	-	-
	44,940,904,782	1,083,598,614	1,054,400,295	743,707,710	4,484,996,946	1,803,656,945	7,296,992,311	3,688,297,266	21,836,330,100	2,948,924,695
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	26,456,618,972	22,850,230,040	77,984,692	508,830,282	505,160,564	1,056,392,173	503,683,014	461,506,312	492,831,895	-
Deposits and other accounts	2,911,587,775	169,927,231	306,660,544	-	2,435,000,000	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	438,549,336	3,678,276	11,034,288	11,034,288	22,068,035	44,136,611	44,136,611	88,273,221	103,612,081	113,391,613
Other liabilities	423,993,771	58,073,418	116,146,835	99,461,983	128,691,063	-	-	6,486,142	15,134,330	-
	30,230,749,854	23,081,908,965	511,826,359	619,326,553	3,090,919,662	1,100,528,784	547,819,625	556,265,675	611,578,306	113,391,613
	14,710,154,928	(21,998,310,351)	542,573,986	124,381,157	1,394,077,284	703,128,061	6,749,172,686	3,132,031,591	21,224,751,794	2,835,533,082
Net assets										
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,727,992,307									
Unappropriated/ Unremitted profit	4,421,217,627									
Surplus/(Deficit) on revaluation of assets	1,960,944,994									
	14,710,154,928									

43.5 Derivative Risk

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

44. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on 26 Feb 2022.



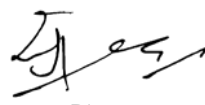
GM/Chief Executive



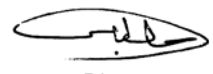
Chief Financial Officer



Director



Director



Director

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED

For The Year Ended December 31, 2021

Annexure - I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2021

(Rupees in million)

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Name	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1			4	5	6	7	8	9	10	11	12	13
1	Ali Paper Board Industries Limited 309 Qadri Chamber, Lahore	Syed Nisar Ahmad Shah Mr. Farooq Alam Butt Mr. Asad Akhtar Mr. Amir Haider Mr. Siraj Din Butt Mr. Saeed Hussain Sufi	272-26-135542 271-46-106300 276-60-184668 276-57-181768 288-43-003013 265-30-026536	Syed Sardar Shah Mr. Ghulam Nabi Butt Sh. Akhtar Ali Sh. Ameer Ali Mr. Miraj Din Butt Mr. Ghulam Hussain	7.593	20.197	0.060	27.850	7.593	20.197	0.060	27.850
2	Grotek Feeds (Pvt) Limited E-1/3, Street No. 6 Cavalary Ground Lahore Cantt	Mian Muhammad Ashraf Syed Zulqarnian Ahmed Rizvi Syed Ghulam Raza Rizvi	35202-7687386-5 272-55-017411 281-60-220347	Mian Fatehuddin Syed Saqlain Ahmed Rizvi Syed Zaheer Ahmed Rizvi	14.973	15.786	0.035	30.794	14.973	15.786	133.085	163.844
3	Dadabhoy Leasing Company Limited Ibrahim Estate D1 Block 7 & 8 K.C.S.H.U Sharah- Faisal Karachi	Mr. Noor Muhammad Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Abdul Rahim Dadabhoy Mr. Osman Dadabhoy Mr. Abdul Rehman Dadabhoy	517-86-203721 42301-9144426-7 517-88-229561 42301-9059021-7 42301-5544818-7	Mr. Abdul Ghani Dadabhoy Mr. Abdul Ghani Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Mohammad Farooq Dadabhoy Mr. Noor Muhammad Dadabhoy	15.907	14.228	18.750	48.885	15.907	14.228	18.750	48.885

Annexure - I

(Rupees in million)

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Name	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1		3	4	5	6	7	8	9	10	11	12	13
4	Bhatti Spinning Mills Limited 147-G-1, M.A. Johar Town, Lahore	Mr. Muhammad Iqbal Bhatti Mr. Maqsood Ahmed Bhatti Mr. Khalid Mahmood Bhatti Mr. Maqbool Ahmed Bhatti	35202-7936106-1 35202-3032294-1 35202-5703019-7 35202-7363588-3	Mr. Muhammad Din Bhatti Mr. Muhammad Din Bhatti Mr. Rehmat Ali Mr. Muhammad Din Bhatti	13.076	11.497	70.096	94.669	0.000	11.497	70.096	81.593
5	Karachi Green Bus Co. Pvt Ltd. St-2, Sector 5/H, North Karachi	Mr. Ashhad Ullah Syed Mudassir Hussain Mr. Umer Farooqui Mr. Adnan Siddiqui Mr. Abdul Rasheed Ms. Ghazala Amanullah	42301-2818446-7 42301-9372275-3 42301-2443258-5 42101-5628088-9 42301-6382165-7 510-61-379337	Mr. Anjad Ullah Syed Muzammil Hussain Mr. Naseem Farooqui Mr. Ahtasham Mazhar Siddiqui Mr. Muhammad Ishaq Mr. Amanullah Khan	12.461	9.863	31.218	53.542	12.461	9.863	31.218	53.542
6	Mr. Khawar Ashtiaq (Late), SVP/CFO, Saudi Pak, Saudi Pak Tower, Islamabad	Mr. Khawar Ashtiaq (Late)	61101-4100576-1	Mr. Ashtiaq Ahmed	0.321	0.000	0.000	0.321	0.548	0.012	0.000	0.560
					64.331	71.571	120.159	256.061	51.482	71.583	253.209	376.274

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Saudi Pak Industrial and Agricultural Investment Company Limited
Saudi Pak Tower, 61 - A Jinnah Avenue, Islamabad
Tel: +92 111 222 003, Fax: +92 111 222 004