

# ANNUAL REPORT 2015



Pakistan Kuwait Investment Company ( Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait



## A JOINT VENTURE

The Company is a joint venture between the Governments of Kuwait and Pakistan



## COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. Established in 1979, the company initiated operations with a paid-up capital of Rs. 62.50 million. Over the years paid-up capital and reserves have increased manifold reflecting upon the company's impressive performance since inception.

PKIC continues to serve as a medium for catalyzing infrastructure development and enhancing real economic activity, helping the nation in achieving a steep yet sustainable growth trajectory.



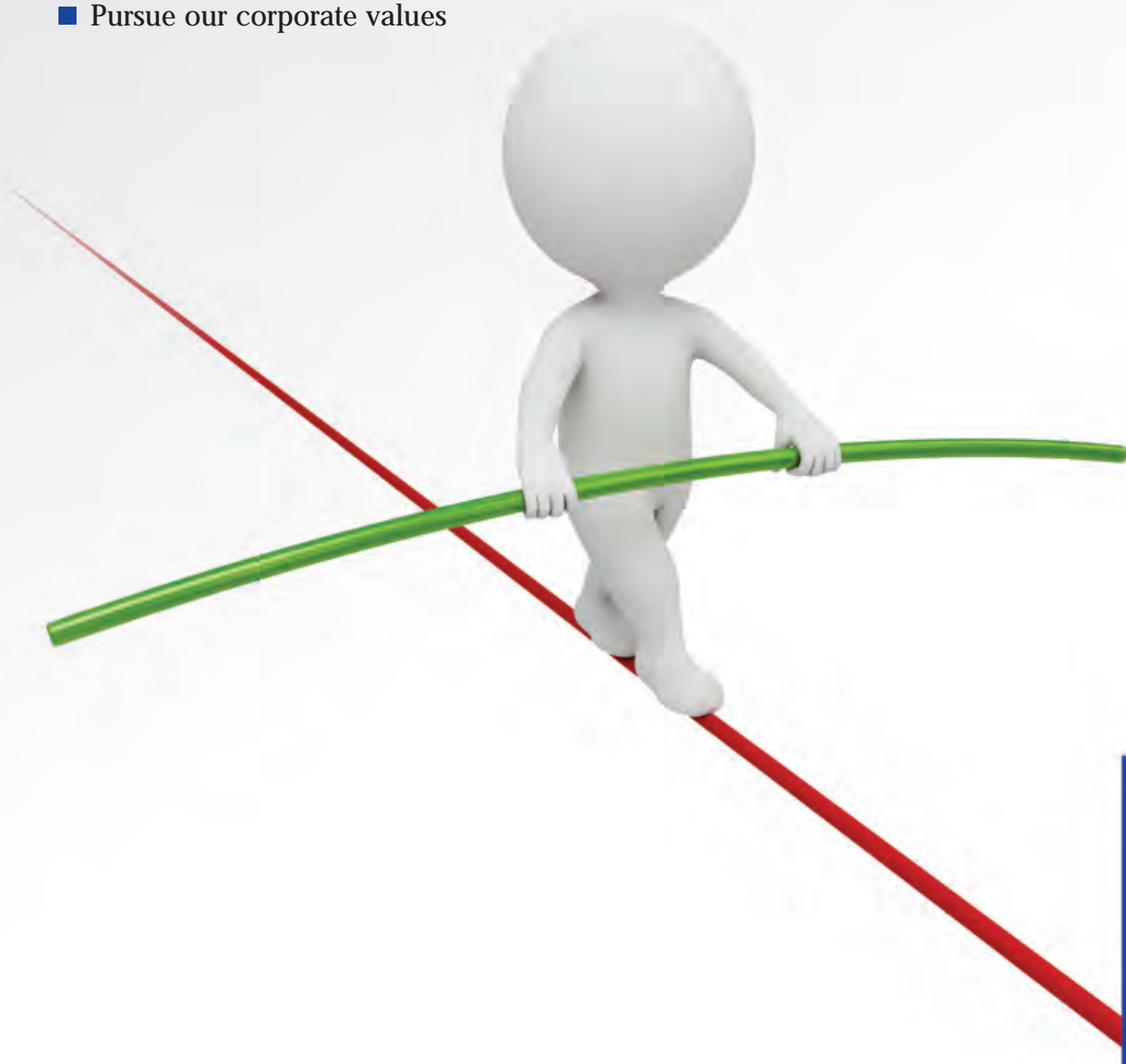
# VISION

“Be the financial house of excellence facilitating the expansion and modernization of industries in Pakistan”



# MISSION

- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate values

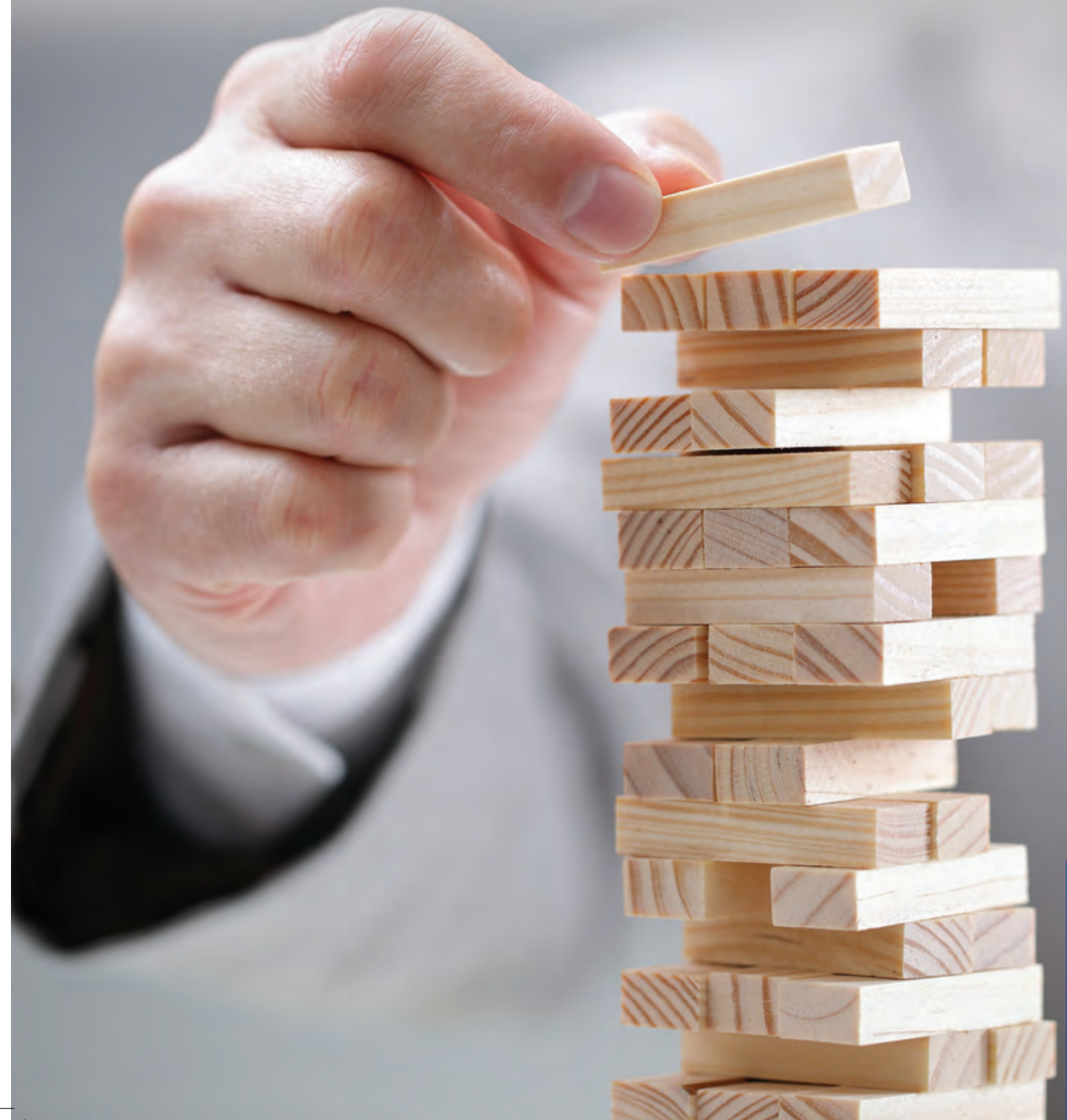


# CORPORATE VALUES

- Maintain highest standards of integrity and professionalism in all business transactions
- Provide innovative business solutions
- Attract, motivate and retain highly skilled professionals
- Strive for continuous quality improvement
- Continue to be a socially responsible corporate citizen









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Pak Kuwait

## CORPORATE INFORMATION

Mr. Abdullah Abdulwahab Al-Ramadhan	Chairman
Mr. Mohammad Reyad Al-Mutawa	Director
Mr. Saleem Zamindar	Director
Mr. Naveed Alauddin	Director
Mr. Faisal Adnan Al-Hunaif	Director
Mr. Mansur Khan	Managing Director

### LEGAL ADVISOR

M/s. KMS Law Associate Advocates and Corporate Consultants

### AUDITORS

M/s. KPMG Taseer Hadi & Co.  
Chartered Accountants

### REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)  
Ph: (92-21) 35630901-7 UAN: (92-21) 111-611-611  
Fax: (92-21) 35630940  
E-mail: info@pkic.com  
Website: www.pkic.com

### REPRESENTATIVE OFFICE

#### LAHORE

Siddiq Trade Centre, 1st Floor, Office # 104  
Main Boulevard Gulberg, Lahore.  
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611  
Fax: (92-42) 35781725



# BOARD OF DIRECTORS



**Abdullah Abdulwahab Al-Ramadhan**  
Chairman



**Mansur Khan**  
Managing Director



**Mohammad Reyad Al-Mutawa**  
Director



**Faisal Adnan Al-Hunaif**  
Director



**Saleem Zamindar**  
Director



**Naveed Alauddin**  
Director

## Executive Committee

Abdullah Abdulwahab Al-Ramadhan  
Member

Mansur Khan  
Member

## Audit Committee

Saleem Zamindar  
Chairman

Naveed Alauddin  
Member

Mohammad Reyad Al-Mutawa  
Member

## Risk Management Committee

Abdullah Abdulwahab Al-Ramadhan  
Chairman

Naveed Alauddin  
Member

Faisal Adnan Al-Hunaif  
Member

## MANAGEMENT



**Mansur Khan**  
Managing Director



**Rana Ahmed Humayun**  
Deputy General Manager &  
Chief Financial Officer



**Naeem Sattar**  
Company Secretary



**Kashif Suhail**  
Head of Investment Banking &  
Corporate Finance



**Atif Anwer**  
Head of Capital  
Markets, Treasury & FI



**Fahad Adil**  
Officiating Head of Risk Management



**Mazhar Sharif**  
Head of Compliance



**Khurram Salman**  
Head of Internal Audit



**Lt. Col. ® Asad Anwar Wajih**  
Head of Human Resources and GSSD

## Directors' Report

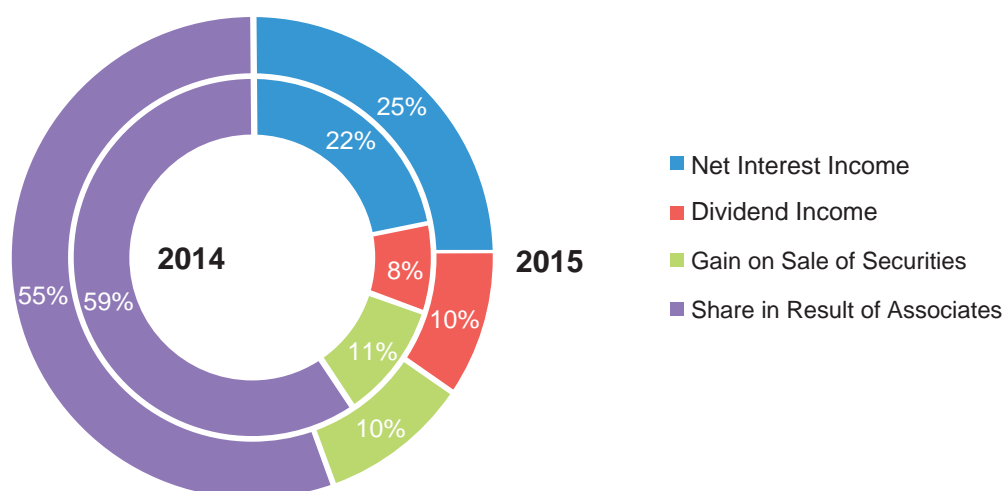
The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present their Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2015, together with Auditors' Report thereon.

### Company Performance

<i>For the Year (PKR million)</i>	2015	2014
Net Markup Based Income	864	789
Non Markup Income	2,620	2,802
Total Income	3,484	3,591
Operating Expenses	545	559
Profit before provisions	2,939	3,032
Provisions / (Reversal of Provisions)	435	(163)
Profit Before Taxation	2,504	3,195
Taxation	676	517
Profit After Taxation	1,828	2,678
<i>At Year end (PKR million)</i>	2015	2014
Total Assets	28,367	24,634
Liabilities	7,751	5,018
Share Capital	6,000	6,000
Reserves and Unappropriated Profit	13,727	12,512

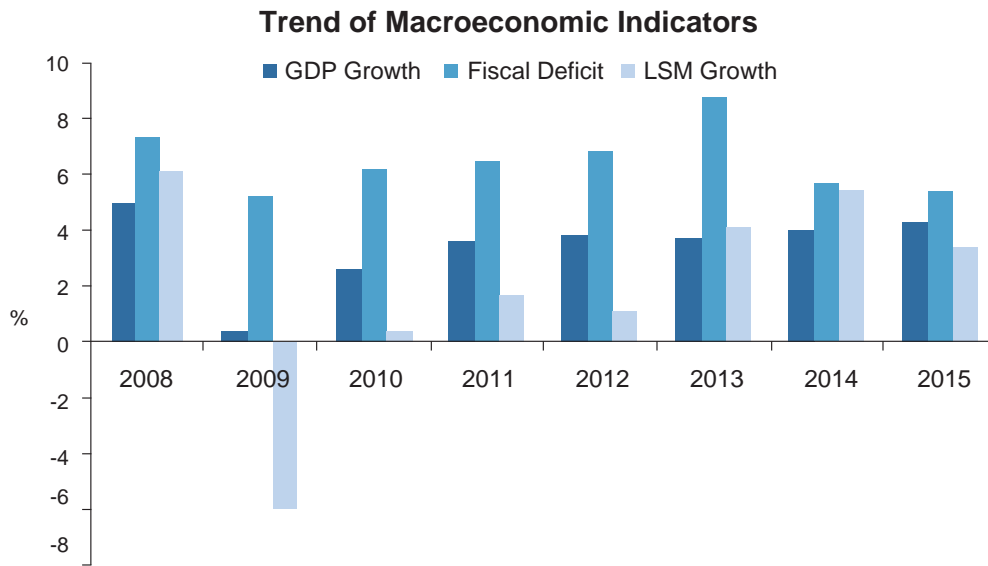
The Company earned a Profit after Tax of PKR 1.8 billion for 2015 against PKR 2.7 billion during the same period last year. This decrease of 32% YoY in Profit after Tax was due to impairment on investments and higher taxation during the year due to imposition of one-time Super Tax. Total Assets of the Company stood at PKR 28.4 billion as of Dec 31, 2015 compared to PKR 24.6 billion at the end of last year. The advances portfolio grew by 83% YoY to PKR 5.1 billion as a result of efforts made by the Company along with better credit off take in the economy. The Company managed its assets and liabilities efficiently to benefit from the declining interest rate scenario. Consequently, the net markup based income of the Company increased by 10% YoY to PKR 864 million as the decline in interest expenses outpaced the decline in interest income.

Non markup based income of the Company decreased slightly by 7% YoY to PKR 2.6 billion due to a 10% YoY decrease in share in results of associates and an 8% decline in capital gains. This decrease was diluted by an increase in Dividend income of 21% YoY as the Company enhanced its exposure in dividend yielding stocks. The administrative expenses, of the Company reduced by 2% YoY as a result of better control on expenses.



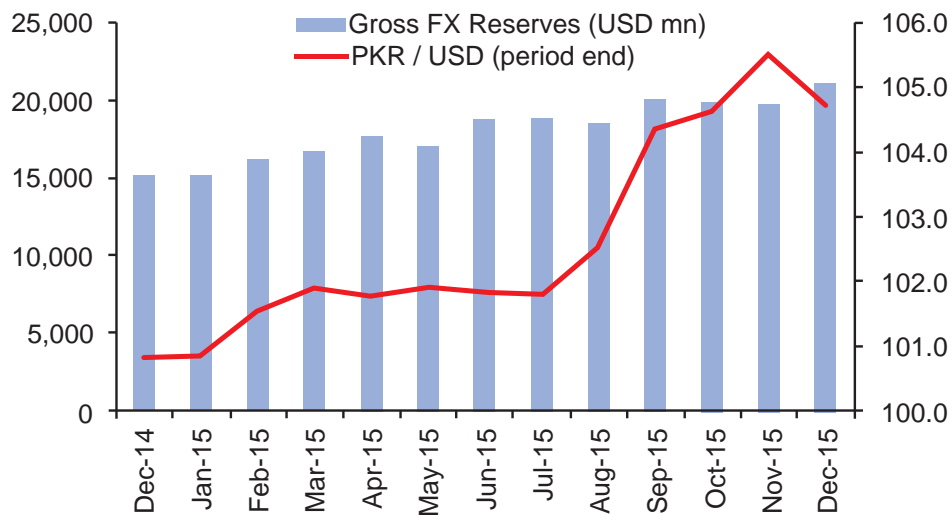
Economic Review

Pakistan's economy maintained its growth as GDP grew by 4.24% slightly above 4.03% achieved in 2014 and highest since 2008-09. Fiscal deficit was restricted to 5.3% of GDP against 5.5% during last year. The Large Scale Manufacturing Index grew by 3.38% during 2015 compared to 5.39% during 2014.



Source: - Economic Survey of Pakistan

The Foreign Exchange reserves of Pakistan increased from USD 15.1 billion in Dec 2014 to more than USD 21 billion in Dec 2015 on the back of disbursements from the IMF, issuance of Eurobonds and divestment of government share holdings in HBL along with bilateral inflows. However, the PKR/USD parity weakened by 3.9% from PKR 100.8/USD to PKR 104.7/USD as a consequence of depreciation of regional currencies against USD.



Source: - State Bank of Pakistan



The domestic inflation indices remained subdued as moving average CPI for Jan-Dec 2015 declined significantly to 2.53% on the back of lower global commodity prices. As a consequence of subdued inflation and stable balance of payment situation, the SBP reduced its policy rate by 350 bps to 6.0% during 2015.

Advances of the banking sector grew by 5.0% during 2015, compared to 9.5% in the previous year. Energy shortages hampered fixed investments while decline in commodity prices has reduced the need for working capital. Pakistan's equity markets remained muted during the year while the benchmark KSE100 index increased by 2.1% during the year.

#### Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 455 million for the year ended December 31, 2015.

#### Earnings per Share

The basic and diluted earning per share has decreased from PKR 11,157 to PKR 7,619 on share of PKR 25,000/- each.

#### Future Outlook

Development of CPEC will make Pakistan an economic hub to reach South and Central Asia. Progress towards energy sector reforms, strengthening corporate restructuring and improvement in law and order situation would further enhance investor confidence. PKIC will make every effort to benefit from the improvement in the economic environment.

#### Risk Management Framework

PKIC understands that prudent and effective risk management is and has always been a significant success factor in steering the Company's growth and profitability. The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board manages this responsibility through its subcommittee known as the Risk Management Committee (RMC). Risk exposures, trends, benchmarks, portfolio analysis are reported to Risk Management Committee of the Board, on a quarterly basis, by the Risk Management Department. The Management has a clear understanding of Credit, Market, Liquidity and Operational Risks and has synchronized the distinct risks into the operating parameters, in order to manage them within acceptable limits.

The Company has an established integrated Risk Management Framework to strategically mitigate risk, determine portfolio limits and delegation of authorities. All credit risk related aspects are governed by a credit policy which outlines the type of products that can be offered, target customers' profiles, the credit approval process and key considerations. The internal credit rating methodologies serve as the key input in the approval as well as post approval credit process and are mapped with external ratings including JCR-VIS and/or PACRA. Market and Liquidity Risk are managed by the Asset & Liability Committee (ALCO) which is governed by defined terms of reference. The risk management framework remains compliant and updated with the developments in the relevant directives and regulations. Capital Adequacy Ratio (CAR) under new regulations of Basel III, with full implementation by December 2019, has been maintained well above prescribed regulatory thresholds throughout the year. The Company has a Business Continuity Plan in place and periodic BCP testing is also conducted.

#### Entity rating of Pakistan Kuwait Investment Company (Private) Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long term entity rating of the Company at 'AAA' (Triple A) and the short term rating at 'A1+' (A one plus), the highest level.

The Company has been assigned a Corporate Governance Rating of 'CGR-9' by JCR-VIS. The assigned rating denotes a high level of Corporate Governance.

#### Compliance with Applicable Clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance – 2012

The Directors confirm the compliance with the applicable clause of the Public Sector Companies (Corporate Governance) Rules, 2013 and as good governance practice compliance with other relevant clauses of the Rules and Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of Rules and CCG is stated below:

- the financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity



- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

#### Internal Controls

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall internal controls, as detailed in the 'Statement of Internal Control', included in the Annual Report.

#### Board Meetings

Four meetings of the Board of Directors of the Company were held in the year 2015 as per following schedule: -

1st Meeting	February 22, 2015
2nd Meeting	April 24, 2015
3rd Meeting	August 23, 2015
4th Meeting	November 1, 2015

#### Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2015 as per following schedule: -

1st Meeting	February 22, 2015
2nd Meeting	April 24, 2015
3rd Meeting	August 23, 2015
4th Meeting	November 1, 2015

#### Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2015 as per following schedule: -

1st Meeting	February 22, 2015
2nd Meeting	April 24, 2015
3rd Meeting	August 23, 2015
4th Meeting	November 1, 2015

Details of the attendance of the Board and its Sub-Committee are as follows:

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	4	4
Mr. Mohammed R. Al-Mutawa - Member (Non-Executive Director)	4	4
Mr. Faisal Adnan Al-Hunaif - Member (in place of Mr. Bader Fawaz Al-Qattan) (Non-Executive Director)	2	2
Mr. Naveed Alauddin - Member (Non-Executive Director)	4	4
Mr. Saleem Zamindar - Member (Non-Executive Director)	4	4
Mr. Mansur Khan - Member Executive Director / Managing Director	4	4
Mr. Bader Fawaz Al-Qattan - Member (replaced by Mr. Faisal Adnan Al-Hunaif) (Non-Executive Director)	2	2

Risk Management Committee Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan – Chairman	4	4
Mr. Naveed Alauddin – Member	4	4
Mr. Faisal Adnan Al-Hunaif - Member (in place of Mr. Bader Fawaz Al-Qattan)	2	2
Mr. Bader Fawaz Al-Qattan – Member (replaced by Mr. Faisal Adnan Al-Hunaif)	2	2

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Saleem Zamindar – Chairman	4	4
Mr. Mohammed R. Al-Mutawa – Member	4	4
Mr. Naveed Alauddin – Member	4	4

Summarized Operating and Financial Data for the last six years:

(PKR in millions)	2015	2014	2013	2012	2011	2010
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	13,727	12,512	9,680	7,777	6,503	5,503
Total Assets	28,367	24,634	22,291	30,805	23,931	25,023
Profit before tax	2,504	3,195	2,807	2,058	1,726	1,322
Net Profit after tax	1,828	2,678	2,360	1,641	1,361	969
Cash Dividend	455	600	675	450	360	360
Stock Dividend	-	-	-	-	-	-

Note: For the purpose of comparisons, the figures for the years 2010-2013 have been taken from the consolidated financial statements.



#### Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2015 according to their respective un-audited accounts were PKR 163.857 million and PKR 118.712 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 155.183 million and PKR 142.763 million respectively, as at December 31, 2014 according to its audited accounts.

#### Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year ending December 31, 2016.

#### Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. The board appreciates the contribution of the outgoing director Mr. Bader Fawaz Al-Qattan and welcomes Mr. Faisal Adnan Al-Hunaif to the Company. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

An institution cannot be successful without its people, who are to be complimented for performing well under difficult circumstances. We would like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be a stylized name, positioned above a horizontal line.

Chairman

A handwritten signature in black ink, appearing to be "Taseer Hadi", positioned above a horizontal line.

Managing Director

Date: February 17, 2016  
Karachi

## ڈائریکٹرز کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ڈائریکٹرز اپنے گزشتہ سال جس کا اختتام 31 دسمبر 2015 کو ہوا تھا اس کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارہ، جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں، مع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

## کمپنی کی کارکردگی

برائے سال (پاکستانی روپیہ ملین میں)

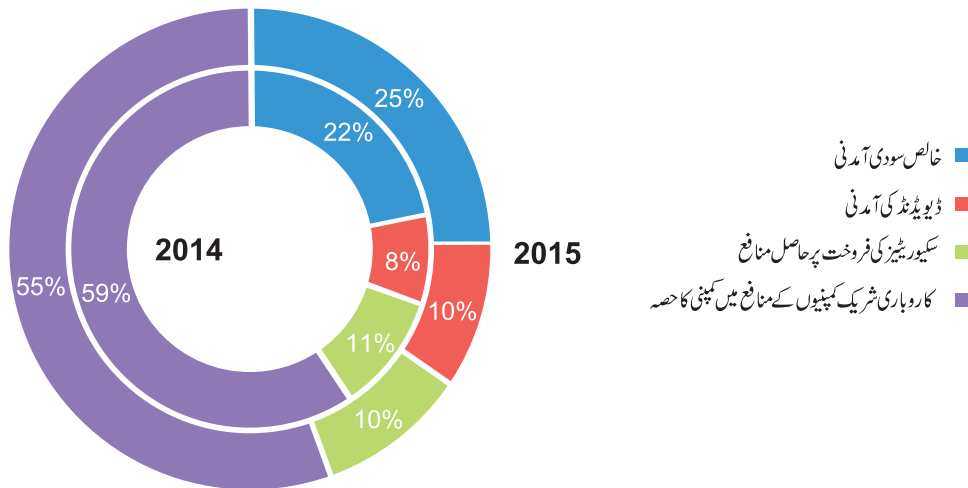
2014	2015	
789	864	آمدن خالص مارک اپ کی بنیاد پر
2,802	2,620	آمدن بغیر مارک اپ کے
3,591	3,484	کل آمدن
559	545	آپریٹنگ (عملی) اخراجات
3,032	2,939	منافع معروضات سے پہلے
(163)	435	معروضات (معروضات کی واپسی)
3,195	2,504	منافع محصول سے پہلے
517	676	محصول
2,678	1,828	منافع محصول کے بعد

اختتام سال پر (پاکستانی روپیہ ملین میں)

2014	2015	
24,634	28,367	کل اخراجات
5,018	7,751	مالیاتی واجبات
6,000	6,000	سرمایہ حصص
12,512	13,727	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے سال 2015 میں 11 اگست 8 بلین پاکستانی روپے بعد از محصول کمائے جبکہ گزشتہ سال اسی مدت کے دوران 2 اگست 7 بلین پاکستانی روپے کمائے تھے۔ اس سال بہ سال، منافع بعد از محصول میں 32 فیصد کمی کی وجوہات میں سرمایہ کاری کی خرابی اور موجودہ سال میں ایک مرتبہ کا اضافی سپرنگس کا نفاذ ہے۔ کمپنی کے کل اثاثہ جات کی مالیت 31 دسمبر 2015، کو 28 اگست 4 بلین پاکستانی روپے رہی جبکہ گزشتہ سال کے اختتام پر ان کی مالیت 24 اگست 6 بلین پاکستانی روپے تھی۔ کمپنی کی کاوشوں کے نتیجے میں اور معیشت میں بہتری آنے کی بدولت ایڈوانس پورٹ فولیو میں سال بہ سال 83 فیصد اضافہ ہو کر اس کی مالیت 15 اگست 1 بلین پاکستانی روپے رہی۔ سود کی گرتی ہوئی شرح بشمول سودی اخراجات میں کمی جو سودی آمدنی میں کمی سے کہیں زیادہ تھی، جس کے نتیجے میں پیدا ہونے والے پس منظر کا فائدہ اٹھانے کے لیے کمپنی نے اپنے اثاثوں اور مالیاتی واجبات کا احسن طور پر انتظام کیا اور جس کے نتیجے میں مارک اپ کی بنیاد پر خالص آمدنی میں سال بہ سال کی بنیاد پر 10 فیصد اضافہ ہونے سے اس کی مالیت 864 ملین پاکستانی روپے جا پہنچی۔

کمپنی کی بغیر مارک اپ کی آمدن میں سال بہ سال میں معمولی 7 فیصد کمی ہو کر 2 اگست 6 بلین پاکستانی روپے جا پہنچی جس کی وجہ سال بہ سال کاروباری شریک کمپنیوں کے منافع میں کمپنی کے حصے میں 10 فیصد کمی اور سرمایہ جاتی فائدے میں 8 فیصد کمی تھی۔ اس کی اثرات کو کمپنی کے ڈیویڈنڈ کی، سال بہ سال آمدنی میں 21 فیصد اضافے نے کم کیا جیسے کمپنی نے منافع بخش حصص کے کاروبار میں اپنی سرمایہ کاری بڑھائی۔ اخراجات پر مؤثر کنٹرول کی وجہ سے سال بہ سال کے انتظامی اخراجات میں 2 فیصد کمی آئی۔

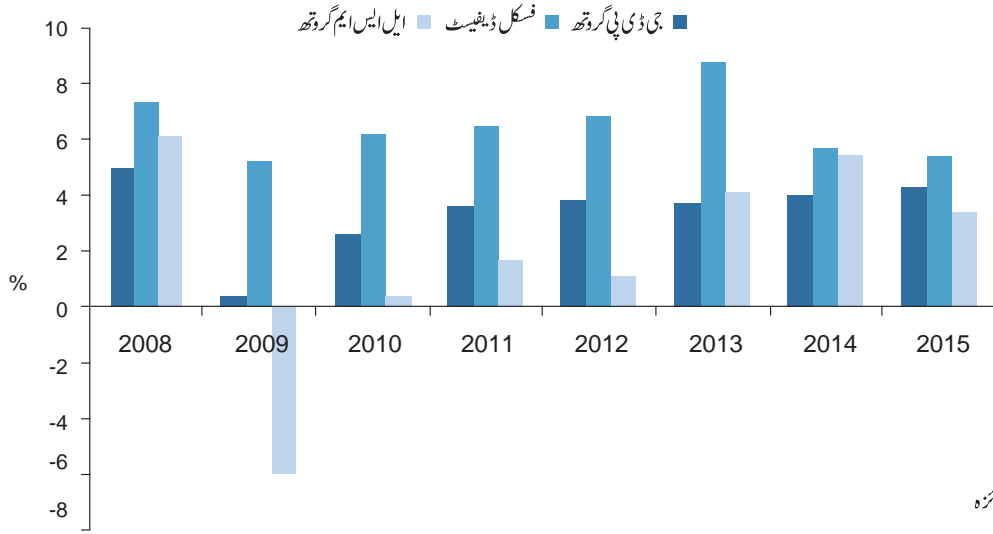




## معاشی جائزہ

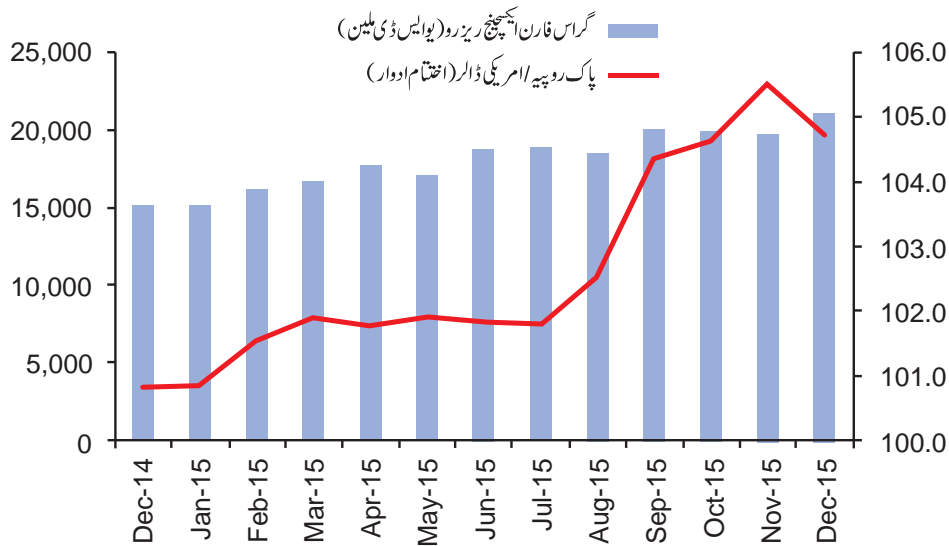
پاکستان کی معیشت نے اپنی ترقی کی رفتار برقرار رکھی جس کے نتیجے میں جی ڈی پی میں 14 اعشاریہ 24 فیصد اضافہ ہوا جو 2014 کے 14 اعشاریہ 03 فیصد سے معمولی سا زیادہ ہے اور 2008-09 سے اب تک سب سے زیادہ ہے۔ مالیاتی خسارہ گزشتہ سال کے 15 اعشاریہ 5 فیصد کے مقابلے میں جی ڈی پی کا 15 اعشاریہ 3 فیصد تک محدود رہا۔ لارج اسکیل مینوفیکچرنگ انڈیکس میں 2014 کے 15 اعشاریہ 39 فیصد کے مقابلے میں 2015 میں 3 اعشاریہ 38 فیصد اضافہ رہا۔

### میکرو اکنامکس کے اشاروں کا رجحان



زریعہ: پاکستان کا اقتصادی جائزہ

پاکستان کے زرمبادلہ دسمبر 2014 میں 15 اعشاریہ 1 بلین امریکی ڈالر سے بڑھ کر دسمبر 2015 میں 21 بلین امریکی ڈالر سے زیادہ بڑھ گئے جو آئی ایم ایف کی جانب سے ادائیگی، یورو بونڈ کے اجراء، حبیب بینک لیٹنڈ میں حکومت کے حصص کی فروخت اور دو طرفہ تعلقات کی بنیاد پر زرمبادلہ کی ترسیل کی وجہ سے ہوئے۔ اس کے باوجود پاک روپے اور ڈالر کی مساوات 3 اعشاریہ 9 فیصد کمزور پڑ گئی اور 100 اعشاریہ 8 پاک روپے فی ڈالر سے 104 اعشاریہ 7 فی ڈالر پہنچ گئی جسکی وجہ علاقائی کرنسیوں میں ڈالر کے مقابلے میں گراوٹ تھی۔



زریعہ: اسٹیٹ بینک آف پاکستان

داخلی افراط زر کی اشاریہ ہم رہی جیسے حرکت پذیر اوسط سی بی آئی برائے جنوری تا دسمبر 2015 عالمی مارکیٹ میں اجناس کی قیمتوں میں کمی کی وجہ سے نمایاں طور پر کم ہو کر 2 اعشاریہ 53 فیصد ہو گئی۔ افراط زر کی شرح میں کمی اور ادائیگی کے توازن میں استحکام کی وجہ سے اسٹیٹ بینک نے 2015 میں اپنی شرح زر میں 3 اعشاریہ 50 فیصد کمی کے ساتھ 6 فیصد کردی۔

سال 2015 میں بینکنگ کے شعبے میں ایڈوانسز میں 5 فیصد کا اضافہ ہوا جبکہ گذشتہ سال یہ اضافہ 9 اعشاریہ 5 فیصد تھا۔ توانائی کی قلت نے سرمایہ کاری کو متاثر کیا اور اجناس کی قیمتوں میں کمی نے ورکنگ کپٹل کی ضرورت کو کم کر دیا۔ سال میں پاکستان کا بازرگانی حصص خاموش رہا جبکہ بیٹھ مارک کے ایس ای 100 انڈیکس میں 2 اعشاریہ 1 فیصد اضافہ ہوا۔

## ڈیویڈنڈ

بورڈ آف ڈائریکٹرز اس بات میں خوشی محسوس کرتے ہیں کہ وہ سال جس کا اختتام 31 دسمبر 2015 کو ہوا ہے 455 ملین پاکستانی روپوں کا کیش ڈیویڈنڈ تجویز کریں۔

## کمائی فی حصص

25000 کے مالیت کے حصص کی بنیادی اور گھٹی ہوئی کمائی فی حصص 11 ہزار 157 پاکستانی روپے سے گھٹ کر 7 ہزار 619 روپے ہو گئی ہے۔

## مستقبل کی متوقع صورتحال

چین پاکستان اقتصادی راہداری کی تشکیل پاکستان کو جنوبی ایشیا بینک رسائی کے لیے اسے ایک معاشیاتی مرکز بنانے کا۔ توانائی کے شعبہ میں اصلاحات میں پیش رفت، صنعتی اداروں میں ردوبدل کے عمل کی مضبوطی اور امن و امان میں بہتری سے سرمایہ کاروں کے اعتماد میں مزید اضافہ ہوگا۔ پی کے آئی سی ہر ممکن کوشش کرے گی کہ وہ اقتصادی ماحول میں بہتری سے فائدہ اٹھائے۔

## رسک منیجمنٹ کا فریم ورک

پی کے آئی سی اس بات کو سمجھتی ہے کہ کمپنی کی ترقی اور منافع کو آگے بڑھانے میں جتنا اور موثر رسک منیجمنٹ (خطرے سے نپٹنے کی تدبیر کی) کامیابی کے اہم نکات ہیں۔ رسک منیجمنٹ اور رسک منیجمنٹ پالیسی کی حتمی ذمہ داری بورڈ آف ڈائریکٹرز کی ہے۔ بورڈ ذمہ داری ایک ذیلی کمیٹی جس کا نام رسک منیجمنٹ کمیٹی ہے کے ذریعے کرتا ہے۔ خطرات کا سامنا، رجحانات، معیار اور پورٹ فولیو کا تجزیہ بورڈ کی رسک منیجمنٹ کمیٹی کو سہ ماہی کی بنیاد پر پیش کی جاتی ہے۔ منیجمنٹ کو کریڈٹ، مارکیٹ، لیکویڈٹی (سالیٹ) اور آپریشنل رسکس سے پوری طرح سے آگاہی ہے اور نمایاں خطرات کو ان کی قابل قبول حدود میں رکھنے کے لیے ان کو عملی معیار کے ساتھ ہم آہنگ کیا جا چکا ہے۔

کمپنی ایک مربوط رسک منیجمنٹ کا فریم ورک تیار کر چکی ہے تاکہ بہتر حکمت عملی سے درپیش خطرات سے بچا جاسکے، پورٹ فولیو کی حدود کا تعین کیا جاسکے اور اس کام کے لیے اختیارات تفویض کیے جاسکیں۔ قرضوں سے متعلق تمام خطرات کے ہر پہلو کا انتظام قرضہ پالیسی کے ذریعے کیا جاتا ہے، جس میں درج ہے کہ کون سی پروڈکٹ پیش کی جائے گی، ٹارگیٹ کسٹمر کا پروفائل کیا ہے، قرضہ کی منظوری کا طریقہ کار اور متعلقہ اہم قابل غور نکات/معاملات۔ اندرونی کریڈٹ ریٹنگ کے طریقہ کار، نہ صرف منظوری کے لیے بنیادی معلومات فراہم کرتی ہے بلکہ قرضہ کی منظوری کے بعد کے طریقہ کار کے لیے بھی اور اس کو بیرونی ریٹنگ سے ملایا جاسکتا ہے جن میں جے سی آر-وی آئی ایس اور/یا بیکرا (پی اے سی آر اے) شامل ہیں۔ مارکیٹ اور لیکویڈٹی (سالیٹ کے) خطرات کا انتظام سیٹ اور لائیکویڈٹی کمیٹی (اے ایل سی او) متعین توانیہ وضوابط کے تحت کرتی ہے۔ رسک منیجمنٹ فریم ورک متعلقہ ہدایات اور موجودہ قوانین میں ہونے والی پیش رفت اپنے آپ کو آگاہ رکھتا ہے اور ان کی پابندی کرتا ہے۔ نئے قوانین کی سیمپل 1 اور 3 کے تحت، شرح کفایت سرمایہ (سی اے آر) جس کا مکمل نفاذ دسمبر 2019 تک ہو جائے گا، اسے پورے سال کے دوران قوانین کی متعین حدود سے واضح طور پر اوپر برقرار رکھا ہے۔ کمپنی کا کاروبار کے تسلسل کو جاری رکھنے کا منصوبہ موجود ہے اور معیاری بی سی پی پر جانچنے کا عمل کیا جا چکا ہے۔

## پاکستان کو برت انویسٹمنٹ کمپنی پرائیویٹ لمیٹڈ کی اینٹی ٹریڈنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (پیکرا) نے کمپنی کی طویل المدتی اینٹی ٹریڈنگ "اے اے اے" (ٹریپل اے) قائم رکھی ہوئی ہے اور قلیل المدتی ریٹنگ "اے ون پلس" رکھی ہے جو اعلیٰ ترین سطح ہے۔

جے سی آر-وی آئی ایس نے کمپنی کو کارپوریٹ گورننس ریٹنگ 'جی سی آر-9' تفویض کی ہے۔ یہ مقررہ ریٹنگ کارپوریٹ گورننس کی اعلیٰ سطح ظاہر کرتی ہے۔

پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013ء کے پبلک سیکورٹیز سے متعلق شقوں اور کارپوریٹ گورننس کے ضوابط بحریہ 2012ء کی تعمیل

تمام ڈائریکٹرز تصدیق کرتے ہیں کہ پبلک سیکورٹیز (کارپوریٹ گورننس) ضوابط بحریہ 2013ء کی تمام متعلقہ شقوں کی تعمیل کی گئی ہے اور ایچ ایم نظم و ضبط پر عمل کیلئے کارپوریٹ گورننس (سی سی جی) کے اصول و ضوابط کی تعمیل کی گئی ہے۔ اس سلسلہ میں سی سی جی ضوابط کی متعلقہ شقوں کی تفصیل درج ذیل ہے:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلوا اور ملکیت (ایکویٹی) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔

- کمپنی نے موزوں اکاؤنٹس کی کتابیں قائم رکھی ہوئی ہیں
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب حکمت عملی کیساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پرکھ پر ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام کا نقشہ مضبوط بنیادوں پر تیار کیا گیا ہے اور اس کا موثر نفاذ اور نگرانی کی گئی ہے۔ انٹرنل آڈٹ ڈپارٹمنٹ مقرر کردہ کنٹرولز کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہے گا تاکہ مزید بہتری لائی جاسکے۔
- تمام واجبات جوینکس، ڈیپوٹیز، لیویز اور فیسوں کو ادا کرنے کے لئے درکار ہیں ان کا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کر دئے جائیں گے یا جہاں کلیم کو واجبات میں شمار نہیں کیا گیا تو ان کو اکاؤنٹ کے نوٹس میں امکانی واجبات کے طور پر ظاہر کیا گیا ہے۔
- کمپنی کے کاروبار کے جاری رکھنے کی صلاحیت میں کوئی شبہ نہیں ہے۔
- بورڈ کے تمام ممبران نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کے تحت منعقدہ ایک اورینٹیشن کورس میں شرکت کی ہے۔
- بورڈ نے خود تشخیصی نظام کے تحت اپنے ممبران کی کارکردگی کا جائزہ لیا۔
- کمپنی کا قانونی آڈٹ ایک کیوسی آر ریویڈ فرم نے کیا ہے۔
- بورڈ آف ڈائریکٹرز اور کمپنی کے ملازمین نے 'اخلاقیات اور کاروباری طرز عمل' کی سٹیٹمنٹ (کوڈ آف کنڈکٹ) پر دستخط کئے ہیں

## اندرونی کنٹرول

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ انتظامیہ کا آئی سی ایف آر کے بارے میں تخمینہ اور تمام اندرونی کنٹرول جو کہ "انٹرنل کنٹرول کے اسٹیٹمنٹ" میں بیان کیا گیا ہے وہ سالانہ رپورٹ میں شامل ہے۔

## بورڈ کے اجلاس

سال 2015 میں بورڈ کے ڈائریکٹرز کی 14 اجلاس ہوئے، درج ذیل جدول کے مطابق

پہلا اجلاس	22 فروری 2015
دوسرا اجلاس	24 اپریل 2015
تیسرا اجلاس	23 اگست 2015
چوتھا اجلاس	01 نومبر 2015

## آڈٹ کمیٹی کی اجلاس

سال 2015 میں آڈٹ کمیٹی کے 4 اجلاس ہوئے، درج ذیل جدول کے مطابق

پہلا اجلاس	22 فروری 2015
دوسرا اجلاس	24 اپریل 2015
تیسرا اجلاس	23 اگست 2015
چوتھا اجلاس	01 نومبر 2015

## رسک مینجمنٹ کمیٹی کے اجلاس

سال 2015 میں رسک مینجمنٹ کمیٹی کے 14 اجلاس ہوئے، درج ذیل جدول کے مطابق

پہلا اجلاس	22 فروری 2015
دوسرا اجلاس	24 اپریل 2015
تیسرا اجلاس	23 اگست 2015
چوتھا اجلاس	01 نومبر 2015

بورڈ اور اس کی ذیلی کمیٹی کے اجلاس میں حاضری کی تفصیلات درج ذیل ہیں  
بورڈ کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب عبداللہ عبدالوہاب ال رمضان، چیئرمین، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب محمد ریاد الملتاوا - ممبر، (نان ایگزیکٹو ڈائریکٹر)
2	2	جناب فیصل عدنان ال خلیف ممبر (متبادل جناب بدر فواز القتان)، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب نوید علاؤ الدین ممبر (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب سلیم زمیندار ممبر، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب منصور خان - ممبر (ایگزیکٹو ڈائریکٹر/منجج ڈائریکٹر)
2	2	جناب بدر فواز القتان ممبر (جن کی جگہ جناب فیصل عدنان ال خلیف نے لی ہے)، (نان ایگزیکٹو ڈائریکٹر)

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب عبداللہ عبدالوہاب ال رمضان، چیئرمین
4	4	جناب نوید علاؤ الدین، ممبر
2	2	جناب فیصل عدنان ال خلیف ممبر (متبادل جناب بدر فواز القتان)،
2	2	جناب بدر فواز القتان ممبر (جن کی جگہ جناب فیصل عدنان ال خلیف نے لی ہے)

آڈٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب سلیم زمیندار، چیئرمین
4	4	جناب محمد ریاد الملتاوا - ممبر
4	4	جناب نوید علاؤ الدین، ممبر

گذشتہ 6 سال کا عملی اور مالیاتی اعداد و شمار کا خلاصہ

2010	2011	2012	2013	2014	2015	پاکستانی روپے (ملین میں)
6,000	6,000	6,000	6,000	6,000	6,000	اداشدہ سرمایہ
5,503	6,503	7,777	9,680	12,512	13,727	محفوظ سرمایہ
25,023	23,931	30,805	22,291	24,634	28,367	کل اثاثہ جات
1,322	1,726	2,058	2,807	3,195	2,504	ٹیکس سے پہلے منافع
969	1,361	1,641	2,360	2,678	1,828	خاص منافع ٹیکس کے بعد
360	360	450	675	600	455	کیش ڈیویڈنڈ
-	-	-	-	-	-	اسٹاک ڈیویڈنڈ

نوٹ: اعداد و شمار کے تقابل کے لیے 2010 تا 2013 کے سالوں کے اعداد و شمار ان سالوں کی انضمام شدہ مالیاتی اسٹیٹمنٹس سے حاصل کی گئی ہیں

## پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31 دسمبر 2015 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 163 اعشاریہ 857 اور 118 اعشاریہ 712 ملین پاکستانی روپے رہی۔ 31 دسمبر 2014 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 155 اعشاریہ 183 اور 142 اعشاریہ 763 ملین پاکستانی روپے رہی۔

### آڈیٹر (محاسب)

موجودہ آڈیٹر میسرز کپی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، چھوڑتے ہیں اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کرتے ہیں۔ آڈٹ کمیٹی، کارپوریٹ گورننس میں درج ضابطوں کے مطابق، میسرز کپی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو سال جس کا اختتام 31 دسمبر 2016 کو ہوگا تک کے لیے منتخب کرنے کی تجویز پیش کر چکی ہے۔

### اعتراف

ہم حصص یافتگان کے اعتماد، مسلسل تعاون اور رہنمائی کرنے پر ہم مخلصانہ طور پر سراسرے ہیں۔ بورڈ رخصت ہونے والے ڈائریکٹر جناب بدرنواز القتان کی خدمات کو سراہتا ہے اور جناب عدنان ال خلیف کو کمپنی میں خوش آمدید کرتا ہے۔ ہم حکومت پاکستان، وزارت مالیت، اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے بھی ان کی ہر وقت رہنمائی کیلئے شکریہ ادا کرتے ہیں۔ کوئی ادارہ بھی اپنے لوگوں کے بغیر کامیاب نہیں ہو سکتا، جن کی مشکل حالات میں بہتر کارکردگی دکھانے پر ان کی کاوشوں کو سراہا جانا چاہیے۔ بورڈ اپنے ٹیم کے ارکان کی کام سے لگن اور اخلاص کو سراہتا ہے اس بات کو کارڈ پر لانا چاہتا ہے۔

بورڈ کے ڈائریکٹرز کے جانب سے



منجنگ ڈائریکٹر



چیئر مین

بتاریخ 17 فروری 2016  
کراچی



## Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for the Year Ended December 31, 2015

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance and the clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SECP through its letter dated July 2, 2013 had advised that in the event of any inconsistency between the requirement of the rules and the Code, the provision of the rules shall prevail. Further, SECP through its letter dated February 10, 2014 had granted the exemption to the Company from applicability of Rules subject to the condition that the training of directors, performance evaluation of the Board and audit of the financial statements of the Company through QCR rated firms shall be ensured.

I. The Company has complied with the applicable clauses of the Rules in the following manner:

- (a) The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of 'Board Self Evaluation' (BSE) process. The Board has also monitored and assessed the performance of senior management on annual basis.
- (b) All the board members underwent an orientation course arranged by the Company. The purpose of the "Director Orientation Workshop" (DOW) conducted through Pakistan Institute of the Corporate Governance (PICG) was to appraise the Board regarding the material development and information as specified in the Rules. All the directors were provided with an Orientation Package on their appointment. Currently four directors have completed the Director's Training Certification under the Directors Training Program as prescribed by SECP. The Board is encouraging other members to get the Directors Training Certification as soon as possible.
- (c) The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the 'Quality Control Review' (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

II. The Company as good governance practice has also complied with CCG and other relevant clauses of Rules in the following manner:

1. The Board of Directors ("the Board") of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	<ul style="list-style-type: none"> <li>• Mr. Mansur Khan</li> </ul>
Non-Executive Directors	<ul style="list-style-type: none"> <li>• Mr. Abdullah Abdulwahab Al-Ramadhan</li> <li>• Mr. Mohammed R. Al-Mutawa</li> <li>• Mr. Faisal Adnan Al-Hunaif</li> <li>• Mr. Naveed Alauddin</li> <li>• Mr. Saleem Zamindar</li> </ul>

2. The casual vacancy occurred on the Board on May 14, 2015 was filled up by the directors within prescribed time period.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
5. During the year the fit and proper criteria given in the Prudential Regulations (PRs) issued by State Bank of Pakistan has been applied in making nominations of the persons for election as board members under the provisions of the Companies Ordinance 1984. (the "Ordinance").



6. As per the Article of Association and JVA, the Chairman was elected amongst Kuwaiti Directors while the Managing Director was elected amongst Pakistani Directors.
7. (a) The Company has prepared a "Statement of Ethics & Business Practices ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pkic.com).  
  
(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.
8. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.
9. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.
10. The Board has developed and implemented policy related matters on anti-corruption, the clause of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.
11. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.
12. The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
13. The meetings of the Board of Directors were presided over by the Chairman
  - (a) The Board has met at least four times during the year.
  - (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
  - (c) The minutes of the meetings were appropriately recorded and circulated.
14. The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.
15. The Board has approved the profit and loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.
16. The Board has formed the following Board Sub- Committees:

Committee	Name of Chairman / Members
Audit Committee	Mr. Saleem Zamindar – Chairman Mr. Naveed Alauddin – Member Mr. Mohammad Reyad Al-Mutawa – Member
Risk Management Committee	Mr. Abdullah Abdulwahab Al-Ramadhan – Chairman Mr. Naveed Alauddin – Member Mr. Faisal Adnan Al-Hunaif – Member
Executive Committee (entrusted with Human Resources responsibilities)	Mr. Abdullah Abdulwahab Al-Ramadhan – Member Mr. Mansur Khan – Member

17. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.
18. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and Ordinance and fully describes the salient matters required to be disclosed.
19. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.
20. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.
21. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.
22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2015. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.
23. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.
24. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
25. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Rules and CCG.
26. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive directors, have been taken by the Board / shareholders.



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Abdullah Abdulwahab Al-Ramadhan  
Chairman



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Mansur Khan  
Managing Director

Date: February 17, 2016  
Karachi



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
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## Review Report to the Members on the Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Code of Corporate Governance for the year ended December 31, 2015

We have reviewed the enclosed Statement of Compliance with the applicable clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and the Code of Corporate Governance (Code) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited for the year ended December 31, 2015 to comply with the requirements of Rules and Code.

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

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

The Rules and Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the applicable clauses of the Rules and Code as applicable to the Company for the year ended December 31, 2015.

Date: February 17, 2016  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

## Statement on Internal Control

### REPORTING ON INTERNAL CONTROL SYSTEM

The company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the company's management to establish and maintain an adequate and effective system of internal control that could help in company's efforts to attain a professional and efficient working environment throughout the company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis.

Internal Control System in the company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

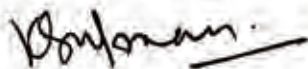
### EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The company has made efforts to ensure during the year 2015 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Recognizing it to be an ongoing process, the management of company adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls issued by the State Bank of Pakistan. The management ensures effectiveness over internal control over financial reporting through timely review and updation of pertinent policies / procedures, establishing relevant control procedures and testing of internal controls. Further, the management considers that the Company's internal controls over financial reporting are sound in design and have been effectively implemented and monitored. However, because of the inherent limitations, internal control over financial reporting may not prevent or detect material misstatements or loss. The gaps identified are taken care of and necessary steps are taken by the management on a timely basis so as to ensure non-repetition of those exceptions and eliminations of such gaps to the maximum possible level through continuous monitoring. In accordance with the SBP directives, the Company completed all the seven stages of ICFR roadmap and has been submitting to the SBP periodically, the Long Form Report (LFR) issued by the statutory auditors since 2009.



Head of Internal Audit



Managing Director



Deputy General Manager & CFO



Chairman Audit Committee

Date: February 17, 2016  
Karachi







# Financial Statements

For the year ended December 31, 2015



**KPMG Taseer Hadi & Co.**  
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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pakistan Kuwait Investment Company (Private) Limited (the Company) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change disclosed in note 5.2 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: February 17, 2016  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum

# Statement of Financial Position


As at December 31, 2015

2015 (USD in '000)	2014		Note	2015 (Rupees in '000)	2014
<b>ASSETS</b>					
611	513	Cash and balances with treasury banks	6	63,957	53,667
198	194	Balances with other banks	7	20,718	20,335
-	267	Lendings to financial institutions	8	-	28,000
211,406	199,557	Investments	9	22,142,622	20,901,562
48,822	26,713	Advances	10	5,113,644	2,797,928
1,614	1,801	Operating fixed assets	11	169,034	188,609
-	-	Deferred tax assets		-	-
8,181	6,149	Other assets	13	857,012	644,072
<u>270,832</u>	<u>235,194</u>			<u>28,366,987</u>	<u>24,634,173</u>
<b>LIABILITIES</b>					
-	-	Bills payable		-	-
59,643	33,965	Borrowings	14	6,246,955	3,557,518
1,716	3,798	Deposits and other accounts	15	179,750	397,790
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
8,190	6,180	Deferred tax liabilities	12	857,838	647,311
4,454	3,971	Other liabilities	16	466,550	415,874
<u>74,003</u>	<u>47,914</u>			<u>7,751,093</u>	<u>5,018,493</u>
<u>196,829</u>	<u>187,280</u>	<b>NET ASSETS</b>		<u>20,615,894</u>	<u>19,615,680</u>
<b>REPRESENTED BY</b>					
57,285	57,285	Share capital	17	6,000,000	6,000,000
54,883	49,647	Reserves	17.3	5,748,570	5,200,005
76,172	69,811	Unappropriated profit		7,978,238	7,312,036
<u>188,340</u>	<u>176,743</u>			<u>19,726,808</u>	<u>18,512,041</u>
8,489	10,537	Surplus on revaluation of 'available-for-sale' securities - net of tax	18	889,086	1,103,639
<u>196,829</u>	<u>187,280</u>			<u>20,615,894</u>	<u>19,615,680</u>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			19		

The annexed notes 1 to 41 and annexures I, II and III form an integral part of these financial statements.


  
Chairman


  
Chief Executive


  
Director

# Profit and Loss Account

For the year ended December 31, 2015

2015 (USD in '000)	2014 (USD in '000)	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
11,739	13,450	20	1,229,530	1,408,799
3,487	5,919	21	365,227	619,925
<u>8,252</u>	<u>7,531</u>		<u>864,303</u>	<u>788,874</u>
(573)	(1,615)	10.4	(60,021)	(169,159)
4,724	59	9.3	494,741	6,146
-	-		-	-
<u>4,151</u>	<u>(1,556)</u>		<u>434,720</u>	<u>(163,013)</u>
<u>4,101</u>	<u>9,087</u>		<u>429,583</u>	<u>951,887</u>
132	11		13,812	1,162
3,285	2,710		344,121	283,886
-	-		-	-
3,369	3,647	22	352,871	381,951
(19)	-		(2,026)	-
18,009	20,095	9.1.1	1,886,303	2,104,759
237	292	23	24,840	30,569
<u>25,013</u>	<u>26,755</u>		<u>2,619,921</u>	<u>2,802,327</u>
5,205	5,331	24	545,222	558,394
-	-		-	-
-	4	25	30	456
5,205	5,335		545,252	558,850
-	-		-	-
<u>23,909</u>	<u>30,507</u>		<u>2,504,252</u>	<u>3,195,364</u>
3,762	3,029	26	394,067	317,271
-	-		-	-
2,689	1,913	26	281,635	200,413
6,451	4,942		675,702	517,684
<u>17,458</u>	<u>25,565</u>		<u>1,828,550</u>	<u>2,677,680</u>
(USD)			(Rupees)	
<u>73</u>	<u>107</u>	27	<u>7,619</u>	<u>11,157</u>
(USD)			(Rupees)	
<u>73</u>	<u>107</u>	28	<u>7,619</u>	<u>11,157</u>

The annexed notes 1 to 41 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

# Statement of Comprehensive Income

For the year ended December 31, 2015

2015 (USD in '000)	2014		2015 (Rupees in '000)	2014
17,458	25,565	Profit for the year	1,828,550	2,677,680
		Other comprehensive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(69)	(15)	Remeasurement of defined benefit plan - net of deferred tax	(7,193)	(1,595)
(63)	(117)	Share of remeasurement of defined benefit plans of associates - net of deferred tax	(6,590)	(12,247)
<u>17,326</u>	<u>25,433</u>	Comprehensive income transferred to equity	<u>1,814,767</u>	<u>2,663,838</u>
		Component of comprehensive income not transferred to equity		
(1,993)	2,481	Share of (deficit) / surplus on revaluation of 'available-for-sale' securities of associates	(208,721)	259,805
36	(248)	Deferred tax on revaluation of 'available-for-sale' securities of associates	3,708	(25,940)
(698)	4,254	(Deficit) / surplus on revaluation of 'available-for-sale' securities	(73,136)	445,560
614	(1,575)	Deferred tax on revaluation of 'available-for-sale' securities	64,317	(164,959)
<u>15,285</u>	<u>30,345</u>	Total comprehensive income	<u>1,600,935</u>	<u>3,178,304</u>

The annexed notes 1 to 41 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

## Statement of Changes in Equity

For the year ended December 31, 2015

	Note	Share capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
------(Rupees in '000)-----							
Balance as at January 1, 2014		6,000,000	3,553,438	-	-	6,126,502	15,679,940
Profit for the year ended December 31, 2014		-	-	-	-	2,677,680	2,677,680
Other comprehensive income		-	-	-	-	(13,842)	(13,842)
Total comprehensive income		-	-	-	-	2,663,838	2,663,838
Share of gain on bargain purchase by an associate	17.3.2	-	-	843,263	-	-	843,263
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2013 @Rs. 2,812.5 per share		-	-	-	-	(675,000)	(675,000)
Transfer to statutory reserve		-	535,536	-	-	(535,536)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	267,768	(267,768)	-
Balance as at December 31, 2014		6,000,000	4,088,974	843,263	267,768	7,312,036	18,512,041
Profit for the year ended December 31, 2015		-	-	-	-	1,828,550	1,828,550
Other comprehensive income		-	-	-	-	(13,783)	(13,783)
Total comprehensive income		-	-	-	-	1,814,767	1,814,767
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2014 @Rs. 2,500 per share		-	-	-	-	(600,000)	(600,000)
Transfer to statutory reserve	17.3.1	-	365,710	-	-	(365,710)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	182,855	(182,855)	-
Balance as at December 31, 2015		<u>6,000,000</u>	<u>4,454,684</u>	<u>843,263</u>	<u>450,623</u>	<u>7,978,238</u>	<u>19,726,808</u>

The annexed notes 1 to 41 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director



# Cash Flow Statement

For the year ended December 31, 2015

2015 (USD in '000)	2014		Note	2015 (Rupees in '000)	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
23,909	30,507	Profit before taxation		2,504,252	3,195,364
(3,285)	(2,710)	Less: Dividend income		(344,121)	(283,886)
<u>20,624</u>	<u>27,797</u>			<u>2,160,131</u>	<u>2,911,478</u>
Adjustments for:					
84	107	Depreciation		8,836	11,212
120	123	Amortization		12,545	12,852
(573)	(1,615)	Reversal of provision against non-performing loans and advances - net		(60,021)	(169,159)
4,724	59	Provision for diminution / impairment in the value of investments		494,741	6,146
(6)	(20)	Gain on disposal of operating fixed assets		(645)	(2,105)
(18,009)	(20,095)	Share in results of associates - net		(1,886,303)	(2,104,759)
19	-	Unrealised loss on revaluation of 'held-for-trading' securities		2,026	-
<u>(13,641)</u>	<u>(21,441)</u>			<u>(1,428,821)</u>	<u>(2,245,813)</u>
6,983	6,356			731,310	665,665
Decrease / (Increase) in operating assets					
267	55,338	Lendings to financial institutions		28,000	5,796,062
(603)	-	'Held-for-trading' securities		(63,136)	-
(21,536)	10,920	Advances		(2,255,695)	1,143,721
(1,468)	(2,564)	Others assets (excluding advance taxation)		(153,786)	(268,595)
<u>(23,340)</u>	<u>63,694</u>			<u>(2,444,617)</u>	<u>6,671,188</u>
Increase / (Decrease) in operating liabilities					
25,677	(14,176)	Borrowings		2,689,437	(1,484,835)
(2,082)	459	Deposits and other accounts		(218,040)	48,110
484	406	Other liabilities (excluding current taxation)		50,676	42,572
<u>24,079</u>	<u>(13,311)</u>			<u>2,522,073</u>	<u>(1,394,153)</u>
7,722	56,739			808,766	5,942,700
(4,321)	(1,552)	Income tax paid		(452,542)	(162,519)
<u>3,401</u>	<u>55,187</u>	<i>Net cash inflow from operating activities</i>		<u>356,224</u>	<u>5,780,181</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(11,879)	(58,091)	Net investment in 'available-for-sale' securities		(1,244,178)	(6,084,414)
-	(589)	Net investment in associates		-	(61,690)
(168)	(147)	Net investment in 'held-to-maturity' securities		(17,566)	(15,429)
14,487	10,299	Dividend received		1,517,354	1,078,712
(32)	(84)	Investments in operating fixed assets		(3,315)	(8,819)
21	20	Sale proceeds of operating fixed assets		2,154	2,105
<u>2,429</u>	<u>(48,592)</u>	<i>Net cash inflow / (outflow) from investing activities</i>		<u>254,449</u>	<u>(5,089,535)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(5,728)	(6,445)	Dividend paid		(600,000)	(675,000)
<u>(5,728)</u>	<u>(6,445)</u>	<i>Net cash used in financing activities</i>		<u>(600,000)</u>	<u>(675,000)</u>
102	150	Increase in cash and cash equivalents		10,673	15,646
707	557	Cash and cash equivalents at beginning of the year		74,002	58,356
<u>809</u>	<u>707</u>	Cash and cash equivalents at end of the year	29	<u>84,675</u>	<u>74,002</u>

The annexed notes 1 to 41 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director



# Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2015

## 1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has a representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the format prescribed by the State Bank of Pakistan's (SBP) BSD Circular No. 4 dated February 17, 2006 and BSD Circular letter No. 07 dated April 20, 2010.

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 104.74, prevalent at December 31, 2015, for 2015 and 2014. This additional information is presented only for the convenience of users of the financial statements.

## 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP. However, in case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

## 4. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

The financial statements are presented in Pakistan Rupees which is the Company's functional currency.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The principal accounting policies applied in the preparation of these financial statements are stated below.

5.2 Standards, interpretations and amendments effective in current year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

New, Amended And Revised Standards And Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements,' IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements'. These standards became applicable from January 1, 2015, as per the adoption status of IFRS in Pakistan.

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the company.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.

IFRS 12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. These disclosures are presented in notes 9.1.1 and 9.5.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Company except for amended disclosure.

### 5.3 Accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2016:

#### Standard or interpretation

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after January 1, 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 1, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 1, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 1, 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

#### 5.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and other banks in current and deposit accounts.

#### 5.5 Lendings to / borrowings from financial institutions

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

##### Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

##### Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

##### Other borrowings

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

##### Other lendings

Lendings are stated net of provision. Mark-up on such lendings is charged to the profit and loss account on a time proportion basis except mark-up on impaired / delinquent lendings, which is recognized on receipt basis.

#### 5.6 Investments

##### Classification

The Company classifies its investments other than those in associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

- Held-for-trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.

- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

- Available-for-sale investments, investments which are not eligible to be classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

#### Investment in associates

Associates are those entities in which the Company has significant influence, but does not have control, over the financial and operating policies. These financial statements include the Company's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation.

#### Initial Recognition

Investments are initially recognized at cost which is equivalent to fair value on the date of acquisition. An investment (other than investment that is held for trading) is measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment. For 'held-for-trading' investment transaction, transaction costs are charged to profit and loss on the date of acquisition.

#### Subsequent Recognition

Investments in government securities and quoted investments, categorised as 'held-for-trading' and 'available-for-sale' are valued at rates quoted on PKRV (Reuters Page) and Karachi Stock Exchange (KSE) as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to profit and loss account and that of 'available-for-sale' is taken to the statement of financial position, and shown below equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted investments are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / (loss) on sale of investments during the year is included in profit and loss account.

Premium or discount on acquisition of government securities and listed term finance certificates is amortised over the period to maturity under effective interest method.

#### 5.7 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

#### 5.8 Trade date accounting

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

#### 5.9 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined in accordance with 'Prudential Regulations' issued by the SBP and the Credit Policy of the Company. The provision is charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

#### 5.10 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in note 11.1.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gain or loss on the sale or retirement of fixed assets is taken to profit and loss account.

#### 5.11 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

#### 5.12 Non-current assets held for sale

Non-current assets are classified as 'held-for-sale', when their carrying amount will be recovered principally through sale transaction rather than continuing use. Such non-current assets are measured at the lower of their carrying values and fair values less costs to sell.

#### 5.13 Certificates of investment (COI) / deposits

COI / deposits are initially recorded at the amount of proceeds received. Mark-up is accrued under effective interest method on a time proportion basis.

#### 5.14 Revenue recognition

- i) Dividend income is recognised when the Company's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful, the income is recognised on receipt basis.
- iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.

#### 5.15 Taxation

##### *Current*

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any and any adjustments to any tax payable relating to prior years.

##### *Deferred*

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognised for all deductible temporary differences and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.



#### 5.16 Staff retirement benefits

##### *Defined benefit plan*

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2015.

##### *Defined contribution plan*

The Company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the salary. Contributions from the Company are charged to profit and loss account for the year.

#### 5.17 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2015.

#### 5.18 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

#### 5.19 Impairment

The carrying amount of the assets, other than deferred tax asset, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses other than those relating to equity investments are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

#### 5.20 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 5.21 Foreign currency

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the date of statement of financial position. Exchange gains and losses are included in income currently.

#### 5.22 Off-setting of financial assets and financial liabilities

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the statement of financial position if the Company has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 5.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.





#### 5.24 Dividend distribution

Dividends (including bonus dividend) are recognized in the period in which these are approved.

#### 5.25 Segment information

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

##### Business segments

Following are the main segments of the Company:

Corporate Finance	Includes loans, advances, leases and other transactions with corporate customers.
Treasury	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

##### Geographical segments

All the Company's business segments operate in Pakistan only.

#### 5.26 Accounting estimates and judgement

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39.

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2015 (Rupees in '000)	2014
Cash in hand in local currency		26	50
With State Bank of Pakistan in - local currency current account	6.1	63,769	52,569
With National Bank of Pakistan in - local currency current account		162	1,048
		<u>63,957</u>	<u>53,667</u>

6.1 This includes Rs. 50.00 million (2014: Rs. 50.00 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.

## 7. BALANCES WITH OTHER BANKS

	2015	2014
	(Rupees in '000)	
In Pakistan		
- current account	197	184
- deposit account	20,521	20,151
	<u>20,718</u>	<u>20,335</u>

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency		
Letter of placement	-	28,000
	<u>-</u>	<u>28,000</u>

## 9. INVESTMENTS

## Investments by type

	Note	2015			2014		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
----- (Rupees in '000) -----							
Held-for-trading securities							
Shares of listed companies		63,136	-	63,136	-	-	
Available-for-sale securities							
Market treasury bills		488,940	-	488,940	481,827	-	481,827
Pakistan investment bonds		4,168,583	1,718,057	5,886,640	5,238,122	613,310	5,851,432
Shares of listed companies		3,364,172	-	3,364,172	2,790,722	-	2,790,722
Shares of unlisted companies		110,226	-	110,226	110,22	-	110,226
Listed preference shares		55,029	-	55,029	55,029	-	55,029
Listed sukuk / term finance certificates		857,640	-	857,640	236,375	-	236,375
Unlisted term finance certificates		607,478	-	607,478	617,562	-	617,562
		9,652,068	1,718,057	11,370,125	9,529,863	613,310	10,143,173
Held-to-maturity securities							
Unlisted preference shares		143,292	-	143,292	125,726	-	125,726
Associates	9.1.1	10,194,397	-	10,194,397	9,832,324	-	9,832,324
		20,052,893	1,718,057	21,770,950	19,487,913	613,310	20,101,223
Provision for diminution / impairment in the value of investments (other than associates)	9.3 & 39.3	(508,526)	-	(508,526)	(155,022)	-	(155,022)
Total investments - net of provisions		19,544,367	1,718,057	21,262,424	19,332,891	613,310	19,946,201
Deficit on revaluation of 'held-for-trading' securities		(2,026)	-	(2,026)	-	-	-
Surplus on revaluation of 'available-for-sale' securities		830,802	51,422	882,224	932,912	22,449	955,361
Total investments		<u>20,373,143</u>	<u>1,769,479</u>	<u>22,142,622</u>	<u>20,265,803</u>	<u>635,759</u>	<u>20,901,562</u>

9.1.1 Movement in investments in associates		2015	2014	
		(Rupees in '000)		
Investments at beginning of the year		9,832,324	7,354,069	
Disposal of investments in associates		-	(65,478)	
Investment in associates		-	127,168	
Reclassification of an associate as non-current assets 'held-for-sale'		(3,618)	-	
Share of gain on bargain purchase by an associate		-	843,263	
Share in (deficit) / surplus on revaluation / reserves of associates		(208,721)	259,805	
Share of remeasurement of defined benefit plans of associates - net of deferred tax		(6,590)	(12,247)	
Share of profit from associates recognized in profit and loss account		1,886,303	2,104,759	
Provision for impairment of an associate		(131,381)	-	
Dividend received from associates		(1,173,920)	(779,015)	
Investments at end of the year		<u>10,194,397</u>	<u>9,832,324</u>	
9.1.2 The cost of investment in associates as at December 31, 2015 amounted to Rs. 1,958 million (December 31, 2014: Rs. 2,093 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 614 million (December 31, 2014: Rs. 1,125 million).				
9.2 Investments by segments		Note	2015	2014
			(Rupees in '000)	
Federal Government Securities				
- Market treasury bills	9.2.1		488,940	481,827
- Pakistan investment bonds	9.2.2		5,886,640	5,851,432
Fully paid up Ordinary Shares				
- Listed companies			3,427,308	2,790,722
- Unlisted companies			110,226	110,226
			<u>3,537,534</u>	<u>2,900,948</u>
Preference Shares				
- Listed companies			55,029	55,029
- Unlisted companies	9.2.3		143,292	125,726
Term Finance Certificates (TFCs) / Sukuk				
- Listed			857,640	236,375
- Unlisted			607,478	617,562
			<u>1,465,118</u>	<u>853,937</u>
Investments in Associates				
Ordinary shares-listed companies				
- Meezan Bank Limited	9.2.4		8,214,412	7,847,519
- The General Tyre & Rubber Company of Pakistan Limited			702,734	576,463
Mutual Funds				
- Al Meezan Mutual Fund			275,907	260,748
- Meezan Balanced Fund			164,761	158,711
Ordinary shares-unlisted companies				
- Al Meezan Investment Management Limited	9.2.5		746,292	666,908
- Pak Kuwait Takaful Company Limited			-	233,684
- National Clearing Company of Pakistan Limited			90,291	88,291
			<u>10,194,397</u>	<u>9,832,324</u>
			<u>21,770,950</u>	<u>20,101,223</u>
Provision for diminution / impairment in the value of investments	9.3 & 39.3		(508,526)	(155,022)
Total investments - net of provisions			<u>21,262,424</u>	<u>19,946,201</u>
Deficit on revaluation of 'held-for-trading' securities			(2,026)	-
Surplus on revaluation of 'available-for-sale' securities			882,224	955,361
			<u>880,198</u>	<u>955,361</u>
Total investments			<u>22,142,622</u>	<u>20,901,562</u>

- 9.2.1 The investment in market treasury bills is maturing on May 12, 2016 (2014: May 28, 2015) and the effective mark-up rate is 6.31 (2014: 9.45) percent per annum.
- 9.2.2 The investments in Pakistan investment bonds are maturing between July 18, 2016 and September 3, 2019 (2014: July 18, 2016 and September 3, 2019) and the effective mark-up range between 11.45 and 13.12 (2014: 11.45 and 13.12) percent per annum.
- 9.2.3 This represents privately placed preference shares of Silk Bank Limited issued at a price of Rs. 2.50 per share. The Company has a put option to sell the shares to Arif Habib Corporation at strike price of Rs. 3.70 per share at the end of three year period. The effective return is 13.96 (2014: 13.96) percent per annum.
- 9.2.4 Investments in shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs. 13,763 million (2014: Cost Rs. 1,520 million and market value Rs.14,139 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.
- 9.2.5 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.
- 9.2.6 The market value of shares in listed associates amounted to Rs. 17,280 million (2014: Rs. 17,168 million).

9.3 Particulars for impairment / diminution in the value of investments	Note	2015 (Rupees in '000)	2014
Opening balance		155,022	139,020
Charge for the year		494,741	6,146
Less: provision charge on associate	9.3.1	(131,381)	-
		363,360	6,146
(Reversals) / provision on unquoted TFCs		(9,856)	9,856
		353,504	16,002
Closing balance		508,526	155,022

- 9.3.1 This represents provision made during the year as a result of inclusion of waqf / participation takaful fund of an associate in the determination of its breakup value in view of Board's decision to divest the Company's interest in the associate.
- 9.4 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital / sukuk required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, are given in annexures "I" and "II", which are an integral part of these financial statements.
- 9.5 Investment in Associates

The Company's associates are:

Associates	Note	Nature of Activities	Main Area of Operations	Percentage holding
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30.00
The General Tyre & Rubber Company of Pakistan Limited (GTR)	a	Tyre Manufacturing	Pakistan	30.00
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30.00
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	6.48
Meezan Balanced Fund (MBF)	b	Fund	Pakistan	3.64
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	17.65

a) These are considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the investment in the associate being more than 20% and representation on its board of directors.

b) These are considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on the board of directors of management company and participation in decisions about dividend and other distributions policies.

c) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on its board of directors and participation in decisions about dividend and other distributions policies.



9.5.1 Summarized financial statements of associates  
2015

	MBL	GTR	AMMF	MBF	AMIM	NCCPL
	------(Rupees in '000)-----					
Current Assets	405,157,528	3,396,642	4,384,049	4,617,956	3,153,500	4,202,254
Non-Current Assets	89,821,599	2,077,137	-	-	133,874	217,352
Total Assets	494,979,127	5,473,779	4,384,049	4,617,956	3,287,374	4,419,606
Current Liabilities	211,581,084	2,543,988	124,177	95,182	499,734	3,274,726
Non-Current Liabilities	255,041,007	809,748	-	-	-	432,201
Total Liabilities	466,622,091	3,353,736	124,177	95,182	499,734	3,706,927
Net Assets	28,357,036	2,120,043	4,259,872	4,522,774	2,787,640	712,679
Fair Value of Investment	13,762,577	3,076,651	276,245	164,872	746,292	90,293
Dividend Received	902,464	125,519	11,489	8,846	90,000	35,596
Profit / (loss) from continuing operations	6,811,519	260,385	39,474	61,171	127,897	73,996
Tax	(2,861,128)	(80,090)	-	-	(64,694)	(19,651)
Profit / (loss) after tax from continuing operations	3,950,391	180,295	39,474	61,171	63,203	54,345
Other Comprehensive Income	(68,328)	-	(28,236)	7,133	-	(1,306)
Total Comprehensive Income	3,882,063	180,295	11,238	68,304	63,203	53,039

9.5.2 The financial statements upto September 30, 2015 have been used for all associates, except mutual funds as their financial statements for the period ended December 31, 2015 are not available. However, results of associates have been adjusted for the effects of significant transactions or events that occurred between the date of the investee's financial statements till the date of the Company's financial statements.

2014	MBL	GTR	AMMF	MBF	AMIM	PKTCL <sup>*</sup>	NCCPL
	------(Rupees in '000)-----						
Current Assets	290,145,359	3,993,914	3,376,436	2,445,366	2,699,670	976,823	1,673,065
Non-Current Assets	91,285,460	1,957,135	-	-	149,249	21,436	190,529
Total Assets	381,430,819	5,951,049	3,376,436	2,445,366	2,848,919	998,259	1,863,594
Current Liabilities	160,085,866	3,720,932	60,890	60,424	475,891	665,487	956,279
Non-Current Liabilities	197,166,425	530,979	-	-	-	1,867	392,058
Total Liabilities	357,252,291	4,251,911	60,890	60,424	475,891	667,354	1,348,337
Net Assets	24,178,528	1,699,138	3,315,546	2,384,942	2,373,028	330,905	515,257
Fair Value of Investment	14,138,304	2,611,513	259,349	158,236	666,908	233,684	88,291
Dividend Received	601,643	116,553	-	-	45,000	-	15,820
Profit / (loss) from continuing operations	5,428,155	88,111	162,326	157,138	199,295	10,425	35,435
Tax	(1,851,863)	(31,450)	-	-	(36,399)	(7,089)	(11,079)
Profit / (loss) after tax from continuing operations	3,576,292	56,661	162,326	157,138	162,896	3,336	24,356
Other Comprehensive Income	82,197	-	163,059	8,744	-	-	-
Total Comprehensive Income	3,658,489	56,661	325,385	165,882	162,896	3,336	24,356

\* Pak- Kuwait Takaful Company Limited (PKTCL)

9.5.3 The financial statements upto September 30, 2014 have been used for all associates, except mutual funds as their financial statements for the period ended December 31, 2014 are not available. However, results of associates have been adjusted for the effects of significant transactions or events that occurred between the date of the investee's financial statements till the date of the Company's financial statements.

#### 9.5.4 Reconciliation of Summarized Information of Associates

2015	MBL	GTR	AMMF	MBF	AMIM	NCCPL
	----- (Rupees in '000) -----					
Net Assets of the associate	28,357,036	2,120,043	4,259,872	4,522,774	2,787,640	712,679
Company's proportionate interest in associate	8,507,111	636,013	276,040	164,629	836,292	125,788
Other adjustments	(292,699)	66,721	(133)	132	(90,000)	(35,495)
Carrying amount of the Company's interest in associate	8,214,412	702,734	275,907	164,761	746,292	90,293

2014	MBL	GTR	AMMF	MBF	AMIM	PKTCL	NCCPL
	----- (Rupees in '000) -----						
Net Assets of the associate	24,178,528	1,699,138	3,315,546	2,384,942	2,373,028	330,905	515,257
Company's proportionate interest in associate	7,253,558	509,741	260,602	158,599	711,908	99,272	90,943
Other adjustments	593,961	66,722	146	112	(45,000)	134,412	(2,652)
Carrying amount of the Company's interest in associate	7,847,519	576,463	260,748	158,711	666,908	233,684	88,291

#### 9.5.5 Significant restrictions

The associates do not have significant restrictions on their ability to access or use its assets or settle its liabilities other than those resulting from the regulatory framework within which they operate, including but not limited to the requirement of maintaining of minimum level of capital and liquid assets, and limit on maximum exposures and other required ratios.

10. ADVANCES	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
In Pakistan			
Advances		5,525,923	3,467,870
Net investment in finance leases	10.2	1,092,307	894,665
		<u>6,618,230</u>	<u>4,362,535</u>
Provision against advances	10.4	(1,504,586)	(1,564,607)
Advances net of provision		<u>5,113,644</u>	<u>2,797,928</u>
10.1 Particulars of gross advances			
In local currency		<u>6,618,230</u>	<u>4,362,535</u>
Short term (for upto one year)		2,900,578	2,270,226
Long term (for over one year)		3,717,652	2,092,309
		<u>6,618,230</u>	<u>4,362,535</u>
10.2 Net investment in finance leases			

	2015				2014			
	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 in '000) -----							
Lease rentals receivable	735,327	345,589	-	1,080,916	664,196	222,721	6,292	893,209
Residual value	55,596	24,701	-	80,297	63,643	6,934	-	70,577
Minimum lease payments	790,923	370,290	-	1,161,213	727,839	229,655	6,292	963,786
Financial charges for future periods	39,229	29,677	-	68,906	30,878	37,819	424	69,121
Present value of minimum lease payments	751,694	340,613	-	1,092,307	696,961	191,836	5,868	894,665



10.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2020 and are subject to finance income at rates ranging between 7.00 and 16.00 (2014: 7.00 and 16.52) percent per annum.

10.2.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 76.363 million (2014: Rs. 57.018 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,621.319 million (2014: Rs 1,695.364 million) which have been placed under non-performing status as detailed below:

Category of classification	2015			2014		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
	----- (Rupees in '000) -----					
Substandard	-	-	-	-	-	-
Doubtful	233,463	116,730	116,730	261,511	130,754	130,754
Loss	1,387,856	1,387,856	1,387,856	1,433,853	1,433,853	1,433,853
	<u>1,621,319</u>	<u>1,504,586</u>	<u>1,504,586</u>	<u>1,695,364</u>	<u>1,564,607</u>	<u>1,564,607</u>

10.4 Particulars of provision against advances - specific

Note

2015  
2014  
(Rupees in '000)

Opening balance	1,564,607	1,733,766
Reversals during the year	(60,021)	(169,159)
Closing balance	<u>1,504,586</u>	<u>1,564,607</u>
10.4.1 Local currency	1,504,586	1,564,607
Foreign currency	-	-
	<u>1,504,586</u>	<u>1,564,607</u>

10.5 Particulars of write offs

The Company has not written off any loans.

10.6 Particulars of loans and advances to staff included in advances

Opening balance	132,520	108,323
Disbursements during the year	42,236	72,794
Repayments during the year	(46,437)	(48,597)
	(4,201)	24,197
Balance at end of the year	<u>128,319</u>	<u>132,520</u>

11. OPERATING FIXED ASSETS

Property and equipment	11.1	148,393	155,423
Intangible assets	11.2	20,641	33,186
		<u>169,034</u>	<u>188,609</u>

## 11.1 Property and equipment

	2015										
	Cost			Depreciation			Impairment			Net book value as at December 31, 2015	Rate of depreciation
	As at January 1, 2015	Additions / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge / (reversals)	As at December 31, 2015		
	(Rupees in '000)									%	
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	46,849	3,627	50,476	45,724	-	45,724	139,609	2.50 - 20.00
Furniture and fixtures	14,283	-	14,283	11,643	1,441	13,084	-	-	-	1,199	20.00
Motor vehicles	14,613	2,206	14,372	9,966	1,363	10,392	-	-	-	3,980	20.00
		(2,447)			(937)						
Office equipment	54,797	1,013	40,707	50,071	2,346	37,314	-	-	-	3,393	33.33
		(15,103)			(15,103)						
Electrical appliances	1,684	96	934	1,610	59	822	-	-	-	112	20.00
		(846)			(847)						
	321,286	3,315	306,205	120,139	8,836	112,088	45,724	-	45,724	148,393	
		(18,396)			(16,887)						

	2014										
	Cost			Depreciation			Impairment			Net book value as at December 31, 2014	Rate of depreciation
	As at January 1, 2014	Additions / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge / (reversals)	As at December 31, 2014		
	(Rupees in '000)									%	
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	43,222	3,627	46,849	45,724	-	45,724	143,236	2.50 - 20.00
Furniture and fixtures	14,262	21	14,283	10,192	1,451	11,643	-	-	-	2,640	20.00
Motor vehicles	14,463	2,304	14,613	10,479	1,641	9,966	-	-	-	4,647	20.00
		(2,154)			(2,154)						
Office equipment	52,724	2,774	54,797	46,336	4,436	50,071	-	-	-	4,726	33.33
		(701)			(701)						
Electrical appliances	1,684	-	1,684	1,553	57	1,610	-	-	-	74	20.00
	319,042	5,099	321,286	111,782	11,212	120,139	45,724	-	45,724	155,423	
		(2,855)			(2,855)						

## 11.1.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2015	2014
	(Rupees in '000)	
Furniture and fixture	7,079	7,079
Motor vehicles	8,054	4,595
Office equipment	33,738	47,894
Electrical appliances	605	1,398

## 11.1.2 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	(Rupees in '000)					
Honda Civic	2,447	937	1,510	2,050	Insurance claim	Pak Kuwait Takaful Company Limited

## 11.2 Intangible assets

	2015							
	Cost			Amortization			Net book value as at December 31, 2015	Rate of amortization  %
	As at January 1, 2015	Additions / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge	As at December 31, 2015		
	(Rupees in '000)							
Software	65,290	-	65,290	32,104	12,545	44,649	20,641	20.00
	65,290	-	65,290	32,104	12,545	44,649	20,641	

	2014							
	Cost			Amortization			Net book value as at December 31, 2014	Rate of amortization  %
	As at January 1, 2014	Additions / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge	As at December 31, 2014		
	(Rupees in '000)							
Software	61,570	3,720	65,290	19,252	12,852	32,104	33,186	20.00
	61,570	3,720	65,290	19,252	12,852	32,104	33,186	

## 12. DEFERRED TAX LIABILITIES

	Balance January 01, 2015	Recognised in profit and loss	Recognised in equity	Balance December 31, 2015
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(29,844)	8,421	-	(21,423)
Provision for staff retirement gratuity and compensated absences	10,480	(598)	3,083	12,965
Finance lease arrangements	(176,844)	(4,701)	-	(181,545)
Share of profits from Associates	(804,228)	(188,773)	3,708	(989,293)
Provision against non-performing advances	547,613	(96,237)	-	451,376
Surplus / (deficit) on revaluation of 'held-for-trading' securities	-	253	-	253
(Deficit) / surplus on revaluation of 'available-for-sale' securities	(194,488)	-	64,317	(130,171)
	<u>(647,311)</u>	<u>(281,635)</u>	<u>71,108</u>	<u>(857,838)</u>
	Balance January 01, 2014	Recognised in profit and loss	Recognised in equity	Balance December 31, 2014
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(18,985)	(10,859)	-	(29,844)
Provision for staff retirement gratuity and compensated absences	11,808	(2,186)	858	10,480
Finance lease arrangements	(200,147)	23,303	-	(176,844)
Share of Profits from Associates	(617,177)	(161,111)	(25,940)	(804,228)
Provision against non-performing advances	597,173	(49,560)	-	547,613
(Deficit) on revaluation of 'available-for-sale' securities	(29,529)	-	(164,959)	(194,488)
	<u>(256,857)</u>	<u>(200,413)</u>	<u>(190,041)</u>	<u>(647,311)</u>

13.	OTHER ASSETS	Note	2015	2014
			(Rupees in '000)	
	Income / mark-up accrued in local currency		367,666	349,829
	Advances, deposits, prepayments and other receivables		170,349	37,339
	Advance taxation (payments less provisions)		315,379	256,904
	Non-current assets 'held-for-sale'	13.1	3,618	-
			<u>857,012</u>	<u>644,072</u>
13.1	Non-current assets 'held-for-sale'			

During the year, the Board of Directors have decided to divest the Company's interest in one of its associate, 'Pak-Kuwait Takaful Company Limited' (PKTCL) (30%). In this regard, efforts to sell the associate have been initiated. Based on the Company's intention this associate has accordingly been classified as 'non-current asset held-for-sale'. As at December 31, 2015, this non-current asset held-for-sale is stated at the lower of carrying amount and fair value less costs to sell.

14.	BORROWINGS	Note	2015	2014
			(Rupees in '000)	
	In Pakistan		<u>6,246,955</u>	<u>3,557,518</u>
14.1	Particulars of borrowings with respect to currencies			
	In local currency		<u>6,246,955</u>	<u>3,557,518</u>
14.2	Details of borrowings secured / unsecured			
	Secured			
	Repurchase agreement borrowings - Government securities	14.2.1	1,725,636	620,170
	Borrowings from SBP			
	Under Long Term Facility - Export Oriented Project (LTF-EOP)	14.2.2	6,676	28,311
	Under Long Term Finance Facility (LTFF)	14.2.3	802,613	147,719
	Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.4	8,030	11,318
	Term Finance Facility	14.2.5	1,000,000	2,750,000
	Unsecured			
	Murabaha	14.2.6	2,704,000	-
			<u>6,246,955</u>	<u>3,557,518</u>

#### 14.2.1 Repurchase agreement borrowings - Government Securities

The Company has arranged borrowing from a financial institution against sale and repurchase of government securities. The mark-up on this finance ranges between 6.30 and 6.35 (2014: 10.00) percent per annum with maturities between five days and six days (2014: two days).

#### 14.2.2 LTF-EOP facility from SBP

This represents a one time swap facility option under the scheme LTF - EOP allowed by the SBP through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark-up payable at maximum of 5 percent per annum. The sanctioned limit was Rs. 1,000 million.

#### 14.2.3 Borrowings from SBP under LTFF

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 10.10 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million.



#### 14.2.4 Borrowings from SBP under FFSAP

This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 6.50 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanction limit was Rs. 500 million.

#### 14.2.5 Term Finance Facility

The Company has availed long term finance facilities from a bank. The interest rate on this facility is 7.00% (2014: 10.14 and 10.73) percent per annum and is due for maturity on June 25, 2018 (2014: September 11, 2015 and June 25, 2018).

#### 14.2.6 Murabaha

This represents finance obtained from an Islamic bank. The profit rates on this finance ranges between 6.30 and 6.40 percent per annum with maturities between January 04, 2016 and January 08, 2016.

15.	DEPOSITS AND OTHER ACCOUNTS	2015	2014
		(Rupees in '000)	
	Certificates of investment (COI)	179,750	397,790
		<u>179,750</u>	<u>397,790</u>
15.1	Particulars of deposits		
	In local currency	<u>179,750</u>	<u>397,790</u>

The profit rates on these COIs range between 6.25 and 8.25 (2014: 9.25 and 12.25) percent per annum. The COIs are due for maturity between February 18, 2016 and June 24, 2016 (2014: February 9, 2015 and June 26, 2015).

16.	OTHER LIABILITIES	Note	2015	2014
			(Rupees in '000)	
	Mark-up / return / interest payable in local currency		20,266	18,137
	Accrued liabilities		321,225	269,527
	Staff retirement gratuity	31.1.4	33,258	19,316
	Security deposits against finance lease	10.2.2	76,363	57,018
	Employees' compensated absences		9,962	10,626
	Payable on account of purchase of marketable securities		1,535	38,083
	Other liabilities		3,941	3,167
			<u>466,550</u>	<u>415,874</u>

#### 17. SHARE CAPITAL

17.1	Authorised Share Capital		2015	2014	
			(Number of shares)		
	400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000
	<u>400,000</u>	<u>400,000</u>		<u>10,000,000</u>	<u>10,000,000</u>

17.2	Issued, Subscribed and Paid-up Share Capital		2015	2014
	2015	2014	2015	2014
	(Number of shares)		(Rupees in '000)	
	25,950	25,950	648,750	648,750
	214,050	214,050	5,351,250	5,351,250
	<u>240,000</u>	<u>240,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2014 : 120,000) ordinary shares of the Company as at December 31, 2015.

17.3	Reserves	Note	2015	2014
			(Rupees in '000)	
	Statutory reserve	17.3.1	4,454,684	4,088,974
	Non-distributable reserve	17.3.2	843,263	843,263
	Capital market equalization reserve	17.3.3	450,623	267,768
	Total reserves		<u>5,748,570</u>	<u>5,200,005</u>
17.3.1	Statutory reserve			
	At beginning of the year		4,088,974	3,553,438
	Add: Transfer during the year		365,710	535,536
			<u>4,454,684</u>	<u>4,088,974</u>

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. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 365.710 million (2014: Rs. 535.536 million).

17.3.2	Non-distributable reserve	2015	2014
		(Rupees in '000)	
	At beginning of the year	843,263	-
	Add: Addition during the year	-	843,263
		<u>843,263</u>	<u>843,263</u>

This represents share of gain on bargain purchase of an associate. This is recorded as a non distributable reserve in accordance with the SBP instructions letter (BPRD (R&P-02) / 625-110-2014-17729) issued to the associate. This gain may, as per the requirements of the above mentioned SBP letter, become available for distribution as stock dividend only with the prior approval of SBP. Further, this gain may, before distribution of the gain as stock dividend, be adjusted against any subsequent provisions / deficit assessed by the associate or recommended by the Banking Inspection Department of the SBP in subsequent inspections.

17.3.3	Capital market equalization reserve	2015	2014
		(Rupees in '000)	
	At beginning of the year	267,768	-
	Add: Transfer during the year	182,855	267,768
		<u>450,623</u>	<u>267,768</u>

The Company has set-up a separate 'Capital Market Equalization Reserve', on approval from the Board of Directors in the 135th board meeting held on December 24, 2014, wherein an amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost in order to provide adequate reserve against volatility in the value of capital market portfolio.





18. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX	2015	2014
	(Rupees in '000)	
Federal government securities	269,244	256,560
Shares of listed companies	597,393	686,991
Listed sukuk	15,588	11,810
Share of surplus on revaluation of investments of associates	173,078	381,799
	<u>1,055,303</u>	<u>1,337,160</u>
Deferred tax	(166,217)	(233,521)
	<u>889,086</u>	<u>1,103,639</u>

19. CONTINGENCIES AND COMMITMENTS

19.1 Other Contingencies

- 19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2014, raising a tax demand of Rs. 2,513 million, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2014 under this head amounts to Rs 6,075 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001. The CIR(A) adjudged the matter in favour of the company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011, November 30, 2012 and June 15, 2015 for tax years 2004 to 2007, tax year 2010 and tax years 2011 to 2013 directed for the application of provision of section 124A of the Income Tax Ordinance, 2001. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2013 before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued where the allocation as per the company's contention have been accepted. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided.

Further, the Company has made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same is still pending.

The Company has made provision of Rs 1,209 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.2	Other Commitments	2015	2014
		(Rupees in '000)	
	Undisbursed sanctions for financial assistance in the form of:		
	- loans and advances	2,452,764	859,482
		<u>2,452,764</u>	<u>859,482</u>
20.	MARK - UP / RETURN / INTEREST EARNED		
	On loans and advances	342,148	493,420
	On investments in:		
	- 'Available-for-sale' securities	868,003	851,761
	- 'Held-to-maturity' securities	17,566	15,428
	On lendings to financial institutions	917	2,042
	On securities purchased under resale agreements - government securities	896	46,148
		<u>1,229,530</u>	<u>1,408,799</u>
21.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits / COIs'	18,381	53,736
	Borrowings	307,511	513,822
	Securities sold under repurchase agreements - government securities	39,335	52,367
		<u>365,227</u>	<u>619,925</u>
22.	GAIN ON SALE OF SECURITIES		
	Shares - listed securities - net	366,683	380,951
	Shares - unlisted securities - net	-	1,000
	TFCs - unlisted	(13,812)	-
		<u>352,871</u>	<u>381,951</u>
23.	OTHER INCOME		
	Gain on disposal of operating fixed assets	645	2,105
	Space / arrangement income	17,236	17,235
	Late payment charges	613	4,206
	Prepayment charges	-	1,404
	Unrealised exchange (loss) on investment	-	(275)
	Nominee directors fee	6,197	5,628
	Others	149	266
		<u>24,840</u>	<u>30,569</u>



24. ADMINISTRATIVE EXPENSES	Note	2015	2014
		(Rupees in '000)	
Salaries, allowances and employees' benefits		272,506	275,449
Directors' remuneration (including remuneration of Chief Executive)		38,696	41,405
Provision for gratuity	31.1.5	17,730	15,356
Employer's contribution to the provident fund		17,658	16,410
Travelling and conveyance		7,097	6,270
Rent and rates		10,397	7,714
Utilities		4,767	4,149
Communication		5,500	5,573
Professional training and staff welfare		3,951	1,221
Advertisements, periodicals and membership dues		2,493	1,692
Printing and stationery		2,297	2,985
Depreciation	11.1	8,836	11,212
Amortization	11.2	12,545	12,852
Auditors' remuneration	24.1	5,661	4,557
Legal, consultancy and other professional services		44,180	53,229
Repairs and maintenance		18,885	15,339
Motor vehicle expenses		745	914
Insurance		600	628
Donations	24.2	12,500	12,000
Workers' Welfare Fund		51,091	63,907
Entertainment		632	766
Bank charges		156	134
Miscellaneous		6,299	4,632
		<u>545,222</u>	<u>558,394</u>
24.1 Auditors' remuneration			
Audit fee		1,516	1,430
Fee for half yearly review		613	578
Special certifications and sundry advisory services		3,291	2,328
Out of pocket expenses		241	221
		<u>5,661</u>	<u>4,557</u>
24.2 During the year, the Company donated to the following recognized institutions:			
Donee			
The Citizens Foundation		6,000	5,250
The Kidney Centre		1,500	2,000
Student Loan Endowment Fund		-	2,000
Layton Rehmatullah Benevolent Trust		1,000	1,500
Shaukat Khanum Memorial Trust		1,000	750
Aziz Jehan Begum Trust for the Blind		1,000	500
Centre for Development of Social Services		1,000	-
Roshni Homes Trust		1,000	-
		<u>12,500</u>	<u>12,000</u>
None of the directors or their spouse had any interest in the donations made.			
25. OTHER CHARGES			
Penalties imposed by the SBP		<u>30</u>	<u>456</u>

26.	TAXATION		2015	2014
			(Rupees in '000)	
	For the year			
	- Current		394,067	317,271
	- Prior years		-	-
	- Deferred		281,635	200,413
			<u>675,702</u>	<u>517,684</u>
26.1	Relationship between tax expense and accounting profit			
	Profit before taxation		<u>2,504,252</u>	<u>3,195,364</u>
	Tax at the applicable rate of 32% (2014: 33%)		801,361	1,054,470
	Net tax effect on income taxed at reduced rates		(283,782)	(518,640)
	Tax effect of supertax charge		57,597	-
	Tax effect of change in tax rates		101,852	-
	Others		(1,326)	(18,146)
			<u>675,702</u>	<u>517,684</u>
27.	BASIC EARNINGS PER SHARE			
	Profit for the year		<u>1,828,550</u>	<u>2,677,680</u>
			(Number in '000)	
	Weighted average number of ordinary shares		<u>240</u>	<u>240</u>
			(Rupees)	
	Basic earnings per share		<u>7,619</u>	<u>11,157</u>
28.	DILUTED EARNINGS PER SHARE			
			(Rupees in '000)	
	Profit for the year		<u>1,828,550</u>	<u>2,677,680</u>
			(Number in '000)	
	Weighted average number of ordinary shares		<u>240</u>	<u>240</u>
			(Rupees)	
	Diluted earnings per share		<u>7,619</u>	<u>11,157</u>
28.1	There were no convertible potential ordinary shares outstanding as on December 31, 2015 and December 31, 2014.			
29.	CASH AND CASH EQUIVALENTS	Note	2015	2014
			(Rupees in '000)	
	Cash and balances with treasury banks	6	63,957	53,667
	Balances with other banks	7	20,718	20,335
			<u>84,675</u>	<u>74,002</u>
30.	STAFF STRENGTH			
			(Number)	
	Permanent		61	65
	Temporary / on contractual basis		2	1
	Own staff strength at the end of the year		<u>63</u>	<u>66</u>
	Outsourced		25	25
	Total staff strength		<u>88</u>	<u>91</u>



31.	DEFINED BENEFIT PLAN			
31.1	Staff retirement gratuity			
31.1.1	The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2015.			
31.1.2	Principal actuarial assumptions	Note	2015	2014
			(% per annum)	
	Discount rate		9.25	11.00
	Expected rate of increase in salaries:			
	For first two years		11.25	11.00
	For third year and onwards		9.25	11.00
31.1.3	Reconciliation of payable to defined benefit plan		2015	2014
			(Rupees in '000)	
	Present value of defined benefit obligations	31.1.6	156,643	162,671
	Fair value of plan assets	31.1.7	(123,385)	(143,355)
			33,258	19,316
31.1.4	Movement in payable to defined benefit plan			
	Opening balance		19,316	16,136
	Expense charged in the current year	31.1.5	17,730	15,356
	Company's contribution to gratuity fund		(14,064)	(14,628)
	Remeasurements recognized in OCI during the year	31.1.5	10,276	2,452
	Closing balance		33,258	19,316
31.1.5	Charge for defined benefit plan			
	<i>Cost recognized in profit and loss account for the year</i>			
	Current service cost		15,713	13,333
	Interest cost		17,367	19,561
	Expected return on plan assets		(15,350)	(17,538)
			17,730	15,356
	<i>Remeasurements recognized in OCI during the year</i>			
	Actuarial loss / (gain) on obligation		5,760	(3,249)
	Actuarial loss on assets		4,516	5,701
			10,276	2,452
	Total defined benefit cost recognized in profit and loss and OCI		28,006	17,808
31.1.6	Reconciliation of present value of defined benefit obligation			
	Opening balance of defined benefit obligation		162,671	146,168
	Current service cost		15,713	13,333
	Interest cost		17,367	19,561
	Benefits paid during the year		(44,868)	(13,142)
	Remeasurements: Actuarial (gain) / loss on obligation		5,760	(3,249)
	Closing balance of defined benefit obligation		156,643	162,671

31.1.7 Reconciliation of fair value of plan assets	2015	2014
	(Rupees in '000)	
Opening fair value of plan assets	143,355	130,032
Expected return on plan assets during the year	15,350	17,538
Actual contributions made by the employer	14,064	14,628
Actual benefits paid during the year	(44,868)	(13,142)
Remeasurements: Actuarial loss on plan assets	(4,516)	(5,701)
Closing fair value of plan assets	<u>123,385</u>	<u>143,355</u>

Actual return on plan assets is 9.00 % as at December 31, 2015 (9.00% as at December 31, 2014).

31.1.8 Defined Benefit Cost for the following year	2015
	(Rupees in '000)
<u>Cost to be recognised in P&amp;L for the following year</u>	
Service Cost	
(i) Current Service Cost	14,517
(ii) Prior Service Cost	-
Total Service Cost	<u>14,517</u>

Net Interest on the net defined benefit liability / (asset)

(i) Interest on defined benefit obligation	13,308
(ii) Interest income on plan assets	(10,365)
Net Interest Cost	<u>2,943</u>

Cost to be recognised in P&L for the following year

17,460

Remeasurement for the following year would be calculated in that year.

31.1.9 Remeasurements recognized in other comprehensive income, expense / (income) during the year	2015	2014
	(Rupees in '000)	
<u>Remeasurements: Actuarial loss / (gain) on obligation:</u>		
Loss due to change in financial assumptions	3,709	1,459
(Gain) due to change in demographic assumptions	-	(1)
(Gain) / loss due to change in experience adjustments	2,050	(4,707)
Total actuarial loss / (gain) on obligation	<u>5,759</u>	<u>(3,249)</u>
<u>Remeasurements: Actuarial gain/ (loss) on assets:</u>		
Actual net return on plan assets	10,754	11,776
less: Interest income on plan assets	15,350	17,538
	4,596	5,762
Opening difference	79	61
Net return on plan assets	<u>4,517</u>	<u>5,701</u>
Total Remeasurements recognized in OCI during the year	<u>10,276</u>	<u>2,452</u>

31.1.10 Disaggregation of fair value of plan assets

Quoted:

Cash and cash equivalents - after adjusting for current liabilities	3,489	592
Debt instruments	23,510	23,485
Mutual Funds	6,493	8,058
	<u>33,492</u>	<u>32,135</u>

Unquoted:

Debt instruments	89,893	111,220
Total (Quoted and Unquoted)	<u>123,385</u>	<u>143,355</u>



### 31.1.11 Maturity profile of defined benefit obligation

2015  
Years

2014  
Years

Weighted average duration of the present value of defined benefit obligation

7

7

Benefit Payments

2015

2014

Distribution of timing of benefit payments

(Rupees in '000)

Years

1

40,631

25,555

2

15,639

40,775

3

21,659

16,553

4

5,907

23,064

5

31,371

7,135

6 - 10

76,861

101,287

11 - 15

175,837

108,776

### 31.1.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Base

156,643

162,671

Discount rate +1%

151,479

152,113

Discount rate -1%

162,186

174,841

Future salary increases +1%

168,751

175,510

Future salary increases -1%

145,947

151,337

### 32. DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of Salary), and by the employees (at the rate of 10 % - 30 %) of Salary.

### 33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in '000) -----					
Fee	-	-	12,538	12,355	-	-
Managerial remuneration	17,280	24,017	-	-	229,204	210,143
Charge for defined benefit plan	-	-	-	-	17,511	14,729
Contribution to defined contribution plan	-	-	-	-	17,658	16,357
Rent and house maintenance	2,640	3,794	-	-	-	-
Utilities	223	351	-	-	-	-
Medical	264	239	-	-	3,596	3,851
Bonus paid	5,040	-	-	-	40,514	39,865
Others	711	649	-	-	-	-
	<u>26,158</u>	<u>29,050</u>	<u>12,538</u>	<u>12,355</u>	<u>308,483</u>	<u>284,945</u>
No. of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>59</u>	<u>61</u>

33.1 The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.



## 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

### 34.1 On balance sheet financial instruments

2015										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
Market treasury bills	-	488,940	-	-	-	488,940	-	488,640	-	488,640
Pakistan investment bonds	-	5,886,640	-	-	-	5,886,640	-	6,156,183	-	6,156,183
Shares of listed companies	63,136	2,987,093	-	-	-	3,050,229	3,660,313	-	-	3,660,313
Listed preference shares	-	50,000	-	-	-	50,000	44,200	-	-	44,200
Listed sukuk / term finance certificates	-	857,640	-	-	-	857,640	-	864,311	-	864,311
Listed shares / funds in associates	-	9,357,812	-	-	-	9,357,812	17,280,344	-	-	17,280,344
Financial assets not measured at fair value										
- Cash and balances with treasury banks	-	-	-	63,957	-	63,957	-	-	-	-
- Balances with other banks	-	-	-	20,718	-	20,718	-	-	-	-
- Investments										
Shares in unlisted companies	-	17,446	-	-	-	17,446	-	-	-	-
Shares in unlisted preference shares	-	-	143,292	-	-	143,292	-	-	-	-
Shares of unlisted associates	-	836,585	-	-	-	836,585	-	-	-	-
Unlisted term finance certificates	-	573,840	-	-	-	573,840	-	-	-	-
- Advances	-	-	-	5,113,644	-	5,113,644	-	-	-	-
- Other assets	-	-	-	371,284	-	371,284	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(6,246,955)	(6,246,955)	-	-	-	-
Deposits and other accounts	-	-	-	-	(179,750)	(179,750)	-	-	-	-
Other liabilities	-	-	-	-	(433,292)	(433,292)	-	-	-	-
	63,136	21,055,996	143,292	5,569,603	(6,859,997)	19,972,030	20,984,857	7,509,134	-	28,493,991

2014										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
Market treasury bills	-	481,827	-	-	-	481,827	-	481,628	-	481,628
Pakistan investment bonds	-	5,851,432	-	-	-	5,851,432	-	6,108,191	-	6,108,191
Shares of listed companies	-	2,770,994	-	-	-	2,770,994	3,463,785	-	-	3,463,785
Listed preference shares	-	50,000	-	-	-	50,000	44,200	-	-	44,200
Listed sukuk / term finance certificates	-	236,375	-	-	-	236,375	-	248,185	-	248,185
Listed shares / funds in associates	-	8,843,440	-	-	-	8,843,440	17,167,703	-	-	17,167,703
Financial assets not measured at fair value										
- Cash and balances with treasury banks	-	-	-	53,667	-	53,667	-	-	-	-
- Balances with other banks	-	-	-	20,335	-	20,335	-	-	-	-
- Lendings to financial institutions	-	-	-	28,000	-	28,000	-	-	-	-
- Investments										
Shares in unlisted companies	-	23,455	-	-	-	23,455	-	-	-	-
Shares in unlisted preference shares	-	-	125,726	-	-	125,726	-	-	-	-
Shares of unlisted associates	-	988,884	-	-	-	988,884	-	-	-	-
Unlisted term finance certificates	-	574,068	-	-	-	574,068	-	-	-	-
- Advances	-	-	-	2,797,928	-	2,797,928	-	-	-	-
- Other assets	-	-	-	349,829	-	349,829	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(3,557,518)	(3,557,518)	-	-	-	-
Deposits and other accounts	-	-	-	-	(397,790)	(397,790)	-	-	-	-
Other liabilities	-	-	-	-	(433,292)	(433,292)	-	-	-	-
	-	19,820,475	125,726	3,249,759	(4,388,600)	18,807,360	20,675,688	6,838,004	-	27,513,692



The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

### 35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2015					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	----- (Rupees in '000) -----					
Total income - gross	482,401	744,246	862	2,597,107	26,861	3,851,477
Total mark-up / return / interest expense	(197,044)	(168,183)	-	-	-	(365,227)
Segment provision / impairment / unrealised losses	(77,370)	-	-	(359,376)	-	(436,746)
	<u>(274,414)</u>	<u>(168,183)</u>	<u>-</u>	<u>(359,376)</u>	<u>-</u>	<u>(801,973)</u>
Net operating income	<u>207,987</u>	<u>576,063</u>	<u>862</u>	<u>2,237,731</u>	<u>26,861</u>	<u>3,049,504</u>
Administrative expenses and other charges						(545,252)
Profit before taxation						<u>2,504,252</u>
Segment assets - net	7,494,245	7,022,232	-	13,179,550	670,960	28,366,987
Segment non-performing loans	1,621,319	-	-	-	-	1,621,319
Segment provision required and held	1,504,586	-	-	-	-	1,504,586
Segment liabilities	1,904,222	4,621,366	-	1,984	1,223,521	7,751,093
Segment return on net assets (ROA) %	8.25	10.81	-	20.83	4.10	-
Segment cost of funds (%)	7.81	6.74	-	-	-	-

	2014					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	(Rupees in '000)					
Total income - gross	614,399	798,523	1,162	2,769,596	27,446	4,211,126
Total mark-up / return / interest expense	(477,254)	(142,671)	-	-	-	(619,925)
Segment provision / impairment / unrealised gains	163,575	-	-	(562)	-	163,013
	(313,679)	(142,671)	-	(562)	-	(456,912)
Net operating income	300,720	655,852	1,162	2,769,034	27,446	3,754,214
Administrative expenses and other charges						(558,850)
Profit before taxation						3,195,364
Segment assets - net	4,676,852	6,986,080	-	12,355,819	615,422	24,634,173
Segment non-performing loans	1,695,364	-	-	-	-	1,695,364
Segment provision required and held	1,564,607	-	-	-	-	1,564,607
Segment liabilities	3,008,723	1,023,947	-	38,554	947,269	5,018,493
Segment return on net assets (ROA) %	11.48	11.22	-	30.80	4.50	-
Segment cost of funds (%)	10.22	9.78	-	-	-	-

35.1 Under the Company policy, capital market department assets are financed through equity funds.

### 36. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertakings, employee benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	2015	2014
	(Rupees in '000)	
Expenses charged to related parties	23,154	19,300
Expenses charged by		
- associates	376	891
- other related party	18,990	19,900
Dividend income from		
- associates	1,173,914	779,015
- other related party	10,839	-
Gain on disposal/redemption of shares/units of related parties	136,064	40,337
Mark-up earned on bank deposit with an associate	450	661
Mark-up earned on loans and advances		
- other related parties	21,157	-
- key management personnel	260	636
Loans and advances to key management personnel		
Balance as at January 1,	24,004	28,907
Disbursement during the year	2,442	4,571
(Deletion) / addition during the year	(8,117)	828
Recovery during the year	(7,979)	(10,302)
	(13,654)	(4,903)
Balance as at December 31,	10,350	24,004



2015                      2014  
(Rupees in '000)

Loans and advances to other related parties	600,000	-
Mark-up expense on COI		
- other related party	228	306
Deposits / COIs		
- other related party	2,500	2,500
Bank balances with an associate	18,081	17,857
Mark-up receivable on bank deposit with an associate	40	69
Mark-up payable to related party		
- other related party	161	1,465
Investments in		
- associates	10,194,397	9,832,324
- other related party	414,164	500
Contribution made to provident fund	17,658	16,410
Contribution made to gratuity fund	14,064	14,628

#### Key management personnel

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and Head of Human Resources. Their salaries and other benefits amount to Rs. 99.334 million (2014: Rs. 98.613 million) and staff retirement benefits amount to Rs. 11.422 million (2014: Rs. 11.145 million).

### 37. CAPITAL ADEQUACY

37.1 The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

#### Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

### Statutory Capital Requirement

State Bank of Pakistan (SBP) requires Banks/DFIs to maintain prescribed capital to total risk-weighted asset ratios. The capital adequacy ratios of the Banks/DFIs are subject to Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 6 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation to be expected by December 31, 2019. Under Basel III guidelines Banks/DFIs are required to maintain the following ratios on an ongoing basis.

Sr. #	Ratio	2013	2014	2015	2016	2017	2018	2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	Capital Conservation Buffer (CCB)	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

### Capital Management

The major changes under the Basel III Framework pertain to eligible capital which is the numerator of the Capital Adequacy Ratio (CAR). The regulatory capital as managed by the Company is analyzed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits. Goodwill and other intangibles are deducted from Tier 1 Capital.
- Additional Tier 1 Capital (ADT1), which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Company did not have any ADT1 as of December 31, 2015.
- Tier 2 Capital, which includes surplus on revaluation of equity investments after all regulatory adjustments applicable on Tier 2.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.



37.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2015

		2015 (Rupees in '000)	2014 (Rupees in '000)
		Amount	Amount
Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	5,748,570	5,200,005
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	7,978,238	7,312,036
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	CET 1 before Regulatory Adjustments	19,726,808	18,512,041
10	Total regulatory adjustments applied to CET1	6,415,042	6,326,410
11	Common Equity Tier 1	13,311,766	12,185,631
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out		
17	AT1 before regulatory adjustments		
18	Total regulatory adjustment applied to AT1 capital	3,598,366	4,913,179
19	Additional Tier 1 capital after regulatory adjustments		
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1)	13,311,766	12,185,631
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	595,688	607,001
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments	595,688	607,001
33	Total regulatory adjustment applied to T2 capital	595,688	607,001
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy		
38	TOTAL CAPITAL (T1 + admissible T2)	13,311,766	12,185,631
39	Total Risk Weighted Assets (RWA)	34,226,469	26,582,753



Pak Kuwait

	2015	2014
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	38.89%	45.84%
41 Tier-1 capital to total RWA	38.89%	45.84%
42 Total capital to total RWA	38.89%	45.84%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.25%	5.50%
44 of which: capital conservation buffer requirement	0.25%	0.00%
45 of which: countercyclical buffer requirement		
46 of which: D-SIB or G-SIB buffer requirement		
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	32.64%	40.34%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	5.50%
49 Tier 1 minimum ratio	7.50%	7.00%
50 Total capital minimum ratio	10.25%	10.00%

Regulatory Adjustments and Additional Information	2015	(Rupees in '000)		2014
		Amounts subject to Pre- Basel III treatment*		
37.2.1 Common Equity Tier 1 capital: Regulatory adjustments				
1 Goodwill (net of related deferred tax liability)				
2 All other intangibles (net of any associated deferred tax liability)	20,641			33,186
3 Shortfall in provisions against classified assets				
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5 Defined-benefit pension fund net assets				
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities				
7 Cash flow hedge reserve				
8 Investment in own shares/ CET1 instruments				
9 Securitization gain on sale				
10 Capital shortfall of regulated subsidiaries				
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS				
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)				
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	2,796,035	6,990,087	1,380,045	6,900,226
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15 Amount exceeding 15% threshold				
16 of which: significant investments in the common stocks of financial entities				
17 of which: deferred tax assets arising from temporary differences				
18 National specific regulatory adjustments applied to CET1 capital				
19 Investments in TFCs of other banks exceeding the prescribed limit				
20 Any other deduction specified by SBP (mention details)				
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	3,598,366			4,913,179
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	6,415,042			6,326,410



(Rupees in '000)  
Amounts subject to  
Pre- Basel III  
treatment

37.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]		
24	Investment in own AT1 capital instruments		
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities		
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	2,097,027	2,760,090
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,501,339	2,153,089
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	3,598,366	4,913,179

37.2.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,097,027	2,760,090
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities		
33	Investment in own Tier 2 capital instrument		
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	2,097,027	2,760,090

2015      2014  
(Rupees in '000)

37.2.4 Additional Information

	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
	(i) of which: deferred tax assets		
	(ii) of which: Defined-benefit pension fund net assets		
	(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		
	(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	869,086	1,181,378
39	Significant investments in the common stock of financial entities	8,960,704	8,748,111
40	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		
42	Cap on inclusion of provisions in Tier 2 under standardized approach		
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

## 37.3 Capital Structure Reconciliation

Step 1		
Table: 37.3.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2015	2015

(Rupees in '000)

**Assets**

Cash and balances with treasury banks	63,957	63,957
Balances with other banks	20,718	20,718
Lending to financial institutions	-	-
Investments	22,142,622	22,142,622
Advances	5,113,644	5,113,644
Operating fixed assets	169,034	169,034
Deferred tax assets	-	-
Other assets	857,012	857,012
<b>Total assets</b>	<b>28,366,987</b>	<b>28,366,987</b>

**Liabilities & Equity**

Bills payable	-	-
Borrowings	6,246,955	6,246,955
Deposits and other accounts	179,750	179,750
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	857,838	857,838
Other liabilities	466,550	466,550
<b>Total liabilities</b>	<b>7,751,093</b>	<b>7,751,093</b>
Share capital	6,000,000	6,000,000
Reserves	5,748,570	5,748,570
Unappropriated profits	7,978,238	7,978,238
Minority Interest	-	-
Surplus on revaluation of assets	889,086	889,086
<b>Total liabilities &amp; equity</b>	<b>28,366,987</b>	<b>28,366,987</b>

Step 2			
Table: 37.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015	2015	
(Rupees in '000)			
<b>Assets</b>			
Cash and balances with treasury banks	63,957	63,957	
Balances with other banks	20,718	20,718	
Lending to financial institutions	-	-	
Investments	22,142,622	22,142,622	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	6,394,401	6,394,401	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	5,113,644	5,113,644	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	-	g
Fixed Assets	169,034	169,034	
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	857,012	857,012	
of which: Goodwill	-	-	j
of which: Intangibles	20,641	20,641	k
of which: Defined-benefit pension fund net assets	-	-	l
<b>Total assets</b>	<b>28,366,987</b>	<b>28,366,987</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	-	-	
Borrowings	6,246,955	6,246,955	
Deposits and other accounts	179,750	179,750	
Sub-ordinated loans			
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease			
Deferred tax liabilities	857,838	857,838	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	466,550	466,550	
<b>Total liabilities</b>	<b>7,751,093</b>	<b>7,751,093</b>	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	s
of which: amount eligible for AT1	-	-	t
Reserves	5,748,570	5,748,570	
of which: portion eligible for inclusion in CET1 (provide breakup)	5,748,570	5,748,570	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	7,978,238	7,978,238	w
Minority Interest			
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	889,086	889,086	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	-	-	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>28,366,987</b>	<b>28,366,987</b>	

Step 3

Basel III Disclosure Template (with added column)		
Table: 37.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
	(Rupees in '000)	

Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000 (s)
2	Balance in Share Premium Account	-
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	5,748,570 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	7,978,238 (w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-
8	CET 1 before Regulatory Adjustments	19,726,808 (x)
Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	- (j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	20,641 (k) - (p)
11	Shortfall of provisions against classified assets	- (f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	- {(h) - (r)} * x%
13	Defined-benefit pension fund net assets	- {(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	- (d)
15	Cash flow hedge reserve	-
16	Investment in own shares/ CET1 instruments	-
17	Securitization gain on sale	-
18	Capital shortfall of regulated subsidiaries	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	- (ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	2,796,035 (b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	- (i)
23	Amount exceeding 15% threshold	
24	of which: significant investments in the common stocks of financial entities	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments applied to CET1 capital	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-
28	Any other deduction specified by SBP (mention details)	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	3,598,366
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,415,042
	Common Equity Tier 1	13,311,766
Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-
32	of which: Classified as equity	- (l)
33	of which: Classified as liabilities	- (m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	- (v)
35	of which: instrument issued by subsidiaries subject to phase out	-
36	AT1 before regulatory adjustments	-

Table: 37.3.3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		(Rupees in '000)	
Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	2,097,027	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,501,339	
44	Total of Regulatory Adjustment applied to AT1 capital	3,598,366	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		13,311,766	
Tier 2 Capital			
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
52	Revaluation Reserves eligible for Tier 2	-	
53	of which: portion pertaining to Property	-	
54	of which: portion pertaining to AFS securities	595,688	portion of (aa)
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	T2 before regulatory adjustments	595,688	
Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,097,027	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	595,688	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
TOTAL CAPITAL (T1 + admissible T2)		13,311,766	

## 37.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Pakistan Kuwait Investment Company (Private) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Government of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,000,000
9	Par value of instrument	PKR 25,000 per share
10	Accounting classification	Share Holder's Equity
11	Original date of issuance	1979
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA



### 37.5 Capital Adequacy Ratio

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	(Rupees in '000)			
<b>Credit Risk on On-Balance Sheet</b>				
PSE's	1,093	1,292	10,931	12,917
Banks	13,136	432	131,356	4,316
Corporates	367,660	130,519	3,676,599	1,305,191
Retail portfolio	3,814	3,580	38,144	35,805
Secured by residential property	2,711	2,967	27,111	29,673
Past due loans	13,862	15,264	138,618	152,641
Commercial Entity	702,745	576,463	7,027,450	5,764,630
Significant Investment & DTA	492,654	461,972	4,926,542	4,619,715
Listed equity investments	109,475	67,446	1,094,747	674,464
Unlisted equity investments	38,173	35,615	381,730	356,147
Investments in fixed assets	14,839	15,542	148,393	155,423
Other assets	17,035	3,734	170,350	37,339
	<u>1,777,197</u>	<u>1,314,826</u>	<u>17,771,971</u>	<u>13,148,261</u>
<b>Credit risk on Off-Balance Sheet</b>				
Non market related	252,073	35,593	2,520,734	355,930
<b>Market Risk</b>				
Interest rate risk	19,759	46,822	246,988	585,275
Equity position risk	638,955	582,057	7,986,938	7,275,723
	<u>658,714</u>	<u>628,879</u>	<u>8,233,926</u>	<u>7,860,998</u>
<b>Operational Risk</b>	455,987	417,405	5,699,838	5,217,564
<b>TOTAL</b>	<u><u>3,143,971</u></u>	<u><u>2,396,703</u></u>	<u><u>34,226,469</u></u>	<u><u>26,582,753</u></u>
<b>Capital Adequacy Ratio</b>			2015	2014
			(Rupees in '000)	
Total eligible regulatory capital held	(e)	<u>13,311,766</u>	<u>12,185,631</u>	
Total Risk Weighted Assets	(i)	<u>34,226,469</u>	<u>26,582,753</u>	
Capital Adequacy Ratio	(e) / (i)	<u>38.89%</u>	<u>45.84%</u>	

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	38.89%	5.50%	45.84%
Tier-1 capital to total RWA	7.50%	38.89%	7.00%	45.84%
Total capital to total RWA	10.00%	38.89%	10.00%	45.84%
Leverage Ratio	3.00%	52.09%	3.00%	70.17%

### 38. RISK MANAGEMENT

Risk is an integral part of business and the company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the Company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits/levels.

The Board of Directors has oversight on all the risks assumed by Company. Policies are approved from time to time by the Board of Directors, form the governing framework for each type of risk. Risk Management Committee (RMC) of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels.



The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the Company so as to ensure that risks are kept within an acceptable level.

### 38.1 Credit risk

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well-established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, both Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Internal Risk Rating Policy is also in place which was approved by Board of Directors.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group.

Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include transition matrix & migration analysis, risk premium analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

The disbursement and administration of credit facilities is managed by Credit Administration Department (CAD).

To manage non-performing customers Special Asset Management (SAM) Department is functional and is responsible to recover overdue exposures.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.



### 38.1.1 Segment Information

#### 38.1.1.1 Segment by class of business

	2015					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,152,915	32.53	-	-	984,447	40.14
Chemical and pharmaceutical	608,812	9.20	-	-	-	-
Cement	93,333	1.41	-	-	-	-
Sugar	473,762	7.16	-	-	300,000	12.23
Electronics and electrical appliances	11,111	0.17	-	-	-	-
Construction	527,933	7.98	-	-	-	-
Transport, storage and communication	243,991	3.69	-	-	281,250	11.47
Financial and Insurance	250,000	3.78	-	-	-	-
Power	1,108,191	16.74	-	-	700,000	28.54
Trusts	-	-	27,250	15.16	-	-
Services	508,223	7.68	2,500	1.39	-	-
Individuals	128,320	1.94	-	-	-	-
Petroleum	371,574	5.61	-	-	187,067	7.62
Others	140,065	2.11	150,000	83.45	-	-
	<u>6,618,230</u>	<u>100.00</u>	<u>179,750</u>	<u>100.00</u>	<u>2,452,764</u>	<u>100.00</u>
	2014					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	1,721,754	39.47	-	-	300,000	34.90
Chemical and pharmaceutical	659,275	15.11	-	-	-	-
Cement	93,333	2.14	-	-	-	-
Sugar	58,213	1.33	-	-	-	-
Electronics and electrical appliances	11,111	0.25	-	-	-	-
Construction	196,071	4.49	-	-	-	-
Transport, storage and communication	250,000	5.73	-	-	-	-
Financial and Insurance	-	-	-	-	-	-
Power	886,913	20.33	-	-	200,000	23.27
Trusts	-	-	395,290	99.37	-	-
Services	11,513	0.26	2,500	0.63	-	-
Individuals	132,521	3.04	-	-	-	-
Petroleum	191,342	4.39	-	-	359,482	41.83
Others	150,489	3.46	-	-	-	-
	<u>4,362,535</u>	<u>100.00</u>	<u>397,790</u>	<u>100.00</u>	<u>859,482</u>	<u>100.00</u>

### 38.1.1.2 Segment by sector

	2015					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	21,710	0.33	-	-	-	-
Private	6,596,520	99.67	179,750	100.00	2,452,764	100.00
	<u>6,618,230</u>	<u>100.00</u>	<u>179,750</u>	<u>100.00</u>	<u>2,452,764</u>	<u>100.00</u>
	2014					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	25,824	0.59	-	-	-	-
Private	4,336,711	99.41	397,790	100.00	859,482	100.00
	<u>4,362,535</u>	<u>100.00</u>	<u>397,790</u>	<u>100.00</u>	<u>859,482</u>	<u>100.00</u>

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

	2015		2014	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------(Rupees in '000)-----			
Textile	940,809	940,809	970,663	970,663
Chemical and pharmaceutical	31,960	47,301	47,301	47,301
Construction	169,111	169,111	169,111	169,111
Cement	93,333	93,333	93,333	93,333
Sugar	35,822	36,623	36,623	36,623
Electronics and electrical appliances	11,111	11,111	11,111	11,111
Transport, storage and communication	225,241	125,000	250,000	125,000
Services	8,223	5,756	11,513	5,756
Others	105,709	75,542	105,709	105,709
	<u>1,621,319</u>	<u>1,504,586</u>	<u>1,695,364</u>	<u>1,564,607</u>

### 38.1.1.4 Details of non-performing advances and specific provisions by sector

	2015		2014	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------(Rupees in '000)-----			
Public / government	-	-	-	-
Private	1,621,319	1,504,586	1,695,364	1,564,607
	<u>1,621,319</u>	<u>1,504,586</u>	<u>1,695,364</u>	<u>1,564,607</u>

## 38.2 Liquidity risk

Liquidity Risk is the risk that the Company is unable to fund its current obligations and operations in the most cost effective manner.

This risk arises from mismatches in the timing of cashflows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management. To limit this risk the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. Comprehensive gap analysis is done on monthly basis to evaluate match/mismatch between assets and liabilities. ALCO reviews gap analysis and devise the liquidity management strategy. For effective monitoring of liquidity position gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Major findings of liquidity ratios & Gaps reports are also reported to the Risk Management Committee of the Board on quarterly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their contractual maturities, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items based on their expected maturities were deliberated and approved by the ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.



### 38.2.1 Maturities of assets and liabilities based on Asset and Liability Committee (ALCO) of the Company

	2015									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	63,957	63,957	-	-	-	-	-	-	-	-
Balances with other banks	20,718	20,718	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	22,142,622	89	61,111	488,640	8,858,978	1,567,685	8,843,820	1,555,604	766,695	-
Advances	5,113,644	271,804	83,871	345,239	1,025,948	961,648	914,338	880,666	555,806	74,324
Operating fixed assets	169,034	817	1,635	2,452	4,905	9,810	9,810	17,359	17,464	104,782
Other assets	857,012	157,815	348,658	26,025	6,017	315,377	-	3,120	-	-
	<u>28,366,987</u>	<u>515,200</u>	<u>495,275</u>	<u>862,356</u>	<u>9,895,848</u>	<u>2,854,520</u>	<u>9,767,968</u>	<u>2,456,749</u>	<u>1,339,965</u>	<u>179,106</u>
<b>Liabilities</b>										
Borrowings	6,246,955	4,436,324	21,001	26,907	51,135	96,698	1,131,423	223,794	259,673	-
Deposits and other accounts	179,750	-	3,750	176,000	-	-	-	-	-	-
Deferred tax liabilities	857,838	204,212	-	1,450	14,537	95,442	687,116	1,160	(146,079)	-
Other liabilities	466,550	256,579	162,408	9,968	-	717	21,845	15,033	-	-
	<u>7,751,093</u>	<u>4,897,115</u>	<u>187,159</u>	<u>214,325</u>	<u>65,672</u>	<u>192,857</u>	<u>1,840,384</u>	<u>239,987</u>	<u>113,594</u>	<u>-</u>
Net assets	<u>20,615,894</u>	<u>(4,381,915)</u>	<u>308,116</u>	<u>648,031</u>	<u>9,830,176</u>	<u>2,661,663</u>	<u>7,927,584</u>	<u>2,216,762</u>	<u>1,226,371</u>	<u>179,106</u>
Share capital	6,000,000									
Reserves	5,748,570									
Un-appropriated profit	7,978,238									
Surplus on revaluation of 'available-for-sale' securities – net of tax	889,086									
	<u>20,615,894</u>									
2014										
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	53,667	53,667	-	-	-	-	-	-	-	-
Balances with other banks	20,335	20,335	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,000	28,000	-	-	-	-	-	-	-	-
Investments	20,901,562	-	-	481,627	3,633,711	6,137,322	8,271,799	2,226,813	150,290	-
Advances	2,797,928	205,930	66,932	312,449	481,501	615,326	401,401	474,834	182,009	57,546
Operating fixed assets	188,609	1,107	2,211	3,316	6,634	13,268	13,268	23,386	17,917	107,502
Other assets	644,072	19,764	315,249	23,582	24,617	257,365	-	3,495	-	-
	<u>24,634,173</u>	<u>328,803</u>	<u>384,392</u>	<u>820,974</u>	<u>4,146,463</u>	<u>7,023,281</u>	<u>8,686,468</u>	<u>2,728,528</u>	<u>350,216</u>	<u>165,048</u>
<b>Liabilities</b>										
Borrowings	3,557,518	627,051	20,344	13,088	1,781,984	48,819	31,446	1,030,066	4,720	-
Deposits and other accounts	397,790	-	371,790	26,000	-	-	-	-	-	-
Deferred tax liabilities	647,311	203,284	-	4,912	48,066	114,829	516,642	8,843	(249,265)	-
Other liabilities	415,874	162,241	228,228	1,507	6,499	1,161	717	15,521	-	-
	<u>5,018,493</u>	<u>992,576</u>	<u>620,362</u>	<u>45,507</u>	<u>1,836,549</u>	<u>164,809</u>	<u>548,805</u>	<u>1,054,430</u>	<u>(244,545)</u>	<u>-</u>
Net assets	<u>19,615,680</u>	<u>(663,773)</u>	<u>(235,970)</u>	<u>775,467</u>	<u>2,309,914</u>	<u>6,858,472</u>	<u>8,137,663</u>	<u>1,674,098</u>	<u>594,761</u>	<u>165,048</u>
Share capital	6,000,000									
Reserves	5,200,005									
Un-appropriated profit	7,312,036									
Surplus on revaluation of 'available-for-sale' securities – net of tax	1,103,639									
	<u>19,615,680</u>									

### 38.2.2 Maturities of assets and liabilities based on contractual maturities

In accordance with BSD Circular No. 02 dated January 14, 2013, issued by SBP, the Company is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

	2015									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
<b>Assets</b>										
Cash and balances with treasury banks	63,957	63,957	-	-	-	-	-	-	-	-
Balances with other banks	20,718	20,718	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	22,142,622	14,633,488	-	488,640	5,143,257	-	557,926	701,967	617,344	-
Advances	5,113,644	271,804	83,871	345,239	1,025,948	961,648	914,338	880,666	555,806	74,324
Operating fixed assets	169,034	817	1,635	2,452	4,905	9,810	9,810	17,359	17,464	104,782
Other assets	857,012	473,192	348,658	26,025	6,017	-	-	3,120	-	-
	<u>28,366,987</u>	<u>15,463,976</u>	<u>434,164</u>	<u>862,356</u>	<u>6,180,127</u>	<u>971,458</u>	<u>1,482,074</u>	<u>1,603,112</u>	<u>1,190,614</u>	<u>179,106</u>
<b>Liabilities</b>										
Borrowings	6,246,955	4,436,324	21,001	26,907	51,135	96,698	1,131,423	223,794	259,673	-
Deposits and other accounts	179,750	-	3,750	176,000	-	-	-	-	-	-
Deferred tax liabilities	857,838	857,838	-	-	-	-	-	-	-	-
Other liabilities	466,550	280,302	161,247	9,968	-	717	-	14,316	-	-
	<u>7,751,093</u>	<u>5,574,464</u>	<u>185,998</u>	<u>212,875</u>	<u>51,135</u>	<u>97,415</u>	<u>1,131,423</u>	<u>238,110</u>	<u>259,673</u>	<u>-</u>
<b>Net assets</b>	<u>20,615,894</u>	<u>9,889,512</u>	<u>248,166</u>	<u>649,481</u>	<u>6,128,992</u>	<u>874,043</u>	<u>350,651</u>	<u>1,365,002</u>	<u>930,941</u>	<u>179,106</u>
Share capital	6,000,000									
Reserves	5,748,570									
Un-appropriated profit	7,978,238									
Surplus on revaluation of 'available-for-sale' securities – net of tax	889,086									
	<u>20,615,894</u>									
	2014									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
<b>Assets</b>										
Cash and balances with treasury banks	53,667	53,667	-	-	-	-	-	-	-	-
Balances with other banks	20,335	20,335	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,000	28,000	-	-	-	-	-	-	-	-
Investments	20,901,562	13,363,324	-	481,627	-	5,267,128	424,278	1,215,415	149,790	-
Advances	2,797,928	205,930	66,932	312,449	481,501	615,326	401,401	474,834	182,009	57,546
Operating fixed assets	188,609	1,107	2,211	3,316	6,634	13,268	13,268	23,386	17,917	107,502
Other assets	644,072	280,163	315,249	23,582	24,617	461	-	-	-	-
	<u>24,634,173</u>	<u>13,952,526</u>	<u>384,392</u>	<u>820,974</u>	<u>512,752</u>	<u>5,896,183</u>	<u>838,947</u>	<u>1,713,635</u>	<u>349,716</u>	<u>165,048</u>
<b>Liabilities</b>										
Borrowings	3,557,518	627,051	20,344	13,088	1,781,984	48,819	31,446	1,030,066	4,720	-
Deposits and other accounts	397,790	-	371,790	26,000	-	-	-	-	-	-
Deferred tax liabilities	647,311	647,311	-	-	-	-	-	-	-	-
Other liabilities	415,874	175,998	227,886	1,378	6,234	1,161	717	2,500	-	-
	<u>5,018,493</u>	<u>1,450,360</u>	<u>620,020</u>	<u>40,466</u>	<u>1,788,218</u>	<u>49,980</u>	<u>32,163</u>	<u>1,032,566</u>	<u>4,720</u>	<u>-</u>
<b>Net assets</b>	<u>19,615,680</u>	<u>12,502,166</u>	<u>(235,628)</u>	<u>780,508</u>	<u>(1,275,466)</u>	<u>5,846,203</u>	<u>806,784</u>	<u>681,069</u>	<u>344,996</u>	<u>165,048</u>
Share capital	6,000,000									
Reserves	5,200,005									
Un-appropriated profit	7,312,036									
Surplus on revaluation of 'available-for-sale' securities – net of tax	1,103,639									
	<u>19,615,680</u>									



### 38.3 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Company is exposed to interest rate risk and equity price risk. To manage and control market risk a well-defined limits structure is in place. Market Risk is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance levels and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

Market Risk is pertinent to the Trading Book which consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity and money market securities classified as 'Held for Trading'. These positions are actively managed by the capital market and money market desks.

All investments excluding trading book are considered as part of banking book. Banking book includes:

- Available-for-sale Securities
- Held-to-maturity Securities
- Other Strategic Investments

Due to diversified nature of investments in banking book, it is subject to interest rate risk and equity price risk.

A well-defined limits structure is in place to effectively manage market risk. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits on daily basis.

The Company is using Basel-III Standardized approach to calculate risk weighted assets against market risk exposures.

To manage market risk, the Company carries out stress testing of its statement of financial position by varying sources of market risk as per SBP guidelines.

#### 38.3.1 Interest rate risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. Interest rate risk is inherent in the business of a financial institution and results due to the mismatches in the contractual maturities of repricing of assets and liabilities on its balance sheet. Treasury Department is primarily responsible for management of interest rate risk on a daily basis. The Company's Asset and Liability Committee (ALCO) is responsible for the oversight of the interest rate risk. In order to ensure that this risk is managed within acceptable limits, Risk Management Function monitors & reports various gap limits and re-pricing of the assets and liabilities on a regular basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

2015

	Effective yield / interest rate %	Exposed to yield / profit risk									Not exposed to yield / interest rate risk	
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years		Above ten years
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with												
treasury banks	-	63,957	-	-	-	-	-	-	-	-	-	63,957
Balances with other banks	6.00	20,718	20,521	-	-	-	-	-	-	-	-	197
Lendings to financial institutions												
Investments	10.97	22,142,622	380,394	433,648	1,062,480	5,143,257	-	558,171	454,754	-	-	14,109,918
Advances	7.87	5,113,644	918,320	2,130,435	1,166,165	55,729	106,627	136,608	235,540	282,771	30,591	50,858
Other assets	-	367,666	-	-	-	-	-	-	-	-	-	367,666
		27,708,607	1,319,235	2,564,083	2,228,645	5,198,986	106,627	694,779	690,294	282,771	30,591	14,592,596
Financial Liabilities												
Borrowings												
Deposits and other accounts	6.44	6,246,955	4,436,324	1,021,001	26,907	51,135	96,698	131,423	223,794	259,673	-	-
Other liabilities	7.75	179,750	-	3,750	176,000	-	-	-	-	-	-	-
	-	433,292	-	-	-	-	-	-	-	-	-	433,292
		6,859,997	4,436,324	1,024,751	202,907	51,135	96,698	131,423	223,794	259,673	-	433,292
On balance sheet gap												
		20,848,610	(3,117,089)	1,539,332	2,025,738	5,147,851	9,929	563,356	466,500	23,098	30,591	14,159,304

2014

	Effective yield / interest rate %	Exposed to yield / profit risk									Not exposed to yield / interest rate risk	
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years		Above ten years
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with												
treasury banks	-	53,667	-	-	-	-	-	-	-	-	-	53,667
Balances with other banks	6.00	20,335	20,151	-	-	-	-	-	-	-	-	184
Lendings to financial institutions												
Investments	9.50	28,000	28,000	-	-	-	-	-	-	-	-	-
Advances	11.57	20,901,562	-	248,185	1,055,698	-	5,141,402	-	966,789	-	-	13,489,488
Other assets	11.89	2,797,928	529,513	1,214,506	781,965	35,014	45,781	35,217	42,098	29,238	36,856	47,740
	-	374,203	-	-	-	-	-	-	-	-	-	374,203
		24,175,695	577,664	1,462,691	1,837,663	35,014	5,187,183	35,217	1,008,887	29,238	36,856	13,965,282
Financial Liabilities												
Borrowings												
Deposits and other accounts	10.41	3,557,518	627,051	2,770,344	13,088	31,984	48,819	31,446	30,066	4,720	-	-
Other liabilities	9.82	397,790	-	371,790	26,000	-	-	-	-	-	-	-
	-	396,558	-	-	-	-	-	-	-	-	-	396,558
		4,351,866	627,051	3,142,134	39,088	31,984	48,819	31,446	30,066	4,720	-	396,558
On balance sheet gap												
		19,823,829	(49,387)	(1,679,443)	1,798,575	3,030	5,138,364	3,771	978,821	24,518	36,856	13,568,724





### 38.3.2 Currency risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company's exposure to this category of market risk is negligible.

	2015			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	28,366,987	7,751,093	2,452,764	18,163,130
United States Dollars	-	-	-	-
	<u>28,366,987</u>	<u>7,751,093</u>	<u>2,452,764</u>	<u>18,163,130</u>
	2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	24,634,173	5,018,493	859,482	18,756,198
United States Dollars	-	-	-	-
	<u>24,634,173</u>	<u>5,018,493</u>	<u>859,482</u>	<u>18,756,198</u>

### 38.3.3 Equity price risk

It is the risk to earnings or capital that results from adverse changes in the value / price of equity related portfolios.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scrip-wise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise Investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. The ALCO approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. The Company calculates Value at Risk (VaR) on a daily basis using Historical Method and Variance Covariance Approach. The findings of VaR are reported to Risk Management Committee of the Board on quarterly basis.

### 38.4 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and system failure, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets etc.

Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. Risk Management Department is in the process of implementing operational risk assessment tools, risk controls and reporting framework. Operational Risk Loss Data including Loss Events, Near Misses and Transactions in Difficulty are being collected, throughout the year, from all the respective departments / units on monthly basis. These operational losses occurring across the Company are reported to Risk Management Department where they are aggregated into an internally developed Operational Loss Database.

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel III requirements for capital adequacy calculation.

#### Business Continuity Plan

The Company has approved Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. Regular BCP testing is conducted on regular basis to test the effectiveness of the plan and readiness of the Company to address emergency situations.

### 39. ACCOUNTING ESTIMATES AND JUDGEMENTS

#### 39.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a monthly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by the State Bank of Pakistan, payment status of mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

#### 39.2 Classification of investments

In classifying investments as 'held-for-trading' the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the Company evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

#### 39.3 Impairment of 'available-for-sale' equity instruments

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgement, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for nine months as prolonged.

#### 39.4 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues as described in note 19 and the appeals of the department pending at various levels of authorities.

#### 39.5 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 17, 2016.

### 41. GENERAL AND NON-ADJUSTING EVENT

41.1 The Pakistan Credit Rating Agency (PACRA) has maintained for the Company, the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

41.2 The Board of Directors of the Company has proposed cash dividend of Rs. 455 million (2014: Rs. 600 million) for the year ended December 31, 2015 in their meeting held on February 17, 2016. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

41.3 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



Chairman



Chief Executive



Director



## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2015		2014	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	STRATEGIC PORTFOLIO				
1	THE HUB POWER COMPANY LIMITED	71,061	AA+/A1+	54,272	AA+/A1+
	TOTAL	<u>71,061</u>		<u>54,272</u>	
	GENERAL PORTFOLIO				
	OIL AND GAS				
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	145,901	AAA/A-1+	132,457	AAA/A-1+
3	ATTOCK PETROLEUM LIMITED	88,396	Unrated	94,426	Unrated
4	PAKISTAN STATE OIL COMPANY LIMITED	130,308	AA/A1+	143,164	Unrated
5	PAKISTAN OILFIELDS LIMITED	190,482	Unrated	164,263	Unrated
6	PAKISTAN PETROLEUM LIMITED	162,787	Unrated	176,520	Unrated
	TOTAL	<u>717,874</u>		<u>710,830</u>	
	CHEMICALS				
7	ENGRO CORPORATION LIMITED	279,390	AA/A1+		
8	FAUJI FERTILIZER BIN QASIM LIMITED	-	-	4	Unrated
9	FAUJI FERTILIZER COMPANY LIMITED	188,769	Unrated	-	-
10	ENGRO FERTILIZER LIMITED	123,671	AA-/A1+	248,091	Unrated
	TOTAL	<u>591,830</u>		<u>248,095</u>	
	CONSTRUCTION AND MATERIALS				
11	D.G.KHAN CEMENT COMPANY LIMITED	-		187,901	Unrated
12	LUCKY CEMENT LIMITED	99,008	Unrated	-	-
	TOTAL	<u>99,008</u>		<u>187,901</u>	
	FIXED LINE TELECOMMUNICATION				
13	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	-		115,150	Unrated
	TOTAL	<u>-</u>		<u>115,150</u>	
	ELECTRICITY				
14	THE HUB POWER COMPANY LIMITED	-		274,260	AA+/A1+
15	KOT ADDU POWER COMPANY LIMITED	400,262	AA+/A-1+	390,082	AA+/A-1+
16	K-ELECTRIC LIMITED	78,630	AA-/A1	53,647	A+/A2
17	NISHAT CHUNIAN POWER LIMITED	741,485	A+/A-2	667,404	A+/A-2
	TOTAL	<u>1,220,377</u>		<u>1,385,393</u>	
	BANKS				
18	NATIONAL BANK OF PAKISTAN	205,352	AAA/A1+	-	-
19	BANK AL FALAH LIMITED	100,870	AA/A1+	-	-
20	BANK AL HABIB LIMITED	35,360	AA+/A1+	53,405	AA+/A1+
21	FAYSAL BANK LIMITED	158,254	AA/A1+	110,365	AA/A-1+
22	UNITED BANK LIMITED	154,950	AA+/A-1+	176,710	AA+/A-1+
23	HABIB BANK LIMITED	244,213	AAA/A-1+	372,038	AAA/A-1+
	TOTAL	<u>898,999</u>		<u>712,518</u>	

Sr. No.	Name of Company	2015		2014	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
24	FINANCIAL SERVICES SME LEASING LIMITED TOTAL	<u>56</u> <u>56</u>	BB-/B	<u>225</u> <u>225</u>	BB+/B
25	EQUITY INVESTMENT INSTRUMENTS PAK OMAN ADVANTAGE FUND TOTAL	<u>-</u> <u>-</u>		<u>49,401</u> <u>49,401</u>	A+(f)
26	PREFERENCE SHARES MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1% PREFERENCE SHARES TOTAL	<u>44,200</u> <u>44,200</u>	Unrated	<u>44,200</u> <u>44,200</u>	Unrated
	GRAND TOTAL	<u>3,643,405</u>		<u>3,507,985</u>	

## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2015		2014	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS - Six months	488,640	GOVERNMENT SECURITIES	481,628	GOVERNMENT SECURITIES
2	PAKISTAN INVESTMENT BONDS - Three years - Five years - Ten years	5,128,925 14,332 1,012,926	GOVERNMENT SECURITIES	5,127,085 14,317 966,789	GOVERNMENT SECURITIES
	Sub Total	6,644,823		6,589,819	
	Listed Sukuk Certificates				
1	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 9.25% (3-Months KIBOR Ask Rate + 2.75% ) Redemption : Quarterly Installments from Feb -2014 Maturity : March, 2019 CEO of the company : Mr. Tayyab Tareen	246,967	AA	248,185	A+
2	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 7.50% (3-Months KIBOR Ask Rate + 1.00%) Redemption : Quarterly Installments from Sep -2017 Maturity : June, 2022 CEO of the company : Mr. Tayyab Tareen	186,681	AA+	-	-
	Sub Total	433,648		248,185	
	Listed Term Finance Certificates				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.38% (KIBOR 6-Month (s) Ask Rate + 1.35%) Redemption : Half yearly commencing from Jan-2016 Maturity : July, 2023 CEO of the company : Mr. Mohammad Aftab Manzoor	430,663	A+	-	-
	Sub Total	430,663		-	



## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Securities	2015		2014	
		Cost	Rating	Cost	Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
1	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 9.03% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec, 2017 CEO of the company : Mr. Atif Bajwa	99,760	AA-	99,800	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% (KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	21,138	Unrated
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009 CEO of the company : Mr. Ishtiaq Ahmed	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.77% (KIBOR 6-Month (s) Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from Dec -2010 Maturity : Dec, 2017 CEO of the company : Mr. Nauman Ansari	324,350	AA-	324,478	AA-
5	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June, 2021 CEO of the company : Mr. Abbas D. Habib	149,730	AA	149,790	AA
6	FAUJI AKBER PORTIA MARINE TERMINALS LIMITED Certificate of Rs. 5,000 each Mark up : - Redemption : Half yearly commencing from May 2021 Maturity : May, 2022 CEO of the company : Mr. Ahmed Kamal Rana	-	-	9,856	Unrated
	Sub Total	607,478		617,562	

\* These TFCs are fully provided in the books of PKIC.

## PARTICULARS OF INVESTMENT IN UNLISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investments in unlisted companies	2015	2014	2015	2014
		NUMBER OF SHARES		COST (Rupees in '000)	
	Particulars of investments held in unlisted companies				
1	Arabian Sea Country Club Chief Executive: Mr. Arif Ali Khan Abbasi Breakup value per share: Rs. (2.49) Date of Financial statements: 30-June-2015	215,000	215,000	2,150	2,150
2	Axle Products Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	404,350	404,350	4,043	4,043
3	Engine Systems Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
4	FTC Management Company (Private) Limited Chief Executive: Engr. Commandar ® Muhammad Kaleem Sheikh Breakup value per share: Rs. 712.46 Date of Financial statements: 30-June-2015	50,000	50,000	500	500
5	Rays Shipping Limited Chief Executive: Mr. Farooq H. Rahimtoola Breakup value per share: Rs. 9.57 Date of Financial statements: 30-June-2014	1,000,000	1,000,000	6,500	6,500
6	Transmobile Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
7	International Islamic Rating Agency Chief Executive: Ms. Sabeen Saleem Breakup value per share: Rs. 3,820.11 Date of Financial statements: 31-December-2013	100	100	10,290	10,290
8	Pakistan Textile City Limited Chief Executive: Mr. Muhammad Hanif Kasbati Breakup value per share: Rs. 3.88 Date of Financial statements: 30-June-2015	5,000,000	5,000,000	50,000	50,000
9	Innovative Investment Bank (Formerly Crescent Standard Investment Bank Limited) Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	4,770	4,770	4,770	4,770
10	Pakistan Mercantile Exchange Limited Chief Executive: Mr. Ejaz Ali Shah Breakup value per share: Rs. (3.14) Date of Financial statements: 30-June-2014	909,090	909,090	11,773	11,773
11	Dada Bhoj Padube Limited Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	100,000	100,000	200	200
	TOTAL	9,683,310	9,683,310	110,226	110,226



## PARTICULARS OF INVESTMENT IN UNLISTED PREFERENCE SHARES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investment in unlisted Preference Shares	2015	2014	2015	2014
		NUMBER OF SHARES		COST (Rupees in '000)	
1	<p>Silk Bank Limited  Chief Executive: Mr. Azmat Tarin  Redemption: 26-March-2016  Put Option: The Company has a put option to sell the shares on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share</p> <p>Call Option: Silk Bank is entitled to exercise call option after the end of first year from the date of issue till the expiry of 3 years at strike price ranging from Rs. 2.85 to Rs. 3.70 per share. The Company has an option to sell on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share</p> <p>Breakup Value per share: Rs. 2.77  Date of financial statements: 30-September-2015  (paid up value of each share is Rs. 2.5)</p>	40,000,000	40,000,000	143,292	125,726
	TOTAL	40,000,000	40,000,000	143,292	125,726

## PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2015	2014	2015			2014		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
AVAILABLE FOR SALE PORTFOLIO									
STRATEGIC PORTFOLIO									
1	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	692,602	692,602	23,850	-	23,850	23,850	-	23,850
GENERAL PORTFOLIO									
OIL AND GAS									
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	1,243,400	643,400	271,574	125,673	145,901	162,985	-	162,985
3	ATTOCK PETROLEUM LIMITED	175,000	175,000	91,794	-	91,794	91,794	-	91,794
4	PAKISTAN STATE OIL COMPANY LIMITED	400,000	400,000	142,742	-	142,742	142,742	-	142,742
5	PAKISTAN OILFIELDS LIMITED	710,700	433,000	295,723	105,242	190,481	191,230	-	191,230
6	PAKISTAN PETROLEUM LIMITED	1,336,400	1,000,000	271,290	111,214	160,076	218,666	-	218,666
	TOTAL	3,865,500	2,651,400	1,073,123	342,129	730,994	807,417	-	807,417
CHEMICALS									
7	ENGRO CORPORATION LIMITED	1,000,000	1,120,000	278,548	-	278,548	209,228	-	209,228
8	FAUJI FERTILIZER BIN QASIM LIMITED	-	-	-	-	-	3	-	3
9	FAUJI FERTILIZER COMPANY LIMITED	1,600,000	-	206,200	-	206,200	-	-	-
10	ENGRO FERTILIZER COMPANY LIMITED	1,470,000	-	121,251	-	121,251	-	-	-
	TOTAL	4,070,000	1,120,000	605,999	-	605,999	209,231	-	209,231
CONSTRUCTION AND MATERIALS									
10	D.G. KHAN CEMENT COMPANY LIMITED	-	1,700,000	-	-	-	156,581	-	156,581
11	LUCKY CEMENT LIMITED	200,000	-	104,168	-	104,168	-	-	-
	TOTAL	200,000	1,700,000	104,168	-	104,168	156,581	-	156,581
FIXED LINE TELECOMMUNICATION									
12	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	-	5,000,000	-	-	-	126,216	-	126,216
	TOTAL	-	5,000,000	-	-	-	126,216	-	126,216
ELECTRICITY									
13	THE HUB POWER COMPANY LIMITED	-	3,500,000	-	-	-	206,399	-	206,399
14	KOT ADDU POWER CO. LIMITED	4,941,500	4,941,500	294,770	-	294,770	294,770	-	294,770
15	K-ELECTRIC LIMITED	10,568,500	5,818,500	83,871	-	83,871	41,753	-	41,753
16	NISHAT CHUNIAN POWER LIMITED	13,469,302	13,469,302	282,000	-	282,000	282,000	-	282,000
	TOTAL	28,979,302	27,729,302	660,641	-	660,641	824,922	-	824,922

Sr. No.	Name of Company	2015	2014	2015			2014		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
BANKS									
17	NATIONAL BANK OF PAKISTAN	3,800,000	-	237,870	32,517	205,353	-	-	-
18	BANK AL-FALAH LIMITED	3,500,000	-	103,649	-	103,649	-	-	-
19	BANK AL-HABIB LIMITED	850,000	1,100,000	27,084	-	27,084	35,049	-	35,049
20	FAYSAL BANK LIMITED	10,256,275	6,064,000	153,723	-	153,723	100,305	-	100,305
21	UNITED BANK LIMITED	1,000,000	1,000,000	168,546	-	168,546	168,546	-	168,546
22	HABIB BANK LIMITED	1,220,330	1,720,330	203,029	-	203,029	286,216	-	286,216
	<b>TOTAL</b>	<b>20,626,605</b>	<b>9,884,330</b>	<b>893,901</b>	<b>32,517</b>	<b>861,384</b>	<b>590,116</b>	<b>-</b>	<b>590,116</b>
FINANCIAL SERVICES									
23	SME LEASING LIMITED	225,000	225,000	2,475	2,419	56	2,475	2,250	225
24	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	14	14	-	14	14	-
	<b>TOTAL</b>	<b>235,750</b>	<b>235,750</b>	<b>2,489</b>	<b>2,433</b>	<b>56</b>	<b>2,489</b>	<b>2,264</b>	<b>225</b>
EQUITY INVESTMENT INSTRUMENTS									
25	PAK OMAN ADVANTAGE FUND	-	4,990,000	-	-	-	49,900	17,465	32,435
	<b>TOTAL</b>	<b>-</b>	<b>4,990,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,900</b>	<b>17,465</b>	<b>32,435</b>
PREFERENCE SHARES									
26	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
27	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	<b>PREFERENCE SHARES TOTAL</b>	<b>5,500,000</b>	<b>5,500,000</b>	<b>55,029</b>	<b>5,029</b>	<b>50,000</b>	<b>55,029</b>	<b>5,029</b>	<b>50,000</b>
	<b>TOTAL - AVAILABLE FOR SALE PORTFOLIO</b>	<b>64,169,759</b>	<b>59,503,384</b>	<b>3,419,200</b>	<b>382,108</b>	<b>3,037,092</b>	<b>2,845,751</b>	<b>24,758</b>	<b>2,820,993</b>

## PARTICULARS OF INVESTMENT IN LISTED SUKUK / TFCs

As Referred to in Note 9.4 to the financial statements

Annexure - II

Sr. No.	Particulars	2015	2014	2015	2014
		NUMBER OF SUKUK / TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed Sukuk				
1	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 9.25% ( 3-Months KIBOR Ask Rate + 2.75% ) Redemption : Quarterly Installments from Feb, 2014 Maturity : March, 2019	47,275	47,275	236,375	236,375
2	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 7.50% ( 3-Months KIBOR Ask Rate + 1.00% ) Redemption : Quarterly Installments from September, 2017 Maturity : June, 2022	36,337	-	181,685	-
	TOTAL	83,612	47,275	418,060	236,375
	Particulars of investments held in listed TFCs				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.38% ( 6-Months KIBOR Ask Rate + 1.35% ) Redemption : Half yearly from January, 2016 Maturity : July, 2023	87,916	-	439,580	-
	TOTAL	87,916	-	439,580	-

## PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of TFCs	2015	2014	2015	2014
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED (02-12-2009) Certificate of Rs. 5,000 each Mark up : 9.03% ( 6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec, 2017	19,952	19,960	99,760	99,800
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% ( 3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.77% (6-Months KIBOR Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from December - 2010 Maturity : Dec, 2017	64,870	64,896	324,350	324,478
5	BANK AL HABIB Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June, 2021	29,946	29,958	149,730	149,790
6	FAUJI AKBER PORTIA MARINE TERMINALS LIMITED Certificate of Rs. 5,000 each Mark up : - Redemption : Half yearly commencing from May 2021 Maturity : May, 2022	-	1,971	-	9,856
	<b>TOTAL</b>	<b>121,496</b>	<b>123,513</b>	<b>607,478</b>	<b>617,562</b>

\* These TFCs are fully provided in the books of PKIC.

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED  
DURING THE YEAR ENDED 31, DECEMBER 2015**

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)	
					Principal	Interest/ Mark-up	Others					
1	2	3		4	5	6	7	8	9	10	11	12
Rupees in '000												
2015												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
				Sub Total (2015) :	-	-	-	-	-	-	-	-



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