

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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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.

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, 2022. 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 2023:

- 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.

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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.

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, 2023 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 except the IFRS 9 Financial instruments: classification and measurement that will have significant effect on unconsolidated financial statements on its application as detailed below:

SBP vide its BPRD Circular Letter no. 03 of 2022 dated July 05, 2022 has conveyed the implementation date of IFRS-9 for DFIs as January 01, 2023 and has also issued detailed application guidance for its implementation. The standard IFRS 9 "financial Instruments" 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 total estimated adjustment at the adoption of IFRS 9 will decrease opening balance of the Company's equity at 01 January 2023 by Rs. 853.928 million due to recognition of ECL on related financial assets and also increase related deferred tax asset by Rs. 281.796 million. The adjusted Capital Adequacy Ratio of the Company after absorbing referred adjustments will be 43.96%.

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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 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.

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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 unconsolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Statement of Comprehensive Income" and is shown in the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant and prolonged, it is considered impaired and included in unconsolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

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

(c) Held-To-Maturity (HTM)

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

(d) Investments in associate and subsidiary

Investment in associate and subsidiary is carried at cost less impairment, if any.

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

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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 unconsolidated 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 lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

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

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

Depreciation is provided on straight line method at rates specified in note 12.2 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

(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.

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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.

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(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.

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- 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.

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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	2022 ----- Rupees -----	2021 -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		285,888	327,130
With State Bank of Pakistan in			
Local currency current accounts	6.1	<u>116,151,462</u>	<u>101,612,867</u>
		<u>116,437,350</u>	<u>101,939,997</u>

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

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	2022	2021
	Rupees	
7. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	84,376,565	6,882,985
In deposit accounts	43,498,975	127,603,414
	<u>127,875,540</u>	<u>134,486,399</u>

- 7.1 Deposit accounts include Rs. 13,623,257 (2021: Rs 103,849,803) held in local currency accounts. These accounts carry markup at the rates ranging from 3.75% to 13.50% (2021: 2.25% to 7.25%) per annum.
- 7.2 Deposit accounts include USD 132,006.24 (2021: USD 134,619.50) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2021: 0.25%) per annum.

	Note	2022	2021
		Rupees	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	-	-
Less: provision held against Lending to Financial Institutions		-	-
Lending to Financial Institutions - net of provision		<u>-</u>	<u>-</u>
8.1 Particulars of lending			
In local currency		<u>-</u>	<u>-</u>

8.2 Securities held as collateral against lending to financial institutions

		2022			2021		
		Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
Note		Rupees			Rupees		
Pakistan Investment Bonds	8.2.1	-	-	-	-	-	-
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.2.1 Market value of securities held as collateral at December 31, 2022 is Nil (2021: Nil).

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9. INVESTMENTS		2022				2021			
9.1 Investments by type:	Note	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
Available-for-sale securities									
Federal Government Securities									
-Pakistan Investment Bonds (PIBs)		32,994,355,755	-	(1,800,587,455)	31,193,768,300	26,156,748,679	-	(988,367,679)	25,168,381,000
		32,994,355,755	-	(1,800,587,455)	31,193,768,300	26,156,748,679	-	(988,367,679)	25,168,381,000
Shares- quoted securities		3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399	3,208,180,629	(720,924,974)	(32,280,058)	2,454,975,597
Non Government Debt Securities									
-Term Finance Certificates (TFCs) / Sukuk		969,651,845	(80,266,424)	2,340,000	891,725,421	1,171,060,447	(81,675,026)	14,458,400	1,103,843,821
-Commercial paper		-	-	-	-	-	-	-	-
Un-quoted securities		783,833,048	(273,833,040)	-	510,000,008	786,333,048	(273,833,040)	-	512,500,008
		38,013,231,908	(1,295,611,044)	(1,897,120,736)	34,820,500,128	31,322,322,803	(1,076,433,040)	(1,006,189,337)	29,239,700,426
Held-to-maturity securities									
Non Government Debt Securities									
-Term Finance Certificates (TFCs)	9.1.2	1,529,701,077	(529,186,077)	-	1,000,515,000	1,867,317,203	(544,249,203)	-	1,323,068,000
Subsidiaries									
Saudi Pak Real Estate Company Limited	9.1.1	500,000,000	-	-	500,000,000	500,000,000	-	-	500,000,000
Total Investments		<u>40,042,932,985</u>	<u>(1,824,797,121)</u>	<u>(1,897,120,736)</u>	<u>36,321,015,128</u>	<u>33,755,745,494</u>	<u>(1,620,682,243)</u>	<u>(1,004,366,826)</u>	<u>31,130,696,425</u>

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, 2022, total assets and liabilities of SPREL are Rs. 811.016 million (2021: Rs. 769.730 million) and Rs. 21.981 million (2021: Rs. 23.603 million) while total revenue, profit after taxation and total comprehensive income for the year ended December 31, 2022 are Rs. 33.286 million (2021: Rs. 16.062 million), Rs. 42.903 million (2021: Rs. 29.411 million) and Rs. 42.907 million (2021: Rs. 29.231 million) respectively.

9.1.2 Installments of Rs.14.310 million and Rs.18.728 million were due on February 10, 2022 & August 10, 2022 respectively against unsecured subordinated TFCs of Rs. 299.760 million issued by Silk Bank Limited (the Issuer). Delay in payments is due to "lock in event" that has restricted the Issuer to make payment without the approval of the State Bank of Pakistan (SBP) to avoid the Issuer's noncompliance of minimum capital requirement and capital adequacy ratio. In view of the fact that the Issuer is continuing as a going concern without any restriction on its operations, the debt obligation is duly recognized and that the application for allowing the payment is pending with SBP, the management of the Company believes that no provisions is required to be made in the financial statements pursuant to clause 2.8 of the trust deed, the delay in payment does not constitute a breach of the issuer's redemption obligations as per the independent legal opinion provided by the trustee to all the participating financial institutions.

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	2022				2021			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.2 Investments by segments:	Rupees				Rupees			
Federal Government Securities:								
Pakistan Investment Bonds	32,994,355,755	-	(1,800,587,455)	31,193,768,300	26,156,748,679	-	(988,367,679)	25,168,381,000
	32,994,355,755	-	(1,800,587,455)	31,193,768,300	26,156,748,679	-	(988,367,679)	25,168,381,000
Shares:								
Listed Companies	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399	3,274,286,117	(720,924,974)	(30,457,547)	2,522,903,596
Unlisted Companies	783,833,048	(273,833,040)	-	510,000,008	786,333,048	(273,833,040)	-	512,500,008
	4,049,224,308	(1,215,344,620)	(98,873,281)	2,735,006,407	4,060,619,165	(994,758,014)	(30,457,547)	3,035,403,604
Non Government Debt Securities								
Listed TFCs / Sukuk	1,231,098,389	(41,712,968)	2,340,000	1,191,725,421	1,733,420,899	(44,035,478)	14,458,400	1,703,843,821
Unlisted TFCs / Sukuk	1,268,254,533	(567,739,533)	-	700,515,000	1,304,956,751	(581,888,751)	-	723,068,000
Commercial paper	-	-	-	-	-	-	-	-
	2,499,352,922	(609,452,501)	2,340,000	1,892,240,421	3,038,377,650	(625,924,229)	14,458,400	2,426,911,821
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	-	-	500,000,000	500,000,000	-	-	500,000,000
Total Investments	40,042,932,985	(1,824,797,121)	(1,897,120,736)	36,321,015,128	33,755,745,494	(1,620,682,243)	(1,004,366,826)	31,130,696,425

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	2022	2021
	----- Rupees -----	
9.2.1 Investments given as collateral		
Pakistan Investment Bonds (PIBs)	27,399,908,300	21,908,529,525
	<u>27,399,908,300</u>	<u>21,908,529,525</u>
9.3 Provision for diminution in value of investments		
9.3.1 Opening balance	1,620,682,243	1,519,406,251
Charge / reversals		
Charge for the year	264,524,009	207,601,400
Reversals for the year	(16,471,728)	(3,757,789)
Reversal on disposals	(43,937,403)	(102,567,619)
	204,114,878	101,275,992
Transfers - net	-	-
Amounts written off	-	-
Closing balance	<u>1,824,797,121</u>	<u>1,620,682,243</u>

9.3.2 Particulars of provision against debt securities

Category of classification

	2022		2021	
	NPI	Provision	NPI	Provision
	----- Rupees -----		----- Rupees -----	
Domestic				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	643,202,501	609,452,501	659,674,229	625,924,229
	<u>643,202,501</u>	<u>609,452,501</u>	<u>659,674,229</u>	<u>625,924,229</u>
Overseas	-	-	-	-
Total	<u>643,202,501</u>	<u>609,452,501</u>	<u>659,674,229</u>	<u>625,924,229</u>

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9.4 Quality of Available for Sale Securities

2022 2021

Cost in Rupees

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

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds

32,994,355,755	26,156,748,679
<u>32,994,355,755</u>	<u>26,156,748,679</u>

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	860,941,393	647,875,278
Fertilizer	-	233,487,301
Insurance	145,952,935	100,820,544
Oil & Gas Marketing Companies	255,976,980	211,761,553
Oil & Gas Exploration Companies	517,973,984	517,973,844
Power Generation and Distribution	885,925,664	897,641,805
Technology and Communication	33,971,065	33,971,065
	<u>3,265,391,260</u>	<u>3,208,180,629</u>

	2022		2021	
	Cost	Breakup Value	Cost	Breakup Value
Unlisted Companies	Rupees		Rupees	
Al Hamra Avenue Private Limited	50,000,000	-	50,000,000	-
Al Hamra 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
Pace Barka Properties Limited	168,750,000	193,302,602	168,750,000	210,367,051
Pak Kuwait Takaful Company	40,000,000	283,222	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	621,580,218	330,000,000	737,382,277
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	-	10,000,000	-
Taurus Securities Limited	11,250,000	24,090,707	11,250,000	24,651,223
Trust Investment Bank Limited	20,000,000	-	20,000,000	-
	<u>783,833,048</u>	<u>844,303,759</u>	<u>786,333,048</u>	<u>1,023,542,216</u>

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.

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	2022	2021
	-----Cost in Rupees-----	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	860,000,000	1,060,000,000
- CCC and below	29,385,421	29,385,421
- Unrated	23,009,084	24,417,686
	912,394,505	1,113,803,107
Unlisted		
- A+, A, A-	-	-
- Unrated	57,257,340	57,257,340
	57,257,340	57,257,340
	969,651,845	1,171,060,447

9.5 The Company does not have any investments in foreign securities as at December 31, 2022 (2021: Nil).

	Note	2022	2021
		-----Cost in Rupees-----	
9.6 Particulars relating to Held to Maturity securities are as follows:			
Non Government Debt Securities			
Listed			
- AA+, AA, AA-		300,000,000	600,000,000
- Unrated		18,703,884	19,617,792
	9.6.1	318,703,884	619,617,792
Unlisted			
- AA+, AA, AA-		267,005,000	289,558,000
- A+, A, A-		100,000,000	100,000,000
- BBB+, BBB, BBB-		-	299,760,000
- B+, B, B-		299,760,000	-
- Unrated		544,232,193	558,381,411
		1,210,997,193	1,247,699,411
		1,529,701,077	1,867,317,203

9.6.1 Market value of held-to-maturity securities other than non performing investments as at December 31, 2022 is Rs. 576 million (2021: Rs. 1,193 million).

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		2022	2021	2022	2021	2022	2021
	Note	Performing		Non Performing		Total	
		Rupees					
10. ADVANCES							
Loans, leases, running finances- gross	10.1	8,696,407,690	6,721,837,122	2,778,130,890	2,387,298,720	11,474,538,580	9,109,135,842
Provision against advances							
- Specific		-	-	(2,268,864,901)	(2,241,352,677)	(2,268,864,901)	(2,241,352,677)
- General		(86,383,617)	-	-	-	(86,383,617)	-
		(86,383,617)	-	(2,268,864,901)	(2,241,352,677)	(2,355,248,518)	(2,241,352,677)
Advances - net of provision		8,610,024,073	6,721,837,122	509,265,989	145,946,043	9,119,290,062	6,867,783,165

10.1 Includes Net Investment in Finance Lease as disclosed below:

	2022				2021			
	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	95,208,694	-	-	95,208,694
Residual value	-	-	-	-	-	-	-	-
Minimum lease payments	95,208,694	-	-	95,208,694	95,208,694	-	-	95,208,694
Financial charges for future periods	(28,746,708)	-	-	(28,746,708)	(28,746,708)	-	-	(28,746,708)
Present value of minimum lease payments	66,461,986	-	-	66,461,986	66,461,986	-	-	66,461,986

10.2 Particulars of advances (Gross)

	2022	2021
	Rupees	
In local currency	11,474,538,580	9,109,135,842
In foreign currencies	-	-
	11,474,538,580	9,109,135,842

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10.3 Advances include Rs. 2,778,130,890 (2021: Rs. 2,387,298,720) which have been placed under non-performing status as detailed below:-

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	-----Rupees-----		-----Rupees-----	
Domestic	-	-	-	-
Substandard	-	-	-	-
Doubtful	270,000,000	-	291,892,086	145,946,043
Loss	2,508,130,890	2,268,864,901	2,095,406,634	2,095,406,634
Total	<u>2,778,130,890</u>	<u>2,268,864,901</u>	<u>2,387,298,720</u>	<u>2,241,352,677</u>

10.4 Particulars of provision against advances	Note	2022			2021		
		Specific	General	Total	Specific	General	Total
		-----Rupees-----			-----Rupees-----		
Opening balance		2,241,352,677	-	2,241,352,677	2,533,847,014	-	2,533,847,014
Charge for the year		146,592,629	86,383,617	232,976,246	176,878,680	-	176,878,680
Reversals		(119,080,405)	-	(119,080,405)	(418,438,954)	-	(418,438,954)
		27,512,224	86,383,617	113,895,841	(241,560,274)	-	(241,560,274)
Amounts written off	10.5	-	-	-	(50,934,063)	-	(50,934,063)
Closing balance		<u>2,268,864,901</u>	<u>86,383,617</u>	<u>2,355,248,518</u>	<u>2,241,352,677</u>	<u>-</u>	<u>2,241,352,677</u>

10.4.1 During the year, the Company provided general provisioning of Rs.86.384 Million, i.e. 1% of regular loan portfolio other than staff advances on the anticipation that challenging economic conditions may have an adverse impact on regular loans and risk of increase in NPLs cannot be precluded.

10.4.2 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
In local currency	2,268,864,901	86,383,617	2,355,248,518	2,241,352,677	-	2,241,352,677
In foreign currencies	-	-	-	-	-	-
	<u>2,268,864,901</u>	<u>86,383,617</u>	<u>2,355,248,518</u>	<u>2,241,352,677</u>	<u>-</u>	<u>2,241,352,677</u>

10.4.3 The net FSV benefit already availed has been increased by Rs. 374.266 million, which has resulted reduction in specific provision for the year by the same amount. Had the FSV benefit not changed, before and after tax profit for the year would have been decreased by Rs. 374.266 million (December 31, 2021: nil) and Rs. 265.729 million (December 31, 2021: nil) respectively. Further, at December 31, 2022, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 265.729 million (December 31, 2021: Rs. Nil) 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.

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	Note	2022	2021
		-----Rupees-----	
10.5 Particulars of write offs:			
10.5.1 Against Provisions	10.4	-	50,934,063
Directly charged to Profit & Loss account		-	559,822
		-	51,493,885
10.5.2 Write Offs of Rs. 500,000 and above	10.6		
- Domestic		-	51,493,885
- Overseas		-	-
Write Offs of Below Rs. 500,000		-	-
		-	51,493,885

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, 2022 is given at Annexure I.

10.7 Particulars of loans and advances to staff included in advances

	2022	2021
	-----Rupees-----	
Opening balance	56,452,718	63,461,897
Amount disbursed during the year	28,441,481	16,959,466
Amount received during the year	(26,848,214)	(23,421,125)
Amount written off	-	(547,520)
Closing balance	58,045,985	56,452,718

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. The potential buyer had submitted its binding offer to Saudi Pak against which letter of intent was issued and the company submitted request to SECP for sale of its stake in SPLC. After completion of necessary formalities as sought by SECP from the potential buyer, the outcome of request submitted is awaited.

	Note	2022	2021
		-----Rupees-----	
12. FIXED ASSETS			
Capital work-in-progress	12.1	40,256,613	3,204,338
Property and equipment	12.2	4,100,125,336	4,230,565,871
Right of use assets under IFRS-16 Leases		41,414,620	9,709,270
		4,181,796,569	4,243,479,479
12.1 Capital work-in-progress			
Civil works		38,359,113	-
Advances to suppliers		1,897,500	3,204,338
		40,256,613	3,204,338

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12.2 Property and equipment

	2022										
	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, 2022											
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
Year ended December 31, 2022											
Opening 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
Additions	-	-	867,460	883,546	9,927,512	7,229,594	719,780	-	718,283	16,178,522	36,524,697
Disposals											
- Cost / Revalued amount	-	-	(28,289)	(179,916)	(6,513,814)	(29,775,720)	(62,951)	-	(82,857)	(1,130,554)	(37,774,101)
- Accumulated depreciation	-	-	757	179,883	6,403,806	27,030,975	6,339	-	8,342	1,093,582	34,723,684
	-	-	(27,532)	(33)	(110,008)	(2,744,745)	(56,612)	-	(74,515)	(36,972)	(3,050,417)
Depreciation charge	(43,122,244)	(2,094,616)	(49,862,442)	(698,111)	(7,477,168)	(13,036,092)	(15,186,005)	(7,782,413)	(718,507)	(23,937,217)	(163,914,815)
Closing net book value	2,534,927,756	50,187,384	1,195,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
At December 31, 2022											
Cost / Revalued amount	2,578,050,000	52,282,000	1,245,251,046	15,024,127	60,853,802	73,881,670	102,265,320	51,800,000	5,067,148	174,510,320	4,358,985,433
Accumulated depreciation	43,122,244	2,094,616	49,861,685	13,454,210	46,021,844	44,611,135	15,179,666	7,782,413	763,868	35,968,416	258,860,097
Net book value	2,534,927,756	50,187,384	1,195,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
Rate of depreciation (percentage)	1.67	4	4	20	33.33	20	15	15	15	15	
	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											
- Cost / Revalued amount	-	-	-	-	(5,607,390)	(17,222,664)	-	-	-	(269,631)	(23,099,685)
- Accumulated depreciation	-	-	-	-	5,544,042	11,206,542	-	-	-	269,626	17,020,210
	-	-	-	-	(63,348)	(6,016,122)	-	-	-	(5)	(6,079,475)
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	

* 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.

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12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Building on leasehold land						
Building items - Islamabad office	28,289	757	27,532	29,000	Auction	Suleman Khan
Furniture and fixture						
Furniture items - Islamabad office	127,791	127,772	19	48,500	Auction	Suleman Khan
Furniture items - Lahore office	10,400	10,398	2	2,000	Auction	Golden Interior
Furniture items - BCP Site	41,725	41,713	12	15,000	Auction	Golden Interior
	179,916	179,883	33	65,500		
Office equipment						
Samsung S 8 Plus	67,500	67,499	1	1	As per policy *	Zafar Iqbal
IT Equipment - Islamabad office	2,134,956	2,134,934	22	72,000	Auction	Arif Masih
Iphone Xs Max	100,000	51,365	48,635	48,635	As per policy *	Kashif Suhail
Samsung S 10 Lite	100,000	67,260	32,740	32,740	As per policy *	Shaikh Aftab Ahmed
HP Elitebook 850 G6	252,913	238,047	14,866	14,866	As per policy *	Shaikh Aftab Ahmed
HP Elitebook 850 G6	252,914	239,201	13,713	13,713	As per policy *	Zafar Iqbal
HP Elitebook 850 G6	252,913	252,912	1	1	As per policy *	Yawar Khan Afridi
HP Elitebook 850 G6	252,914	252,913	1	12,646	As per policy *	Arif Majeed Butt
HP Elitebook 850 G6	252,914	252,913	1	1	As per policy *	M. Ghairat Hayat
HP Elitebook 850 G6	252,914	252,913	1	1	As per policy *	Safdar Abbas Zaidi
HP Elitebook 850 G6	252,914	252,913	1	1	As per policy *	Ali Imran
IT Equipment - Islamabad office	338,287	338,282	5	14,545	Auction	Syed Azhar Ud Din Shah
IT Equipment - Karachi office	1,141,460	1,141,450	10	25,455	Auction	Ghulam Mustafa
IT Equipment - Lahore office	705,129	705,120	9	9,000	Auction	Golden Interior
IT Equipment - BCP Site	156,086	156,084	2	2,000	Auction	Golden Interior
	6,513,814	6,403,806	110,008	245,605		
Vehicles						
Suzuki Cultus - AQC 893	2,008,162	841,776	1,166,386	1,166,386	As per policy *	Mohammd Aslam
Honda CD-70	63,500	63,499	1	38,909	Auction	Rizwan Mazhar
Honda Civic i-Vtech Oriel - AJS 802	2,718,178	2,196,881	521,297	521,297	As per policy *	Kashif Suhail
Suzuki Cultus - AEV 729	1,406,560	1,406,559	1	1	As per policy *	Tayyaba Yamin
Honda Civic 1.8 - AGC 479	2,699,400	2,699,399	1	3,527,786	Auction	Nasir Iqbal Rana
Toyota Land Crusier ZX-V8 - CX 422	18,818,700	18,818,699	1	18,681,818	Auction	Sultan M Bahadar Aziz
Kia Picanto - LE 20 5839	2,061,220	1,004,162	1,057,058	1,057,058	As per policy *	Gohar Ayub Marth
	29,775,720	27,030,975	2,744,745	24,993,255		
Heating and air-conditioning						
Heating and air-conditioning items - Islamabad office	62,951	6,339	56,612	62,000	Auction	Suleman Khan

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Particulars of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Security systems						
Security Items - Islamabad office	82,857	8,342	74,515	77,100	Auction	Suleman Khan
Electrical fittings, fire fighting equipment and others						
Diesel Generator 16-KVA	1	-	1	90,455	Auction	System And Power Engineering
Fire fighting equipment Items - Islamabad office	12,930	1,295	11,635	18,000	Auction	Suleman Khan
Telephone installation Items - Islamabad office	43	5	38	1,000	Auction	Suleman Khan
Telephone Exchange - Karachi office	139,028	139,027	1	18,000	Auction	Muhammad Nauman
Electrical Appliances - Islamabad office	421,962	400,419	21,543	64,036	Auction	Suleman Khan
Electrical Appliances - Karachi office	522,750	518,997	3,753	80,000	Auction	Muhammad Nauman
Misc Items - Islamabad office	33,840	33,839	1	8,000	Auction	Suleman Khan
	1,130,554	1,093,582	36,972	279,491		
	<u>37,774,101</u>	<u>34,723,684</u>	<u>3,050,417</u>	<u>25,751,951</u>		

* 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. Had there been no revaluation, the carrying amount of the revalued assets as at December 31, 2021 would have been as follows:

	2022	2021
	Rupees	
Leasehold Land	27,337,889	27,787,623
Building - Karachi office	1,519,155	2,137,391
Building	21,553,367	22,173,408
Heating and air-conditioning system	5,602,685	6,254,276
Elevators	12,730,421	19,373,192
Security system	772,616	178,939
Electrical fittings, fire fighting equipment and others	59,435,792	59,753,380
	<u>128,951,925</u>	<u>137,658,209</u>
12.5 Cost / revalued amount of fully depreciated assets that are still in use:		
Furniture and fixture	12,412,624	10,513,608
Office equipment	35,896,885	36,251,129
Vehicles	9,791,193	27,129,060
Electrical fittings, fire fighting equipment and others	7,984,146	8,386,490
	<u>66,084,848</u>	<u>82,280,287</u>

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	2022	2021
	Rupees	
	Computer software	Computer software
13. INTANGIBLE ASSETS		
At January 1		
Cost	30,203,584	26,731,503
Accumulated amortisation and impairment	24,094,534	19,502,063
Net book value	<u>6,109,050</u>	<u>7,229,440</u>
Year ended December 31		
Opening net book value	6,109,050	7,229,440
Additions - directly purchased	4,705,478	3,472,081
Amortisation charge	4,422,525	4,592,471
Closing net book value	<u>6,392,003</u>	<u>6,109,050</u>
At December 31		
Cost	34,909,062	30,203,584
Accumulated amortisation and impairment	28,517,059	24,094,534
Net book value	<u>6,392,003</u>	<u>6,109,050</u>
Rate of amortisation (percentage)	<u>33.33</u>	<u>33.33</u>
Useful life (years)	<u>3</u>	<u>3</u>

13.1 Cost of fully amortized intangible assets still in use amount to Rs. 23,843,854 (2021: Rs. 18,444,698).

	Note	2022	2021
		Rupees	
14. OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision			
On investments		1,672,475,796	842,458,570
On advances		530,155,076	311,550,059
On deposits		1,074,553	-
		<u>2,203,705,425</u>	<u>1,154,008,629</u>
Advances, deposits, advance rent and other prepayments		24,031,294	13,663,883
Advance taxation (payments less provisions)		1,255,502,709	835,887,833
Excise duty		78,817,895	78,817,895
Non-banking assets acquired in satisfaction of claims	14.1	51,651,432	53,803,576
Dividend receivable		34,641,773	42,867,904
Other receivables		4,896,126	684,959
		<u>3,653,246,654</u>	<u>2,179,734,679</u>
Less: Provision held against other assets	14.2	(256,792)	(256,792)
Other assets (net of provision)		<u>3,652,989,862</u>	<u>2,179,477,887</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	22,893,624	23,847,524
Other assets - total		<u>3,675,883,486</u>	<u>2,203,325,411</u>
14.1 Market value of non-banking assets acquired in satisfaction of claims		<u>77,651,100</u>	<u>77,651,100</u>

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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.

Business activity could not be started since the building was constructed due to pending approval of building map and the issuance of completion certificate from Lahore Development Authority (LDA). Management is hopeful to dispose off the same once the NOC is arranged and provided by the plaza owners.

	Note	2022 -----Rupees-----	2021
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		77,651,100	163,229,557
Revaluation during the year		-	14,712,840
Disposals during the year		-	(97,369,951)
Depreciation		(3,106,044)	(2,921,346)
Closing balance		<u>74,545,056</u>	<u>77,651,100</u>
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		<u>-</u>	<u>60,630,049</u>
14.2 Provision held against other assets			
Advances, deposits, advance rent & other prepayments	14.2.1	<u>256,792</u>	<u>256,792</u>
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		<u>256,792</u>	<u>256,792</u>
15. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under refinance scheme			
Long term financing facility	15.1	2,195,224,199	845,810,022
Temporary economic relief facility	15.2	491,424,500	491,424,500
		<u>2,686,648,699</u>	<u>1,337,234,522</u>
Repurchase agreement borrowings	15.3	27,775,718,150	21,831,884,450
Against book debts/receivables	15.4	4,812,500,000	3,287,500,000
Total secured		<u>35,274,866,849</u>	<u>26,456,618,972</u>
Unsecured			
Call borrowings	15.5	1,500,000,000	-
Total unsecured		<u>1,500,000,000</u>	<u>-</u>
		<u>36,774,866,849</u>	<u>26,456,618,972</u>

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- 15.1** These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rates ranging from 2.00% to 7.00% (2021: 2.00%) per annum. These facilities will mature during January 2023 to June 2032 (2021: January 2022 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% (2021: 1.00%) per annum. These facilities will mature during April 2023 to January 2031 (2021: April 2023 to January 2031).
- 15.3** These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 15.34% to 16.60% (2021: 10.25% to 10.65%) per annum having maturity during January 2023 to March 2023 (2021: during January 2022).
- 15.4** These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 10,267 million (2021: Rs. 10,267 million). The mark up is charged at varying rates ranging from 15.86% to 17.31% (2021: 7.96% to 11.79%) per annum. These facilities will mature during January 2023 to December 2027 (2021: January 2022 to April 2025).
- 15.5** These facilities were unsecured and carrying markup at rate of 16.25% (2021: nil) per annum having maturity in January 2023 (2021: nil).

	Note	2022	2021
		Rupees	
15.6 Particulars of borrowings with respect to Currencies			
In local currency		36,774,866,849	26,456,618,972
In foreign currencies		-	-
		<u>36,774,866,849</u>	<u>26,456,618,972</u>

16. DEPOSITS AND OTHER ACCOUNTS

Customers			
- Term deposits (local currency)	16.1	<u>1,953,000,000</u>	<u>2,911,587,775</u>
16.1 Composition of deposits			
- Public Sector Entities	16.2	1,343,000,000	2,701,587,775
- Non-Banking Financial Institutions	16.3	10,000,000	10,000,000
- Private Sector	16.4	<u>600,000,000</u>	<u>200,000,000</u>
		<u>1,953,000,000</u>	<u>2,911,587,775</u>

- 16.2** These Certificate of Investments (COIs) carry mark up at the rates ranging from 16.80% to 16.88% (2021: 8.00% to 10.55%) per annum with maturity on November 2023 (2021: January 2022 to November 2022).
- 16.3** These Certificate of Investments (COIs) carry mark up at the rate of 16.12% (2021: 7.75%) per annum with maturity on March 2023 (2021: March 2022).
- 16.4** These Certificate of Investments (COIs) carry mark up at the rates ranging from 15.67% to 17.06% (2021: 11.14%) per annum with maturity during July 2023 to December 2023 (2021: December 2022).

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17. DEFERRED TAX LIABILITIES / (ASSETS)

	2022				At December 31 2022
	At January 1 2022	Recognised in P&L A/C	Recognised in Equity Rupees	Recognised in OCI	
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(5,914,941)	-	-	(1,286,565)	(7,201,506)
Surplus / (deficit) on revaluation of securities - AFS	(125,773,667)	-	-	(483,962,085)	(609,735,752)
Provision on non-performing loans	(549,082,000)	(107,885,000)	-	-	(656,967,000)
Impairment loss on available for sale quoted securities	(67,767,173)	(38,573,703)	-	-	(106,340,876)
	(748,537,781)	(146,458,703)	-	(485,248,650)	(1,380,245,134)
Taxable Temporary Differences on					
Accelerated tax depreciation	25,281,541	13,971,083	-	-	39,252,624
Dividend receivable	10,716,976	(670,862)	-	-	10,046,114
Net investment in leases	-	-	-	-	-
Right of Use Assets - net of lease liabilities	2,815,688	495,048	-	-	3,310,736
Surplus on revaluation of securities - HFT	273,377	(273,377)	-	-	-
Surplus on revaluation of operating fixed assets	1,150,815,223	(35,084,488)	153,893,895	-	1,269,624,630
	1,189,902,805	(21,562,596)	153,893,895	-	1,322,234,104
	<u>441,365,024</u>	<u>(168,021,299)</u>	<u>153,893,895</u>	<u>(485,248,650)</u>	<u>(58,011,030)</u>
			2021		
	2021				At December 31 2021
	At January 1 2021	Recognised in P&L A/C	Recognised in Equity Rupees	Recognised in OCI	
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 - net of lease liabilities	-	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
	<u>40,297,275</u>	<u>33,338,220</u>	<u>-</u>	<u>367,729,529</u>	<u>441,365,024</u>

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- 17.1 At current year end, the Company had net deferred tax assets of Rs. 58.011 Million (2021: nil). Management believes that is probable that the company will be able to achieve the profits and consequently, the deferred tax assets will either be realized in future or adjusted against the taxable temporary differences on net basis. Deferred tax assets and liabilities on temporary differences are measured at the rate of 33% (2021: 29%).

	Note	2022	2021
		Rupees	
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		378,356,147	149,516,538
Accrued expenses		32,301,635	61,574,046
Advance rental income	18.1	154,619,487	122,988,692
Security deposits against rented properties		40,959,597	35,333,783
Payable to defined benefit plan	35.4	10,219,869	10,308,832
Provision for compensated absences		9,672,514	9,491,958
Directors' remuneration		-	5,293,500
Payable to stock brokers - net		76,825,002	119,060
Lease liability against ROU assets as per IFRS - 16 Leases		31,382,086	-
Dividend payable to Foreign Shareholder		82,500,000	-
Others		18,437,052	24,841,994
		<u>835,273,389</u>	<u>419,468,403</u>

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

19. SHARE CAPITAL

19.1 Authorized Capital

2022	2021		2022	2021
Number of shares			Rupees	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>

19.2 Issued, subscribed and paid up share capital

2022	2021		2022	2021
Number of shares			Rupees	
		Ordinary shares		
400,000,000	400,000,000	Fully paid in cash	4,000,000,000	4,000,000,000
276,500,000	260,000,000	Issued as bonus shares (note 19.4)	2,765,000,000	2,600,000,000
<u>676,500,000</u>	<u>660,000,000</u>		<u>6,765,000,000</u>	<u>6,600,000,000</u>

- 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 This includes 16,500,000 (2021: nil) bonus shares of Rs. 165,000,000 (2021: nil) transferred from unappropriated profits after approval of the shareholders in the Annual General Meeting held on March 26, 2022. These shares rank pari passu with the existing shares.

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	Note	2022 Rupees	2021 Rupees
20. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(1,897,120,736)	(1,006,189,337)
- Fixed assets	20.1	3,847,347,375	3,968,328,363
- Non-banking assets acquired in satisfaction of claims	20.2	22,893,624	23,847,524
		1,973,120,263	2,985,986,550
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		609,735,752	125,773,667
- Fixed assets	20.1	(1,269,624,630)	(1,150,815,223)
- Non-banking assets acquired in satisfaction of claims		-	-
		(659,888,878)	(1,025,041,556)
		<u>1,313,231,385</u>	<u>1,960,944,994</u>
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		3,968,328,363	2,657,833,730
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		(85,896,500)	(65,424,784)
Related deferred tax liability on incremental depreciation charged during the year		(35,084,488)	(26,722,800)
Surplus on revaluation of fixed assets as at December 31		3,847,347,375	3,968,328,363
Less: related deferred tax liability on:			
- revaluation as at January 1		1,150,815,223	770,771,780
- revaluation recognised during the year		-	406,766,243
- surplus realised on disposal during the year		-	-
- Impact of change in tax rate		153,893,895	-
- incremental depreciation charged during the year		(35,084,488)	(26,722,800)
		<u>1,269,624,630</u>	<u>1,150,815,223</u>
		<u>2,577,722,745</u>	<u>2,817,513,140</u>
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		23,847,524	23,920,343
Recognised during the year		-	14,712,840
Realized on disposal during the year		-	(14,361,521)
Incremental depreciation		(953,900)	(424,138)
Surplus on revaluation as at December 31		<u>22,893,624</u>	<u>23,847,524</u>
21. CONTINGENCIES AND COMMITMENTS			
-Guarantees	21.1	70,000,000	-
-Commitments	21.2	759,115,718	1,342,595,377
		<u>829,115,718</u>	<u>1,342,595,377</u>
21.1 Guarantees:			
Financial guarantees		<u>70,000,000</u>	<u>-</u>
21.2 Commitments:			
Commitment for the acquisition of:			
- Operating fixed assets		8,935,734	5,527,051
- Intangible assets		2,525,000	3,940,759
		<u>11,460,734</u>	<u>9,467,810</u>
Non disbursed commitment for term and working capital finance		<u>747,654,984</u>	<u>1,333,127,567</u>
		<u>759,115,718</u>	<u>1,342,595,377</u>

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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 that are pending adjudication. The Company however, accounted for the impact of tax of Rs. 617.237 million on provision for non performing loans & advances by routing it through Profit & Loss in the year 2018.

The related tax demands for all the aforesaid tax years aggregate to Rs 1,091.694 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 Income Tax Ordinance 2001 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 likely to be decided in favour of the Company at superior appellate forums and therefore no further charge is required to be recognised in these unconsolidated 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 Saudi Pak and SBP to remove its name from CIB as it was allegedly reflecting bad on its business. Neither SBP nor Saudi Pak 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 Saudi Pak. So far, the Customer's evidence has been recorded. Now, it is fixed for recording of Saudi Pak's evidence (Defendant). Saudi Pak is confident that there is no substance in the present suit and liable to be dismissed after due process of law.

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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 Saudi Pak 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 his bid was 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. Saudi Pak contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the successful bidder/buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which was also contested by Saudi Pak, 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. Appeal was fixed for hearing on 20 April 2022 but neither the counsel nor the Appellant attended the hearing, therefore, the Division Bench of the Sindh High Court dismissed the Appeal for non-prosecution. Saudi Pak has filed its reply in the suit proceeding and filed Application for rejection of Plaintiff being without any merits having no cause of action. Hearing is now scheduled on 06 March 2023 for settling issues for evidence of parties and arguments on Saudi Pak's application seeking out-right rejection of the plaint. Prima facie, the suit is baseless, as no cause of action is accrued to the Plaintiff, therefore, it is expected that it will be dismissed 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 filed a Suit of for Declaration and damages of Rs. 600 million against Saudi Pak in the same court. The Customer alleged that TFF of Rs. 400 million approved by the Company was not disbursed to the Customer and due to non-disbursement of the approved TFF, the Customer suffered business losses of Rs. 200 million. Its reply was filed by the Company. The Suit is at evidence stage. Recording of Customer's evidence is in process and Saudi Pak's evidence will be recorded after completion of customer's evidence. Saudi Pak believes that the suit of the Customer is a counterblast against Saudi Pak's initiated litigation. Saudi Pak has denied all allegations vehemently by filing reply to this. 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.

	2022	2021
	----- Rupees -----	
23. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances	1,062,279,338	1,131,054,292
On investments	4,068,149,441	2,581,246,864
On lendings to financial institutions	26,062,611	4,686,802
On balances with banks	5,444,261	4,044,905
	<u>5,161,935,651</u>	<u>3,721,032,863</u>

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	Note	2022 Rupees	2021 Rupees
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	24.1	347,353,169	197,052,381
Borrowings			
Securities purchased under repurchase agreements		3,444,840,982	1,522,641,882
Other short term borrowings		486,422,628	281,373,700
Long term finance for export oriented projects from SBP		40,187,941	21,758,569
Long term borrowings		337,890,358	257,058,285
		4,309,341,909	2,082,832,436
Interest expense on lease liability against ROU assets		1,284,979	1,411,285
Brokerage fee		4,666,899	9,156,371
		<u>4,662,646,956</u>	<u>2,290,452,473</u>
24.1	The markup expensed amounting to Rs. 1,225,668 (2021: Rs. 771,746) relates to Saudi Pak Employees Contributory Fund.		
		2022	2021
	Note	Rupees	Rupees
25. FEE & COMMISSION INCOME			
Credit related fees		8,775,000	3,860,000
Commission on guarantees		175,000	-
		<u>8,950,000</u>	<u>3,860,000</u>
26. (LOSS) / GAIN ON SECURITIES			
Realised	26.1	66,148,755	(301,989,273)
Unrealised - held for trading	9.1	-	1,822,511
		<u>66,148,755</u>	<u>(300,166,762)</u>
26.1	Realised (loss) / gain on:		
Federal Government Securities		51,000	(345,070,665)
Mutual funds		-	-
Shares - listed		37,493,074	43,081,392
Shares - unlisted		28,604,681	-
		<u>66,148,755</u>	<u>(301,989,273)</u>
27. OTHER INCOME			
Rent on property - net	27.1	233,461,683	213,885,032
Gain / (loss) on sale of fixed assets - net		22,701,534	(794,282)
Gain on sale of non banking assets		-	60,630,049
Others		1,967,553	2,374,335
		<u>258,130,770</u>	<u>276,095,134</u>

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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		2022	2021
	Note	Rupees	Rupees
27.1 Rent on property - net			
Rental income		464,828,257	412,227,292
Less: property expense			
Salaries, allowances and employee benefits		34,718,943	28,861,689
Traveling and conveyance		2,700	3,100
Medical		1,228,016	500,424
Janitorial services		12,624,321	11,681,103
Security services		24,523,502	23,533,773
Insurance		2,170,994	1,817,391
Postage, telegraph, telegram and telephone		41,632	97,321
Printing and stationery		124,541	46,132
Utilities		13,067,191	14,424,300
Consultancy and professional charges		-	100,000
Repairs and maintenance		16,287,578	11,076,469
Rent, rates and taxes		2,656,870	2,735,184
Depreciation		122,185,410	102,131,308
Office general expenses		1,734,876	1,334,066
		<u>231,366,574</u>	<u>198,342,260</u>
		<u>233,461,683</u>	<u>213,885,032</u>
28. OPERATING EXPENSES			
Total compensation expense	28.1	264,069,092	298,551,347
Property expense			
Rent & taxes		526,106	537,895
Insurance		310,142	259,627
Utilities cost		25,345,973	16,305,919
Security (including guards)		4,892,041	4,608,168
Repair and maintenance (including janitorial charges)		4,130,272	3,251,082
Depreciation on ROU assets		14,675,277	13,785,682
Depreciation		17,455,058	14,590,187
		<u>67,334,869</u>	<u>53,338,560</u>
Information technology expenses			
Software maintenance		7,550,749	6,241,842
Hardware maintenance		1,911,398	1,457,324
Amortisation		4,422,525	4,592,471
Network charges		4,324,979	4,032,596
		<u>18,209,651</u>	<u>16,324,233</u>
Other operating expenses			
Shareholders' fee		(5,293,500)	5,293,500
Directors' fees and allowances		25,250,000	22,790,000
Legal and professional charges		4,547,177	7,528,803
Consultancy, custodial and rating services		9,379,323	9,036,366
Outsourced services costs		40,668,689	40,121,512
Travelling and conveyance		33,910,740	11,377,257
Depreciation		27,380,391	26,122,040
Training and development		2,819,548	2,786,747
Postage and courier charges		419,168	688,466
Communication		4,011,293	3,741,004
Stationery and printing		5,386,972	5,710,189
Marketing, advertisement and publicity		2,520,104	2,039,331
Donations	28.2	3,000,000	1,000,000
Auditors' remuneration	28.3	2,375,250	2,000,000
Repair and maintenance		3,929,886	3,710,241
Insurance		1,719,753	2,109,021
Office and general expenses		15,653,071	15,900,783
Bank charges		239,481	286,381
		<u>177,917,346</u>	<u>162,241,641</u>
		<u>527,530,958</u>	<u>530,455,781</u>

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	2022	2021
	Rupees	
28.1 Total compensation expense		
Fees and allowances etc.	-	-
Managerial remuneration		
i) Fixed	108,864,052	110,188,781
ii) Variable		
of which;		
a) Cash bonus / awards etc.	10,000,000	50,000,000
b) Bonus & awards in shares etc.	-	-
Charge for defined benefit plan	8,793,471	7,480,100
Contribution to defined contribution plan	10,128,872	9,545,208
Compensated absences	7,258,409	6,451,181
Leave fare assistance	4,434,247	4,486,970
Exgratia	9,128,662	8,342,846
Rent & house maintenance	52,492,716	50,934,136
Utilities	11,169,873	10,609,962
Medical	18,384,801	19,570,867
Conveyance	20,181,714	16,436,309
Grant to employee	-	2,500,000
Others	3,232,275	2,004,987
28.1.1 Sub-total	264,069,092	298,551,347
Sign-on bonus	-	-
Severance allowance	-	-
Grand total	264,069,092	298,551,347

28.1.1 This includes mainly group life insurance for permanent employees.

28.2 Donations

Prime Minister's Flood Relief Fund Account 2022	2,000,000	-
Make-A-Wish Foundation Pakistan	400,000	-
Cancer Foundation Hospital	300,000	-
Aziz Jehan Begum Trust For The Blind	300,000	-
Behbud Association of Pakistan	-	400,000
Sundas Foundation	-	300,000
Sahil	-	300,000
	3,000,000	1,000,000

28.3 Auditors' remuneration

Grant Thornton Anjum Rahman

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	-

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

Fee for other certifications	375,250	-
Tax services	-	-
	2,375,250	2,000,000

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		2022	2021
		Rupees	
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		30,000	130,429
		<u>30,000</u>	<u>130,429</u>
30. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments- net	9.3.1	204,114,878	101,275,992
(Reversal) / provisions against loans & advances- net	10.4	113,895,841	(241,560,274)
Bad debts written off directly		-	559,822
		<u>318,010,719</u>	<u>(139,724,460)</u>
31. TAXATION			
Current tax			
Current year		203,608,193	386,466,176
Prior year		47,583,851	(1,057,879)
		<u>251,192,044</u>	<u>385,408,297</u>
Deferred tax			
Current year		(168,021,299)	33,338,220
Prior year		-	-
		<u>(168,021,299)</u>	<u>33,338,220</u>
	31.1	<u>83,170,745</u>	<u>418,746,517</u>
31.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		393,954,965	1,341,064,524
Tax rate		29%	29%
Tax on accounting profit		114,246,940	388,908,712
Tax effect on income subject to lower rate of taxation		(68,062,641)	44,128,878
Tax effect of prior years		47,583,851	(1,057,879)
Impact of super tax for current year		31,327,256	-
Impact of change of rate on deferred tax		(99,581,727)	-
Reversal of deferred tax asset for prior year		-	-
Permanent differences on			
Reversal of provision against investment		47,113,204	53,542,123
Expenses not claimable against rental income		(2,089,590)	(2,110,090)
Right of use asset under IFRS - 16 Leases		(4,255,830)	(1,166,521)
Others		16,889,282	(63,498,706)
		<u>83,170,745</u>	<u>418,746,517</u>
32. BASIC / DILUTED EARNINGS PER SHARE		2022	2021
Profit for the year - Rupees		<u>310,784,220</u>	<u>922,318,007</u>
			Restated
Weighted average number of ordinary shares		<u>676,500,000</u>	<u>676,500,000</u>
Basic / diluted earnings per share - Rupee		<u>0.459</u>	<u>1.363</u>

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	2022	2021
	Rupees	
33. CASH AND CASH EQUIVALENTS		
Cash and Balance with Treasury Banks	116,437,350	101,939,997
Balance with other banks	127,875,540	134,486,399
	<u>244,312,890</u>	<u>236,426,396</u>

	2022	2021
	(Number)	
34. STAFF STRENGTH		
Permanent	69	64
On Company's contract	1	3
Company's own staff strength at the end of the year	<u>70</u>	<u>67</u>

34.1 In addition to the above, 85 (2021: 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, 2022 using the projected unit credit method. Detail of

35.2 Number of employees under the scheme

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

	2022	2021
	(Number)	
Gratuity fund	<u>70</u>	<u>65</u>

35.3 Principal actuarial assumptions

The latest actuarial valuations was carried out as at December 31, 2022 using the following significant assumptions:

	2022	2021
Discount rate	14.50% per annum	11.75% per annum
Expected rate of return on plan assets	12.57% per annum	8.02% per annum
Expected rate of salary increase	12.50% per annum	9.75% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Moderate	Moderate

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	2022	2021
	Rupees	
35.4 Reconciliation of payable to defined benefit plans		
Present value of obligations	74,143,323	66,100,005
Fair value of plan assets	(63,923,454)	(55,791,173)
Net liability payable	<u>10,219,869</u>	<u>10,308,832</u>
35.5 Movement in defined benefit obligations		
Obligations at the beginning of the year	66,100,005	62,233,677
Current service cost	7,642,125	6,702,160
Interest cost	7,747,584	5,970,729
Benefits paid by the Company	(9,253,654)	(10,668,173)
Re-measurement loss	1,907,263	1,861,612
Obligations at the end of the year	<u>74,143,323</u>	<u>66,100,005</u>
35.6 Movement in fair value of plan assets		
Fair value at the beginning of the year	55,791,173	53,874,873
Interest income on plan assets	6,596,238	5,192,789
Contributions by Company - net	10,308,832	8,358,804
Benefits paid by the Fund to the Company	(9,253,654)	(10,668,173)
Re-measurements: net return on plan assets		
over interest income - loss	35.8.2 480,865	(967,120)
Fair value at the end of the year	<u>63,923,454</u>	<u>55,791,173</u>
35.7 Movement in payable under defined benefit schemes		
Opening balance	10,308,832	8,358,804
Charge for the year	8,793,471	7,480,100
Benefits paid to outgoing members	(9,253,654)	(10,668,173)
Contribution by the Company - net	(10,308,832)	(8,358,804)
Re-measurement loss recognised in OCI		
during the year	35.8.2 1,426,398	2,828,732
Amount paid by the fund to the Company	9,253,654	10,668,173
Closing balance	<u>10,219,869</u>	<u>10,308,832</u>
35.8 Charge for defined benefit plans		
35.8.1 Cost recognised in profit and loss		
Current service cost	7,642,125	6,702,160
Net interest on defined benefit liability	1,151,346	777,940
	<u>8,793,471</u>	<u>7,480,100</u>

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35.8.2 Re-measurements recognised in OCI during the year

	2022	2021
	----- Rupees -----	
Loss / (gain) on obligation	-	-
- Demographic assumptions	1,104,585	737,405
- Financial assumptions	802,678	1,124,207
- Experience adjustments		
Total actuarial loss on obligation	1,907,263	1,861,612
Return on plan assets over interest income - loss	(480,865)	967,120
Total re-measurements recognised in OCI	<u>1,426,398</u>	<u>2,828,732</u>

35.9 Components of plan assets

Cash and cash equivalents - net	3,474,857	2,962,848
Term deposit receipts (TDR) / Certificate of Investment	60,448,597	52,828,325
	<u>63,923,454</u>	<u>55,791,173</u>

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:

	2022	2021
	----- Rupees -----	
Discount rate +0.5%	72,245,115	64,351,025
Discount rate -0.5%	76,153,975	67,960,635
Long term salary increase +0.5%	76,350,565	68,141,454
Long term salary increase -0.5%	72,043,332	64,165,575

2023
 ---- Rupees ----

35.11 Expected contributions to be paid to the fund in the next financial year

9,803,037

35.12 Expected charge for next financial year

Current service cost	8,399,429
Net interest on defined benefit asset / liability	<u>1,403,608</u>
	<u>9,803,037</u>

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	2022	2021
	Rupees	
35.13 Maturity profile		
Distribution of timing of benefit payments (years)		
- 1	5,412,973	7,977,685
- 2	41,755,063	31,496,832
- 3	11,544,936	7,507,647
- 4	3,134,589	10,671,731
- 5	5,335,696	2,862,200
- 6-10	60,425,869	30,157,264
Weighted average duration of the PBO (years)	5.27	5.45

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, 2022 were Rs. 139,621,456 (2021: Rs. 122,649,667).

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total compensation expense

Items	2022				
	Directors			GM / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
Fees and allowances etc.	4,650,000	-	20,600,000	-	-
Managerial remuneration					
i) Fixed	-	-	-	26,347,359	39,187,232
ii) Total variable	-	-	-	-	-
of which					
a) Cash bonus / awards	-	-	-	-	3,243,965
b) Bonus & awards in shares	-	-	-	-	-
Charge for defined benefit plan	-	-	-	2,576,121	2,773,757
Contribution to defined contribution plan	-	-	-	2,634,736	3,326,807
Compensated absences	-	-	-	3,806,660	1,446,742
Leave fare assistance	-	-	-	2,196,150	2,238,097
Exgratia	-	-	-	2,196,150	3,258,600
Rent & house maintenance	-	-	-	7,560,000	19,960,774
Utilities	-	-	-	3,532,665	3,474,897
Medical	-	-	-	408,000	5,662,370
Conveyance	-	-	-	3,938,787	9,348,944
Others	-	-	-	-	-
Total	4,650,000	-	20,600,000	55,196,628	93,922,185
Number of persons	1	0	5	1	14

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:

- 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.
- Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

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Items	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

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2022					
		Meeting Fees and Allowances Paid					
		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	3,600,000	150,000	-	-	900,000	4,650,000
2	Majid Misfer J.Alghamdi	2,400,000	80,000	950,000	450,000	450,000	4,330,000
3	Ghanem Alghanem	2,400,000	80,000	900,000	450,000	250,000	4,080,000
4	Zafar Hasan	3,000,000	80,000	-	500,000	500,000	4,080,000
5	Qumar Sarwar Abbasi	2,700,000	80,000	950,000	500,000	-	4,230,000
6	Mohammad Tanvir Butt	2,400,000	80,000	700,000	-	700,000	3,880,000
	Total Amount Paid	16,500,000	550,000	3,500,000	1,900,000	2,800,000	25,250,000

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.

		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.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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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.

	Carrying / Notional Value	2022			
		Level 1	Level 2	Level 3	Total
		Rupees			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	31,193,768,300	-	31,193,768,300	-	31,193,768,300
Shares	2,225,006,399	2,225,006,399	-	-	2,225,006,399
Non-Government Debt Securities	891,725,421	-	891,725,421	-	891,725,421
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,000,515,000	-	-	1,000,515,000	1,000,515,000
Cash and balances with treasury banks	116,437,350	-	-	-	-
Balances with other banks	127,875,540	-	-	-	-
Advances	9,119,290,062	-	-	-	-
Other assets	2,243,243,324	-	-	-	-
Off-balance sheet financial instruments - measured at fair value		-	-	-	-

	Carrying / Notional Value	2021			
		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	134,466,399	-	-	-	-
Advances	6,867,783,165	-	-	-	-
Other assets	1,197,561,492	-	-	-	-
Off-balance sheet financial instruments - measured at fair value		-	-	-	-

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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, 2022, 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

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.

	2022			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building)	-	-	4,049,255,333	4,049,255,333
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	74,545,056	74,545,056
	2021			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building)	-	-	4,174,157,516	4,174,157,516
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	77,651,100	77,651,100

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.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

	2022			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	211,014,445	288,274,250	-	499,288,695
Non mark-up / return / interest income	8,950,000	495,858,711	235,429,236	740,237,947
Total income	219,964,445	784,132,961	235,429,236	1,239,526,642
Segment direct expenses	115,571,112	411,989,846	-	527,560,958
Total expenses	115,571,112	411,989,846	-	527,560,958
Provisions	97,424,113	220,586,606	-	318,010,719
Profit before tax	6,969,220	151,556,509	235,429,236	393,954,965
Balance sheet				
Cash & bank balances	-	244,312,890	-	244,312,890
Investments	1,000,515,000	35,320,500,128	-	36,321,015,128
Lendings to financial institutions	-	-	-	-
Advances - performing	8,610,024,073	-	-	8,610,024,073
- non-performing net of provision	509,265,989	-	-	509,265,989
Others	1,691,972,230	3,626,762,851	2,603,348,007	7,922,083,088
Total assets	11,811,777,292	39,191,575,869	2,603,348,007	53,606,701,168
Borrowings	9,544,598,132	27,230,268,717	-	36,774,866,849
Deposits & other accounts	506,884,232	1,446,115,768	-	1,953,000,000
Others	146,307,332	494,232,619	194,733,438	835,273,389
Total liabilities	10,197,789,696	29,170,617,104	194,733,438	39,563,140,238
Equity	-	-	-	14,043,560,930
Total equity & liabilities	10,197,789,696	29,170,617,104	194,733,438	53,606,701,168
Contingencies & commitments	818,560,311	2,582,854	7,972,553	829,115,718
	2021			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	520,832,757	909,747,633	-	1,430,580,390
Non mark-up / return / interest income	3,860,000	81,226,517	216,259,367	301,345,884
Total income	524,692,757	990,974,150	216,259,367	1,731,926,274
Segment direct expenses	183,678,050	346,908,160	-	530,586,210
Total expenses	183,678,050	346,908,160	-	530,586,210
Provisions / (reversals)	(99,795,278)	(39,929,182)	-	(139,724,460)
Profit before tax	440,809,985	683,995,172	216,259,367	1,341,064,524
Balance sheet				
Cash & bank balances	-	236,426,396	-	236,426,396
Investments	1,323,068,000	29,807,628,425	-	31,130,696,425
Lendings to financial institutions	-	-	-	-
Advances - performing	6,721,837,122	-	-	6,721,837,122
- non-performing	145,946,043	-	-	145,946,043
Others	854,579,982	1,642,074,661	3,956,259,297	6,452,913,940
Total assets	9,045,431,147	31,686,129,482	3,956,259,297	44,687,819,926
Borrowings	6,977,336,527	19,479,282,445	-	26,456,618,972
Deposits & other accounts	767,865,605	2,143,722,170	-	2,911,587,775
Others	(472,347,293)	35,209,749	1,297,970,971	860,833,427
Total liabilities	7,272,854,839	21,658,214,364	1,297,970,971	30,229,040,174
Equity	-	-	-	14,458,779,752
Total equity & liabilities	7,272,854,839	21,658,214,364	1,297,970,971	44,687,819,926
Contingencies & commitments	1,334,211,192	3,025,258	5,358,927	1,342,595,377

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39.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2022		
	In Pakistan	Outside Pakistan	Total
	Rupees		
Profit & loss			
Net mark-up/return/profit	499,288,695	-	499,288,695
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	740,237,947	-	740,237,947
Total income	1,239,526,642	-	1,239,526,642
Segment direct expenses	527,560,958	-	527,560,958
Inter segment expense allocation	-	-	-
Total expenses	527,560,958	-	527,560,958
Provisions	318,010,719	-	318,010,719
Profit before tax	393,954,965	-	393,954,965
Balance sheet			
Cash & bank balances	244,312,890	-	244,312,890
Investments	36,321,015,128	-	36,321,015,128
Net inter segment lendings	-	-	-
Lendings to financial institutions	-	-	-
Advances - performing	8,610,024,073	-	8,610,024,073
- non-performing net of provision	509,265,989	-	509,265,989
Others	7,864,072,058	-	7,864,072,058
Total assets	53,548,690,138	-	53,548,690,138
Borrowings	36,774,866,849	-	36,774,866,849
Deposits & other accounts	1,953,000,000	-	1,953,000,000
Net inter segment borrowing	-	-	-
Others	835,273,389	-	835,273,389
Total liabilities	39,563,140,238	-	39,563,140,238
Equity	14,043,560,930	-	14,043,560,930
Total equity & liabilities	53,606,701,168	-	53,606,701,168
Contingencies & commitments	829,115,718	-	829,115,718
	2021		
	In Pakistan	Outside Pakistan	Total
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

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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.

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:

	2022						2021					
	Shareholders	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Shareholders	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees						Rupees					
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	19,492,212,383	-	-	-	-	-	4,386,994,540
Repaid during the year	-	-	-	-	-	(19,492,212,383)	-	-	-	-	-	(4,386,994,540)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	500,000,000	-	199,720,000	-	-	-	500,000,000	-	199,600,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	(80,000)	-	-	-	-	-	(80,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	500,000,000	-	199,640,000	-	-	-	500,000,000	-	199,720,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-
Advances												
Opening balance	-	-	26,026,934	-	-	-	-	-	22,314,824	-	-	-
Addition during the year	-	-	10,412,718	-	-	-	-	-	8,034,694	-	-	-
Repaid during the year	-	-	(12,894,098)	-	-	-	-	-	(12,347,584)	-	-	-
Transfer in / (out) - net	-	-	1,018,517	-	-	-	-	-	8,025,000	-	-	-
Closing balance	-	-	24,564,071	-	-	-	-	-	26,026,934	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale												
Opening balance	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Provision for Non-current asset classified as held for sale	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Other assets - Income / markup accrued	-	-	-	-	-	6,511,442	-	-	-	-	-	3,826,416
Other assets - security deposit	-	-	-	2,633,280	-	-	-	-	-	2,633,260	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings												
Opening balance	-	-	-	-	-	6,670,000,000	-	-	-	-	-	13,000,000,000
Borrowings during the year	-	-	-	-	-	142,563,911,654	-	-	-	-	-	94,074,973,235
Settled during the year	-	-	-	-	-	(149,233,911,654)	-	-	-	-	-	(100,404,973,235)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	6,670,000,000
Deposits and other accounts												
Opening balance	-	-	-	-	-	2,711,587,775	-	-	-	-	-	2,445,600,000
Received during the year	-	-	-	-	-	356,073,379	-	-	-	-	-	406,587,775
Withdrawn during the year	-	-	-	-	-	(1,714,661,154)	-	-	-	-	-	(140,800,000)
Closing balance	-	-	-	-	-	1,353,000,000	-	-	-	-	-	2,711,587,775
Other Liabilities												
Interest / mark-up payable	-	-	-	-	-	10,786,083	-	-	-	-	-	43,413,083
Payable to defined benefit plan	-	-	-	-	-	10,219,869	-	-	-	-	-	10,308,832
Dividend payable to Foreign shareholder	82,500,000	-	-	-	-	-	-	-	-	-	-	-
Security deposit	-	-	-	426,170	-	2,366,908	-	-	-	401,960	-	1,697,850
Rent received in advance	-	-	-	1,065,425	-	24,773,648	-	-	-	973,462	-	22,596,961
Income												
Mark-up / return / interest earned	-	-	754,188	-	-	42,924,206	-	-	1,536,707	-	-	20,277,364
Rental income	-	-	-	4,911,721	-	26,226,209	-	-	-	4,523,221	-	24,168,462
Expense												
Mark-up / return / interest expensed	-	-	-	-	-	781,514,882	-	-	-	-	-	577,049,331
Contribution to employees' funds	-	-	-	-	-	10,464,818	-	-	-	-	-	9,933,319
Directors' fees and allowances	-	25,250,000	-	-	-	-	-	22,790,000	-	-	-	-
Shareholders' fee	-	-	-	-	-	(5,293,500)	-	-	-	-	-	5,293,500
Operating expenses	-	-	149,118,813	-	388,780	-	-	-	158,890,112	-	369,875	-

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	2022	2021
	Rs '000'	
41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,765,000	6,600,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	12,253,559	11,993,920
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	12,253,559	11,993,920
Eligible Tier 2 Capital	1,124,774	1,662,546
Total Eligible Capital (Tier 1 + Tier 2)	13,378,333	13,656,466
Risk Weighted Assets (RWAs):		
Credit Risk	22,217,420	18,537,351
Market Risk	6,111,660	7,191,165
Operational Risk	2,876,520	3,238,102
Total	31,205,600	28,966,618
Common Equity Tier 1 Capital Adequacy ratio	39.27%	41.41%
Tier 1 Capital Adequacy Ratio	39.27%	41.41%
Total Capital Adequacy Ratio	42.87%	47.15%
As of December 2022, 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.		
Leverage Ratio (LR):		
Eligible Tier-1 Capital	12,253,559	11,993,920
Total Exposures	53,966,116	45,532,808
Leverage Ratio	22.71%	26.34%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,639,985	5,109,796
Total Net Cash Outflow	3,295,451	2,266,280
Liquidity Coverage Ratio	140.80%	225.47%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	36,098,612	30,780,826
Total Required Stable Funding	21,362,298	18,385,334
Net Stable Funding Ratio	168.98%	167.42%

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

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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.

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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 committee, and review by independent functions;
- 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 and eligible valuers in place and reviewed annually;
- Policies & procedures circulated amongst concerned functionaries through the Company's intranet;
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

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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, 2022 amounted to:

	2022 Without benefit of collateral	2022 With benefit of collateral
	-----	-----
	-----Rupees-----	
Lending to financial institutions	-	-
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	-	1,892,240,421
Advances	-	9,119,290,062
	-----	11,011,530,483
	-----	-----

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

42.1.1 Lendings to financial institutions

Credit risk by public / private sector	2022	2021	2022	2021	2022	2021
	Gross lendings		Non-performing lendings		Provision held	
	Rupees					
Public / Government	-	-	-	-	-	-
Private	-	-	-	-	-	-
	-	-	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector	2022	2021	2022	2021	2022	2021
	Gross investments		Non-performing investments		Provision held	
	Rupees					
Textile	329,355,000	329,355,000	329,355,000	329,355,000	295,605,000	295,605,000
Chemical and Pharmaceuticals	272,134,533	286,283,751	272,134,533	286,283,751	272,134,533	286,283,751
Power (electricity), Gas, Water, Sanitary	500,000,000	1,000,000,000	-	-	-	-
Transport, Storage and Communication	37,964,468	40,286,978	37,964,468	40,286,978	37,964,468	40,286,978
Financial	1,359,898,921	1,382,451,921	3,748,500	3,748,500	3,748,500	3,748,500
	<u>2,499,352,922</u>	<u>3,038,377,650</u>	<u>643,202,501</u>	<u>659,674,229</u>	<u>609,452,501</u>	<u>625,924,229</u>
Credit risk by public / private sector						
Public / Government	199,640,000	199,720,000	-	-	-	-
Private	<u>2,299,712,922</u>	<u>2,838,657,650</u>	<u>643,202,501</u>	<u>659,674,229</u>	<u>609,452,501</u>	<u>625,924,229</u>
	<u>2,499,352,922</u>	<u>3,038,377,650</u>	<u>643,202,501</u>	<u>659,674,229</u>	<u>609,452,501</u>	<u>625,924,229</u>

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42.1.3 Advances

Credit risk by industry sector

Credit risk by industry sector	2022	2021	2022	2021	2022	2021
	Gross advances		Non-performing advances		Provision held	
	Rupees					
Textile	3,218,986,672	3,452,666,967	1,345,653,567	1,166,887,577	1,106,387,578	1,020,941,534
Chemical and Pharmaceuticals	-	-	-	-	-	-
Cement	1,118,795,322	141,075,041	116,206,923	116,206,923	116,206,923	116,206,923
Sugar	243,114,473	243,114,473	243,114,473	243,114,473	243,114,473	243,114,473
Automobile and transportation equipment	403,000,000	153,000,000	153,000,000	153,000,000	153,000,000	153,000,000
Electronics and electrical appliances	951,375,492	871,447,933	-	-	-	-
Construction	196,080,094	200,044,160	196,080,094	200,044,160	196,080,094	200,044,160
Power (electricity), Gas, Water, Sanitary	1,010,710,571	1,194,574,207	165,028,752	165,028,752	165,028,752	165,028,752
Transport, Storage and Communication	1,700,000,000	800,000,000	-	-	-	-
Financial	123,500,000	123,500,000	73,500,000	73,500,000	73,500,000	73,500,000
Services	901,000,000	275,530,294	101,000,000	133,030,294	101,000,000	133,030,294
Paper board and products	4,203,851	26,143,311	4,203,851	26,143,311	4,203,851	26,143,311
Rubber and plastic products	270,000,000	270,000,000	270,000,000	-	-	-
Basic metals	178,920,566	204,781,184	69,093,230	69,093,230	69,093,230	69,093,230
Dairy & Poultry	1,055,555,554	1,055,555,554	-	-	-	-
Others	99,295,985	97,702,718	41,250,000	41,250,000	41,250,000	41,250,000
	11,474,538,580	9,109,135,842	2,778,130,890	2,387,298,720	2,268,864,901	2,241,352,677

Credit risk by public / private sector

	2022	2021	2022	2021	2022	2021
Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	-----Rupees-----					
Public/ Government	-	-	-	-	-	-
Private	11,474,538,580	9,109,135,842	2,778,130,890	2,387,298,720	2,268,864,901	2,241,352,677
	11,474,538,580	9,109,135,842	2,778,130,890	2,387,298,720	2,268,864,901	2,241,352,677

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	2022	2021
	-----Rupees-----	
42.1.4 Contingencies and Commitments		
Commitments: credit risk by industry sector		
Textile	378,000,000	8,575,500
Cement	5,264,695	1,000,000,000
Sugar	112,000,000	-
Electronics and electrical appliances	52,390,289	124,552,067
Power (electricity), Gas, Water, Sanitary	70,000,000	-
Financial	200,000,000	200,000,000
Others	11,460,734	9,467,810
	<u>829,115,718</u>	<u>1,342,595,377</u>
Credit risk by public / private sector		
Public/ Government	-	-
Private	829,115,718	1,342,595,377
	<u>829,115,718</u>	<u>1,342,595,377</u>

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. 7,153 million (2021: Rs. 5,752 million) as follows:

	2022	2021
	-----Rupees-----	
Funded	7,153,388,076	5,751,975,737
Non Funded	-	-
Total Exposure	<u>7,153,388,076</u>	<u>5,751,975,737</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 8,025,000,000 (2021: Rs. 6,901,341,120).

	2022	2021		
	Amount	Provision held	Amount	Provision held
	-----Rupees-----			
Total funded classified therein				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	719,909,649	719,909,649
Total	<u>-</u>	<u>-</u>	<u>719,909,649</u>	<u>719,909,649</u>

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42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	-	-	-	-	-	-	-
Sindh	-	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	3,756,229,305	2,511,494,000	1,244,735,305	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	<u>3,756,229,305</u>	<u>2,511,494,000</u>	<u>1,244,735,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>3,024,787,500</u>	<u>2,483,363,000</u>	<u>541,424,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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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.

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42.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	116,437,350	-	116,437,350	101,939,997	-	101,939,997
Balances with other banks	127,875,540	-	127,875,540	134,486,399	-	134,486,399
Lendings to financial institutions	-	-	-	-	-	-
Investments	2,902,240,429	33,418,774,699	36,321,015,128	3,439,411,829	27,691,284,596	31,130,696,425
Advances	9,119,290,062	-	9,119,290,062	6,867,783,165	-	6,867,783,165
Fixed assets	4,181,796,569	-	4,181,796,569	4,243,479,479	-	4,243,479,479
Intangible assets	6,392,003	-	6,392,003	6,109,050	-	6,109,050
Deferred tax assets	58,011,030	-	58,011,030	-	-	-
Other assets	3,675,883,486	-	3,675,883,486	2,203,325,411	-	2,203,325,411
	<u>20,187,926,469</u>	<u>33,418,774,699</u>	<u>53,606,701,168</u>	<u>16,996,535,330</u>	<u>27,691,284,596</u>	<u>44,687,819,926</u>

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:

	2022				2021			
	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	<u>29,875,718</u>	<u>-</u>	<u>-</u>	<u>29,875,718</u>	<u>23,753,611</u>	<u>-</u>	<u>-</u>	<u>23,753,611</u>

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	298,757	-	237,536	-
- Other comprehensive income	-	-	-	-

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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.

	2022		2021	
	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
- Other comprehensive	-	111,250,320	-	122,748,780

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.

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Impact of 1% change in interest rates on	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
- Profit and loss account	34,871,809	-	52,224,727	-
- Other comprehensive income	-	-	-	-

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Mismatch of Interest Rate Sensitive Assets and Liabilities	Effective Yield/ Interest rate	Total	2022									Non-interest bearing financial instruments
			Exposed to Yield/ Interest risk									
			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									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	116,437,350	-	-	-	-	-	-	-	-	-	116,437,350
Balances with other banks	12.25	127,875,540	43,498,975	-	-	-	-	-	-	-	-	84,376,565
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	14.58	36,321,015,128	7,308,100,000	17,893,500,000	296,390,421	-	5,578,040,800	-	-	1,976,227,500	-	3,268,756,407
Advances	13.89	9,119,290,062	2,320,631,187	4,953,112,892	1,787,499,998	2,295,976	4,719,803	-	-	51,030,406	-	-
Other assets	-	2,243,243,324	-	-	-	-	-	-	-	-	-	2,243,243,324
		47,927,861,404	9,672,230,162	22,846,612,892	2,083,890,419	2,295,976	5,582,760,403	-	-	2,027,257,906	-	5,712,813,646
Liabilities												
Borrowings	15.32	36,774,866,849	11,089,130,590	19,407,917,842	3,674,187,297	98,374,594	314,603,970	353,845,068	707,690,136	1,129,117,352	-	-
Deposits and other accounts	16.62	1,953,000,000	1,743,000,000	10,000,000	200,000,000	-	-	-	-	-	-	-
Other liabilities	-	546,879,433	-	-	-	-	-	-	-	-	-	546,879,433
		39,274,746,282	12,832,130,590	19,417,917,842	3,874,187,297	98,374,594	314,603,970	353,845,068	707,690,136	1,129,117,352	-	546,879,433
On-balance sheet gap		8,653,115,122	(3,159,900,428)	3,428,695,050	(1,790,296,878)	(98,078,618)	5,268,156,433	(353,845,068)	(707,690,136)	898,140,554	-	5,165,934,213
Off-balance sheet financial instruments												
		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(3,159,900,428)	3,428,695,050	(1,790,296,878)	(98,078,618)	5,268,156,433	(353,845,068)	(707,690,136)	898,140,554	-	5,165,934,213
Cumulative Yield/Interest Risk Sensitivity Gap			(3,159,900,428)	268,794,622	(1,521,502,256)	(1,617,580,874)	3,650,575,559	3,296,730,491	2,589,040,355	3,487,180,909	3,487,180,909	-

	Effective Yield/ Interest rate	Total	2021								Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk									
			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									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	101,939,997	-	-	-	-	-	-	-	-	101,939,997	
Balances with other banks	5.50	134,486,399	127,803,414	-	-	-	-	-	-	-	6,682,985	
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	
Investments	8.72	31,130,696,425	430,000,000	18,729,368,400	318,943,421	-	5,926,611,000	-	2,190,370,000	-	3,535,403,604	
Advances	10.66	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	-	1,197,561,492	
Other assets	-	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	4,841,788,076	
Liabilities												
Borrowings	9.83	26,456,618,972	22,850,230,040	327,984,692	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	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	(23,182,668,502)	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												
			(23,182,668,502)	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												
			(23,182,668,502)	(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	

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. 4,181,796,569 (2021: Rs. 4,243,479,479), Intangible assets of Rs. 6,392,003 (2021: Rs. 6,109,050) 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. 1,432,640,162 (2021: Rs. 1,005,763,919)

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. 288,393,956 (2021: Rs. 142,789,482)

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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.

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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

Total		2022												
		Up to 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														
Assets														
Cash and balances with treasury banks	116,437,350	116,437,350	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	127,875,540	127,875,540	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	36,321,015,128	-	60,000	-	-	250,030,000	33,750,000	22,495,000	250,030,000	2,276,886,820	10,520,475,800	2,260,260,000	660,160,000	20,046,867,508
Advances	9,119,290,062	167,212,404	352,051,245	21,193,875	36,263,497	35,541,891	69,610,546	494,675,645	239,983,500	450,554,723	1,622,499,013	1,752,777,788	2,504,674,056	1,372,251,879
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	4,181,796,569	414,069	2,484,415	2,698,484	6,825,108	12,422,077	12,422,076	77,522,842	37,266,230	37,266,229	149,064,917	139,882,490	254,488,690	3,449,038,942
Intangible assets	6,392,003	5,918	35,508	41,426	94,686	177,538	177,537	532,613	532,613	532,613	2,130,452	2,131,099	-	-
Deferred tax assets	58,011,030	140,172	295,120	17,767	30,399	483,432	966,865	1,450,297	966,841	1,933,682	5,801,117	5,801,117	11,602,234	28,521,987
Other assets	3,675,883,486	277,561,540	584,381,600	35,180,432	60,195,008	254,711,456	509,422,912	570,949,956	691,740,192	691,740,190	-	-	-	-
	53,606,701,168	689,646,993	939,308,086	59,331,984	103,208,698	553,366,394	626,349,936	1,167,626,353	1,220,519,376	3,458,914,257	12,299,971,299	4,180,852,494	3,430,924,980	24,896,680,316
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	36,774,666,849	-	5,170,785,000	1,518,112,498	4,400,233,092	15,239,233,596	4,043,684,246	424,187,297	111,687,297	611,687,297	1,252,103,970	1,103,845,068	1,770,190,136	1,129,117,352
Deposits and other accounts	1,953,000,000	-	-	-	-	-	10,000,000	-	400,000,000	1,543,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	835,273,389	6,613,350	46,293,453	92,586,906	52,906,804	81,101,595	162,203,190	175,779,103	88,121,099	68,121,099	17,520,021	-	7,208,031	16,818,738
	39,563,140,238	6,613,350	5,217,078,453	1,610,699,404	4,453,139,896	15,320,335,191	4,215,887,436	599,966,400	599,608,396	2,242,808,396	1,269,623,991	1,103,845,068	1,777,398,167	1,145,936,090
Net assets	14,043,560,930	683,033,643	(4,277,770,365)	(1,551,367,420)	(4,349,931,198)	(14,766,968,797)	(3,589,537,500)	567,659,953	820,710,980	1,216,105,861	11,030,347,308	3,067,007,426	1,653,526,813	23,750,744,226
Share capital/ Head office capital account	6,765,000,000													
Reserves	1,790,149,151													
Unappropriated/ Unremitted profit	4,175,180,394													
Surplus/(Deficit) on revaluation of assets	1,313,231,385													
	14,043,560,930													

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Total		2021												
		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														
Assets														
Cash and balances with treasury banks	101,939,997	101,939,997	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	134,486,399	134,486,399	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	31,130,696,425	-	-	-	-	250,030,000	101,677,999	58,000	250,030,000	2,506,856,018	559,508,400	5,949,206,000	959,740,000	20,553,590,008
Advances	6,867,783,165	137,501,026	-	25,875,000	44,370,026	37,689,717	33,486,719	380,389,703	328,857,574	345,014,518	1,091,294,125	1,195,257,120	2,002,849,872	1,245,197,765
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	4,243,479,479	456,328	2,737,969	3,194,297	7,301,249	13,689,843	13,689,842	44,273,866	39,031,322	39,031,322	150,492,429	150,492,429	292,621,561	3,486,467,022
Intangible assets	6,109,050	5,656	33,936	39,592	90,495	169,678	169,679	509,036	509,036	509,036	2,036,144	2,036,762	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2,203,325,411	335,438,411	-	63,122,939	108,242,182	138,121,176	276,242,353	321,923,526	460,117,412	460,117,412	-	-	-	-
	44,687,819,926	709,827,817	2,771,905	92,231,828	160,003,952	439,700,414	425,266,592	747,154,131	1,098,545,344	3,371,528,306	1,803,331,098	7,296,992,311	3,255,211,433	25,285,254,795
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	26,456,618,972	-	4,492,426,600	10,064,007,348	8,293,796,092	6,235,246	71,749,446	508,830,282	96,330,282	408,830,282	1,056,392,173	503,683,014	461,506,312	492,831,695
Deposits and other accounts	2,911,587,775	-	-	-	169,927,231	62,888,133	243,772,411	-	300,000,000	2,135,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	441,365,024	2,434,543	-	458,133	785,600	3,678,095	7,356,192	11,034,288	7,356,012	14,712,023	44,136,611	44,136,611	88,273,221	217,003,694
Other liabilities	419,468,403	1,935,781	13,550,464	27,100,926	15,466,245	38,715,612	77,431,223	99,461,983	62,082,848	62,082,849	-	-	6,466,142	15,134,328
	30,229,040,174	4,370,324	4,505,977,064	10,091,566,409	8,479,995,168	111,517,087	400,309,272	619,326,553	465,769,142	2,620,625,154	1,100,528,784	547,819,625	556,265,675	724,969,917
Net assets	14,458,779,752	705,457,493	(4,503,205,159)	(9,999,334,581)	(6,319,991,216)	328,183,327	24,957,320	127,827,578	632,776,202	750,903,152	702,802,314	6,749,172,666	2,698,945,758	24,560,284,878
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													

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

Total		2022								
		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										
Assets										
Cash and balances with treasury banks	116,437,350	116,437,350	-	-	-	-	-	-	-	-
Balances with other banks	127,875,540	127,875,540	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	36,321,015,128	60,000	283,780,000	22,495,000	2,526,916,820	10,520,475,800	2,260,260,000	660,160,000	19,546,867,508	500,000,000
Advances	9,119,290,062	576,721,021	105,152,437	494,675,645	690,538,223	1,622,499,013	1,752,777,788	2,504,674,056	1,372,251,879	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Fixed assets	4,181,796,569	12,422,076	24,844,153	77,522,842	74,532,459	149,084,917	139,882,490	254,488,690	468,421,553	2,980,617,389
Intangible assets	6,392,003	177,538	355,075	532,613	1,065,226	2,130,452	2,131,099	-	-	-
Deferred tax assets	58,011,030	483,458	1,450,297	1,450,297	2,900,523	5,801,117	5,801,117	11,602,234	25,981,253	2,540,734
Other assets	3,675,883,486	957,318,780	764,134,368	570,949,956	1,383,480,382	-	-	-	-	-
	53,606,701,168	1,791,495,763	1,179,716,330	1,167,626,353	4,679,433,633	12,299,971,299	4,160,852,494	3,430,924,980	21,413,522,193	3,483,158,123
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	36,774,866,849	11,089,130,590	19,282,917,842	424,187,297	723,374,594	1,252,103,970	1,103,845,068	1,770,190,136	1,129,117,352	-
Deposits and other accounts	1,953,000,000	-	10,000,000	-	1,943,000,000	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	835,273,389	198,400,513	243,304,785	175,779,103	176,242,198	17,520,021	-	7,208,031	16,818,738	-
	39,563,140,238	11,287,531,103	19,536,222,627	599,966,400	2,842,616,792	1,269,623,991	1,103,845,068	1,777,398,167	1,145,936,090	-
Net assets	14,043,560,930	(9,496,035,340)	(18,356,506,297)	567,659,953	1,836,816,841	11,030,347,308	3,057,007,426	1,653,526,813	20,267,586,103	3,483,158,123
Share capital/										
Head office capital account	6,765,000,000									
Reserves	1,790,149,151									
Unappropriated/	4,175,180,394									
Unremitted profit										
Surplus/(Deficit) on revaluation of assets	1,313,231,385									
	14,043,560,930									

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Total	2021								
		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								
Assets										
Cash and balances with treasury banks	101,939,997	101,939,997	-	-	-	-	-	-	-	-
Balances with other banks	134,486,399	134,486,399	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	31,130,696,425	-	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	207,746,052	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
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Fixed assets	4,243,479,479	13,689,843	27,379,685	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	339,357	509,036	1,018,072	2,036,144	2,036,762	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,203,325,411	506,803,532	414,363,529	321,923,526	960,234,824	-	-	-	-	-
	44,687,819,926	964,835,502	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	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	441,365,024	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	419,468,403	58,073,418	116,146,835	99,461,983	124,165,697	-	-	6,486,142	15,134,328	-
	30,229,040,174	23,081,908,965	511,826,359	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)	353,140,647	127,827,578	1,383,679,354	702,802,314	6,749,172,686	2,698,945,758	21,224,751,796	3,335,533,082
Share capital/										
Head office capital account	6,800,000,000									
Reserves	1,727,992,307									
Unappropriated/Unremitted profit	4,169,842,451									
Surplus/(Deficit) on revaluation of assets	1,960,944,994									
	<u>14,458,779,752</u>									

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 25 FEB 2023

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GM/Chief Executive


Chief Financial Officer


Director


Director


Director

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2022

(Rupee 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	2	3	4	5	6	7	8	9	10	11	12	13
1	Plyfo Industries Limited 1095, A/117, Ward # 10, Gali Baba Ahmed Din Wali, Gujranwala Road, Alipur Chatta, Wazirabad, Gujranwala.	Abdul Waheed Gill Muhammad Rana Gill Sajjad Mehmood Gill Abdul Ghanni Gill	34104-2310743-5 34104-2261018-9 34104-2310745-5 34104-2287873-5	Imam Din Gill Imam Din Gill Muhammad Abdullah Gill Imam Din Gill	21.939	4.849	0.000	26.788	0.000	4.779	37.709	42.488
2	Dewan Salman Fiber Limited 2nd Floor, Block "A", Finance & Trade Centre, Shahrah-e- Faisal, Karachi	Mr. Zafar Asim Mr. Muhammad Irfan Ali Mr. Saleem-ul-Haque Mr. Asghar Iqbal Mr. Muhammad Wajid Syed Farhan Asdaque Ms. Momina Gul	42101-0140193-3 36302-2168721-7 41303-0223520-3 42101-6615857-3 42201-0361792-3 42101-1385134-1 42501-5495565-4	Mr. Muhammad Fahim Mr. Ali Daraz Mr. Nadeem-ul-Haque Mr. Muhammad Iqbal Ahmed Mr. Shafiq Ahmed Syed Mansoor Asdaque Syed Tahir Hussain	49.999	4.461	0.187	54.647	0.000	0.000	72.719	72.719
					71.938	9.310	0.187	81.435	0.000	4.779	110.428	115.207

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