PakLibya

ANNUAL REPORT 2017

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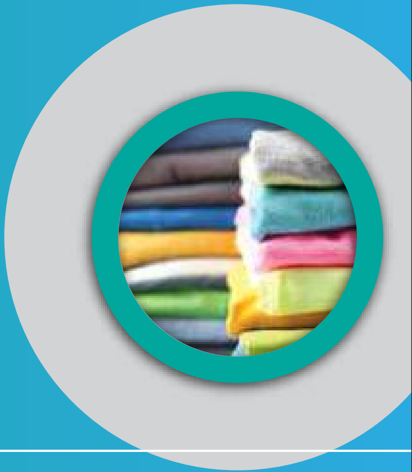
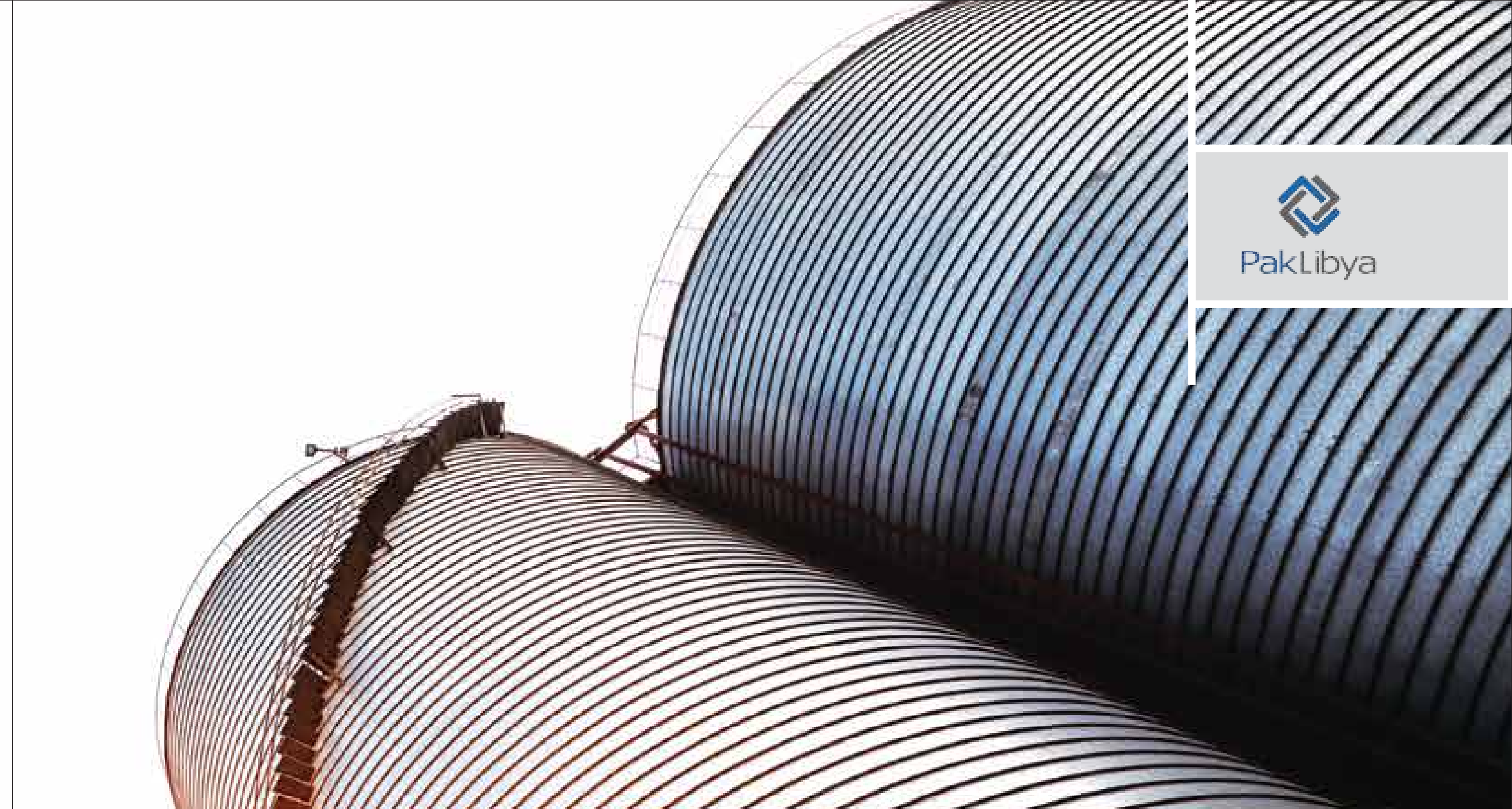


VISION

To be amongst the leading and prominent contributors to the industrial and economic development of the country alongside creating value for all stakeholders concerned.



MISSION

To sustain long-term growth and optimize returns through smart financing and prudent investment decisions as well as evolving as a socially responsible vibrant organization and a dynamic employer.

CORE VALUES (CLEAR)

OUR CORE VALUES ARE CLEAR!

- **C**lient deserves the best – We are committed, honest and open in our conversation, and think out of the box.
- **L**ead by example – We believe in action.
- **E**mpower – We equip our individuals to provide best possible solutions to our customers.
- **A**ccountability – We are accountable for our actions.
- **R**esilient – We are focused and resilient against all odds.

STRATEGIC TARGETS

Acquiring the status of **Industry Leader** through **fostering Industrial Growth** with our **trusted Business Management** alongside inculcating **Corporate Social Responsibility.**

ENTITY RATING MAINTAINED BY PACRA

PakLibya

Short Term:
A1+
(A One Plus)

Long Term:
AA-
(Double A Minus)

BOARD OF DIRECTORS

Mr. Bashir B. Omer
Chairman

Mr. Abid Aziz
Managing Director / Director

Mr. Fazal-ur-Rehman
Director

Mr. Ramadan A. Haggiagi
Director

Mr. Khaled Joma Ezarzor
Director

Mr. Haque Nawaz*
Director

* Replaced by Dr. Muhammad Tahir Noor on 22 January 2018

CORPORATE INFORMATION

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Fazal ur Rehman	Chairman
Mr. Ramadan A Haggiagi	Member
Mr. Haque Nawaz	Member
Mr. Merajuddin	Secretary

RISK MANAGEMENT COMMITTEE

Mr. Haque Nawaz	Chairman
Mr. Ramadan A Haggiagi	Member
Mr. Khaled Joma Ezarzor	Member
Mr. Abdul Latif Memon	Secretary

CREDIT/ INVESTMENT COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Fazal Ur Rehman	Member
Mr. Abid Aziz	Member
Mr. Merajuddin	Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Fazal ur Rehman	Member
Mr. Merajuddin	Secretary

COMPANY SECRETARY
Mr. Merajuddin

AUDITORS
M/s. Grant Thornton Anjum Rahman
Chartered Accountants

LEGAL ADVISORS
M/s. Mohsin Tayebaly & Company

REGISTERED OFFICE
5th Floor, Block 'C', Finance & Trade Centre,
Shahrah-e-Faisal, Karachi, Pakistan

WEBSITE
www.paklibya.com.pk

OUR TEAM

PakLibya

EXECUTIVE COMMITTEE

Mr. Abid Aziz
Managing Director & CEO

Mr. Khaled Joma Ezarzor
Deputy Managing Director

Mr. Muhammad Masood Ebrahim
Chief Financial Officer

SENIOR MANAGEMENT

Syed Ghazanfar Ali
Head of Corporate & Investment Banking Division

Mr. Muhammad Ali Yacoob
Head of Securities Portfolio Management Division

Mr. Suhail Faruqi
Head of Treasury & Fund Management Division

Mr. Mukhtar ul Haque
Head of SME & Retail Banking Division

Mr. Muhammad Sabihuddin
Head of Compliance & Regulatory Reporting Division

Mr. Abdul Latif Memon
Head of Risk Management Division

Mr. Shakiluddin
Head of Internal Audit Division

Mr. Niaz M. Jatoi
Head of Operations

Mr. Minhaj-ul-Islam Farooqi
Head of Law Division

Mr. Saqib Hussain
Head of Information Technology Division

Mr. Farid Ahmed
Head of Human Resources & Administration Division

CHAIRMAN'S REVIEW

I am pleased to present the annual financial statements of Pak-Libya Holding Company (Private) Limited for the year ended 31 December 2017 **with fervour to convert every challenge into opportunity**.

Year 2017 was a year of many developments for the Country; the political uncertainty, macro-level indicators of the economy and changing global landscape proved tough for the business environment. In year 2018 these challenges would merit certain tough decisions, internationally, and timely addressing increasing debt servicing cost and continuity of policies for sustainable economic growth.

The Company, however, remains well positioned in terms of its business strategy and selective stance in asset growth. The upgrading of Pakistan from a frontier economy to an emerging market in the MSCI Index did not bring planned positive results yet however, I believe it would be instrumental in uplifting Pakistan's growth trajectory in the future. As CPEC would enter in the mature stage in the forthcoming years, the benefits of economic incentives and regional integration would get more pronounced and inclusive. Need of the time however is to rigorously approach solution to ongoing economic woes and political stability for the benefits of CPEC to transpire optimally.

The Company has been performing well regardless of certain operational limitations due to the existing situation of minimum capital requirement. Even in these challenging times, with the relentless efforts, painstaking determination and perseverance to overcome all odds by the staff and management, I believe the Company would not only overcome potential challenges but will face them with positivity to achieve Company's strategic objectives.

I believe that with firm determination and incessant hardwork Pak-Libya would certainly emerge as a prominent contributor to the overall economic fabric of Pakistan in the years to come.

We are committed to create long-term value for our clients, shareholders, employees and other stakeholders.

Acknowledgements

I would like to express my sincere gratitude to all the stakeholders for the confidence they continue to repose in the Company. I also want to express my sincere appreciation to the shareholders; LAFICO and SBP, including MoF, for their continued support and guidance.

Bashir B. Omer
Chairman

Date: 23 March 2018

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Pak Libya Holding Company (Private) Limited ("Pak-Libya") along with annual audited financial statements and the auditor's report thereon for the year ended 31 December 2017.

Economic Overview

Year 2017 could not prove to be a promising year for Pakistan. The pace of economic development remained contained in the latter half of the year primarily due to political instability that emerged after disqualification of the Prime Minister from his office. Moreover, jitters of widening current account deficit, depleting reserves and fiscal deficit also resulted in outlook's on Pakistan's Long-Term Foreign and Local Currency Issuer default rating from "Stable" to "Negative". The vicious cycle of Pakistan's Debt escalation continued and another $2.5 billion was injected through global capital market borrowings from Sukuk and Euro Bonds. The only positive aspect of this borrowing was the relief it brought to the State in terms of reluctance in going back to International Monetary Fund (IMF) for further financing before the upcoming general elections.

The reclassification of Pakistan from Frontier to Emerging Market Index kept the Investor's sentiment high and PSX surpassed 53,000 level mark in May 2017 but this bullish trend could not hold its ground for longer term and the bourse remained extremely volatile closing the year with a drop of 23%. Considering the overall economic indicators, State Bank of Pakistan (SBP) increased the policy rate by 25bps in its monetary policy announcement in January 2018.

Ongoing efforts will be crucial as the economy will continue to face serious 'long term challenges' like significant trade deficit and balance of payment issues, increasing trend in oil prices, inadequacy of taxation reforms, current political uncertainty, terrorism and peace effort globally including its impact on domestic law and order situation.

Going forward, the vision of a strong and stable Pakistan is dependent upon effective implementation of consistent socio-economic policies and successful execution of CPEC related projects.

Corporate Performance

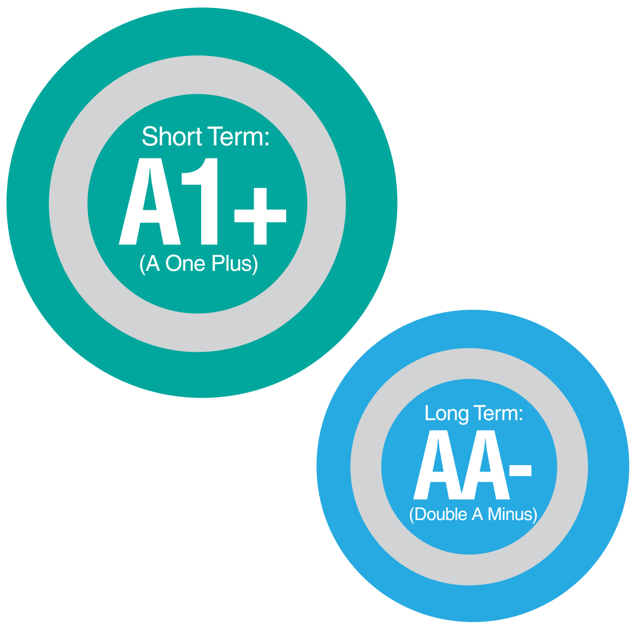
The Company has witnessed crests and troughs in the recent past; in year 2017 despite various challenges Company's results remained positive and Company generated profit before tax of PKR 84.12 million.

Existing and evolving regulatory requirements governing capital, leverage, and liquidity, together with the steps we have taken to adapt to them, have been critical for the profitable operations of the Company and to creating a safer and more resilient financial system overall.

While we continued to maintain our cautious stance, building and maintaining a high quality of advances portfolio, it was equally important to supplement the core business income by capitalising other business opportunities. Hence, the asset mix remained dominant with investments in debt securities as volatility in the stock market and dreary performance of the KSE 100 Index particularly in the second half of the year restricted returns for investors from the bourse.

Additionally, new credit lines were also negotiated to fill in the liquidity gaps and to ensure contingency fund planning.

The Pakistan Credit Rating Agency (PACRA) maintained its credit ratings from the previous year for Pak Libya in the year 2017 as follows;



These ratings denote a low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

A Consolidated Approach

Each of our business units contributed to support the management's business strategy and hence played its fair share in making the Company profitable. Highlights on our business units' performance during the year 2017 is presented hereunder;

Corporate & Investment Banking (CIB)

Considering the core activity of the Company, significant efforts have been made to increase the credit portfolio. The net credit portfolio of the CIB has increased from PKR 2,428.5 million last year to PKR 3,093.9 million.

Though the net interest income (NII) has reduced compared to last year but it is mainly due to the declining interest rates until 2017 end and disbursement towards the later part of the year which will have a positive impact in year 2018. Moreover, to supplement the overall credit portfolio, the Company launched SME and Retail Banking operations in the second half of year 2016.

SME & Retail Banking (SME-RB)

With an aim to capture potential market share in the SME sector, specific sub-sectors were identified, various products developed and targets set for the business team. During the year, the department was involved in auto and lease financing and business loans against mortgage property; and disbursed loans amounting to approx. PKR 390 million as demand from both these sectors was strong and dominant owing to the overall rise in activity in both sectors.

The management exercised extra caution in selecting clients, for CIB and SME-RB, through stringent risk assessment and pressed hard on rigorous post disbursement monitoring.

Treasury & Fund Management (TFM)

Our TFM department in addition to mobilizing resources at competitive rates for business units continued to supplement our core business income through secondary market investments and selected investments in debt instruments. During the year, TFM realized capital gain on debt securities of PKR 101.65 million and generated interest income of PKR 691 million. In the year 2017, the investments remained concentrated in Market Treasury Bills (MTBs) and shorter tenor Pakistan Investment Bonds (PIBs). Considering the overall macroeconomic conditions, SBP increased 25bps in the interest rate subsequent to yearend thereby creating incentives for investments in Government securities.

Securities Portfolio Management (SPM)

The Pakistan Stock Exchange witnessed phenomenal growth, though temporarily, in the first half of the year 2017. The benchmark 100-Index exhibited exceptional performance both in terms of volume and value. However, after conversion from Frontier to Emerging Market Index, the market has seen a decline of highest 10,000 points; the KSE–100 Index maintained a volatile trend during second half of the year. Our SPM department on the basis of our overall risk appetite and resources available posted returns of around 17.5% despite restricted prudential limits due to minimum capital requirement (MCR) shortfall.

A brief summary of the financial results and financial position is as follows:

	2017	2016
	(PKR in thousands)	
Year-end balances:		
Total assets	19,162,930	18,895,441
Total liabilities	14,608,015	14,134,026
Net assets	4,554,915	4,761,415
Shareholders' equity (net):		
Share capital	6,141,780	6,141,780
Reserves	311,650	302,094
Accumulated loss	(1,740,780)	(1,774,710)
Sub total	4,712,650	4,669,164
(Deficit)/surplus on revaluation of assets – net of tax	(157,735)	92,251
Total	4,554,915	4,761,415
For the year:		
Profit before taxation	84,124	1,031,819
Profit after taxation	47,781	791,170
Earnings per share (Rs.)	78	1,288

The Company has transferred an amount equal to 20% of profit after taxation to statutory reserves as per the applicable legal requirements.

In view of the minimum capital requirement (MCR) shortfall faced by the Company, no amount could be considered for distribution of dividends (bonus or cash) to the shareholders. We are, however, confident that once the capital injection transaction of PKR 2 billion is completed, the Company will earn sufficient profits to enable dividend distributions to its shareholders in addition to compliance with MCR.

Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Further, changes in the accounting policies are duly disclosed in the financial statements.
- International Financial Reporting Standards, as applicable in Pakistan for DFIs, have been followed in the preparation of financial statements.
- There are no doubts regarding the Company's ability to continue as a going concern.
- Tax contingencies have been disclosed in the financial statements.
- There has been no material departure from the best practices of corporate governance.
- The system of internal controls including internal controls over financial reporting is sound in design and has been effectively implemented and monitored.
- Summary of key operational and financial data for last six years is enclosed.

Corporate Social Responsibility

The Company has always remained active in fulfilling its social responsibility and will continue its efforts on this front in future as well. However, despite the performance of the Company, we were unable to support certain notable, reputed charitable institution due to shortage of minimum capital requirement and related SBP prudential regulations.

Board Composition

During the year Mr. Khalid S.T Benrjoba, LAFICO nominee executive director, as at 31 March 2017, has been replaced by Mr. Khaled Joma Ezarzor. He took charge of his office on 5 April 2017 after the completion of regulatory formalities. Further, subsequent to the yearend, one of the Government of Pakistan's nominee non-executive directors Mr. Haque Nawaz has been replaced by Dr. Muhammad Tahir Noor under the GOP's letter F. No 1(3)-Inv-IV/2007 dated 22 January 2018.

Risk Management Framework

The Company's overall Risk Management Framework is robust. The Risk Management Structure of the Company is overseen by the Board Risk Management Committee (BRMC) which has further entrusted the task to the Management Risk Management Committee (MRMC) to carry out the assessment of all types of risks, the Company is exposed to and work on a strategy and action plan to mitigate the risks on the basis of Company's overall risk appetite.

The Credit Policy and Credit Manuals for the Company were updated and modified based on changing risk and regulatory environment and are being implemented for a better and comprehensive evaluation, on a continuous basis, of credit exposure that each client brings in. The redesigned Obligor Risk Rating model and Facility Risk Rating model emphasising upon internal ratings model covering objective aspects are used for respective evaluation of risks. Consequently, the risk appetite has been further elaborated to include specific limits. Furthermore, the monitoring and reporting mechanism has also been strengthened with an aim to improvise the overall credit risk management process.

We believe that a sound Operational Risk Function is critical for uninterrupted workflow of operations round the year. Thus, staying watchful of any contingency that may arise and to ensure continuity of our business operations, our BCP site is being maintained at one of our peer DFIs under a reciprocal arrangement. Moreover, an operational risk database is being regularly maintained to comply with the regulatory requirement as well as to keep a regular check on the incidents that need to be addressed on a prompt basis and also to evaluate the effectiveness of the operational risk mechanism in function.

We also formalised a Company-wide documented business continuity plan at each business unit level considering the operational risk. During the year, we continue to strengthened our Internal Controls and hence brought about various improvements and implemented an integrated IT system keeping in view the best practices and to cater our reporting requirements. Furthermore, our Compliance, Risk Management and overall Internal Control structure remained robust and the implementation of SBP guidelines and framework on Internal Control Over Financial Reporting (ICFR) remained steadfast.

The market risk function continues to monitor market related risks. Stress Testing analyses are used to assess impact of key potential risks on existing exposures. The revised market risk policy with elaborated interest rate risk has been implemented. Also, the guidelines on monitoring and reporting of interest rate risks have been enhanced in the overall market risk management framework.

The Company has also a Liquidity Risk Management Policy, in addition to the Liquidity Management Policy, in place. The revised Liquidity Risk Management Manual included a detailed and comprehensive Liquidity Contingency Plan.

The Company continues to maintain its CAR well above prescribed regulatory thresholds throughout the year based on applicable Basel II and Basel III requirements. Internal Capital Adequacy Assessment Process (ICAAP) framework has been reviewed in view of the guidelines issued by SBP and implemented to make the process more robust and effective. Moreover, efforts are underway to comply with regulatory Minimum Capital Requirement (MCR) of Rs. 6 billion. SBP had allowed exemption to the Company from meeting the required MCR till 30 June 2017. The MoF has requested SBP to allow further extension in meeting the MCR to the Company and vide its letter no. F.2(1) Inv-IV/2014 dated 16 January 2018 has stated that in the last quarter of current Financial Year, after a review of fiscal space, injection of equity would be given due consideration. Consequently, SBP has granted extension in meeting MCR till 30 June 2018.

Growth in the Company's portfolio is being handled effectively to avoid risk concentration through established limits. Amendments in the limits have been duly made following revision in the Prudential Regulations. The Company aims at business growth by assuming direct exposure or through risk participation. Risk Management Division proactively contributes in exposure selection within the defined risk parameters.

The Company continues to put in efforts to further improve and strengthen the risk management and internal control framework of the Company.

Statement on Internal Controls

A sound system of internal controls is in place to achieve organisational objectives and continuous improvement is made therein in light of the changing requirements of the business and operating environment. Management has evaluated the internal controls, including internal controls over financial reporting as effective and the Board endorses the same evaluation. The State Bank of Pakistan, in view of the strengthened control environment has granted exemption to the Company from annual submission of external auditor's long form report on internal control over financial reporting (ICFR).

Comments of Auditors in their Audit Report

The Company auditors have added emphasis of matter paragraphs in their audit report. They have drawn attention to note 1.2 to the accompanying financial statements and stated that the State Bank of Pakistan (SBP) has granted exemption to the Company from the required minimum paid-up capital (free of losses) of Rs. 6 billion till 30 June 2018.

The opinion of auditors is not qualified in respect of the above matter.

Comments of Auditors in their Review Report on Best Practices of Corporate Governance

Auditors have not highlighted any material non-compliance in their review report on Company's Statement of Best Practices of Corporate Governance.

Statement of Investment of Provident and Gratuity Funds

The values of investments (excluding cash at bank) of provident fund and gratuity fund as at 31 December 2016 were PKR 97.43 million and PKR 121.68 million respectively based on the audited accounts of these funds.

Details of Board Meetings and Board Sub-committee meetings attendances and their memberships

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

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	5	5
Mr. Fazal-ur-Rehman	Director	5	5
Mr. Ramadan A. Haggiagi	Director	5	5
Mr. Haque Nawaz	Director	5	2
Mr. Abid Aziz	Managing Director	5	5
Mr. Khalid S.T. Benrjoba	Deputy Managing Director (31/03/2017)	1	1
Mr. Khaled Joma Ezarzor	Deputy Managing Director (05/04/2017)	4	4

Details of Audit Committee Meetings
During the year, four meetings of the audit committee were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Ramadan A. Haggiagi	Chairman (till 12/08/2017) / Member* (13/08/2017 onwards)	4	4
Mr. Fazal-ur-Rehman	Member (till 12/08/2017) / Chairman* (13/08/2017 onwards)	4	4
Mr. Haque Nawaz	Member	4	1

Details of Risk Management Committee Meetings
During the year, two meetings of the risk management committee were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Fazal-ur-Rehman	Chairman* (till 12/08/2017)	1	1
Mr. Ramadan A. Haggiagi	Member	2	2
Mr. Khaled Joma Ezarzor	Member	2	2
Mr. Haque Nawaz	Chairman* (13/08/2017 onwards)	1	1

Details of Human Resource and Remuneration Committee Meetings
During the year, two meetings of the human resource and remuneration committee were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	2	2
Mr. Fazal-ur-Rehman	Member	2	2
Mr. Abid Aziz	Member (till 12/08/2017) / Non-member* (13/08/2017 onwards)	2	2

Details of Credit/Investment Committee Meeting of the Board
During the year, two credit/investment committee meetings were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	2	2
Mr. Fazal-ur-Rehman**	Member	2	2
Mr. Abid Aziz	Member	2	2

** Due to change in the composition of the Committee(s)*
*** Replaced Mr. Haque Nawaz on 13/08/2017*

Auditors

The present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants (A member firm of Grant Thornton International Ltd) retire and being eligible, have offered themselves for re-appointment. The Audit Committee has recommended re-appointment of auditors for the year ending 31 December 2018 which has been endorsed by the Board of Directors.

Pattern of Shareholding

Shareholders	Shareholding (%)
Government of Pakistan through State Bank of Pakistan	50
Government/State of Libya through Libyan Foreign Investment Company (LAFICO)	50
Total	100

Company Outlook

The shortfall in statutory minimum regulatory capital is an impediment we still need to overcome in the year 2018. Based on our follow up with the Ministry of Finance (MoF) and Libyan Foreign Investment Company (LAFICO), we are hopeful of a positive outcome on the matter in the ensuing year and are therefore confident that the projected capital injection to the tune of PKR 2 billion as well as disposal of assets from Kamoki Energy Limited (KEL), which is expected during the first half of the year, will enable us to overcome this challenge thus providing us a level playing field with other prominent peer DFIs to prove our mark in the industry. Consequently, to increase the salability of KEL assets, during the year, the Company established a wholly-owned subsidiary and applied to NEPRA for the generation license. Moreover, LAFICO has reiterated its commitment to inject additional capital subject to simultaneous injection from MoF.

We hold a firm stance towards our future business strategy and outlook. Moving forth with an aim to increase the advances portfolio size to almost double in the next three years, we understand and believe that a performing portfolio from our core business, growing at a steady rate, would provide a solid ground for our business targets to propel towards one of our core objectives of long-term growth and return optimisation.

The management is focusing on all possible avenues for profitable operations of the Company. These include, but are not limited to, the recovery efforts for troubled and non-performing assets which are a source of potential earnings.

In view of the overall efforts being made by the management and the consistent positive results that we have managed to achieve over the years, we are much optimistic about our Company's future growth, profitability and attainment of competitive edge.

Acknowledgements

On behalf of the Board and the Management, we would like to express our sincere gratitude to the customers and all stakeholders of Pak-Libya for their confidence that they continue to repose in the Company. We would also like to express our appreciation to the shareholders; LAFICO and SBP, including MoF, for their continued support and guidance and to the employees of the Company for their steadfast trust and loyalty.

On behalf of the Board of Directors

Khaled Joma Ezarzor
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 23 March 2018

SUMMARY OF KEY OPERATIONAL AND FINANCIAL DATA FOR LAST SIX YEARS

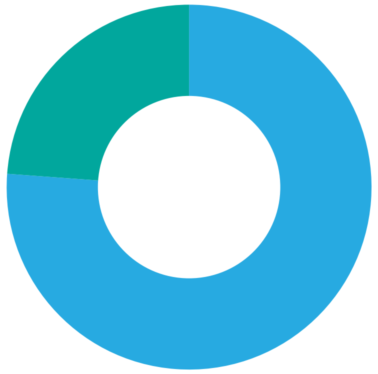
(PKR In Million)

	2017	2016	2015	2014	2013	2012
Gross Approvals*	2,427	1,613	782	553	1,805	1,355
Disbursements	1,799	986	479	807	1,213	1,295
Investments - net	-	2,891	3,539	997	-	1,319
Recoveries - Principal	1,001	1,190	1,218	1,586	851	745
Redemption - Investments	225	540	138	433	68	183
Gross Income	1,335	1,298	1,830	1,532	1,331	1,349
Net interest income	265	313	360	315	254	245
Net profit/(loss) before tax	84	1,032	472	318	196	(3,317)
Taxation - net	36	241	167	85	14	111
Net profit/(loss) after tax	48	791	305	233	182	(3,429)
Shareholders' Equity - net	4,555	4,761	3,895	3,586	3,320	3,144
Total assets	19,163	18,895	15,274	12,436	12,121	13,466
Staff strength (number)**	111	106	105	110	111	104

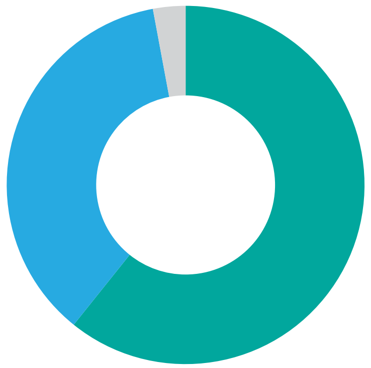
* Include rollover
** Including outsourced staff
Note: Figures of respective years include impacts of restatements (as applicable)

(Rupees in '000)

INCOME COMPOSITION 2017



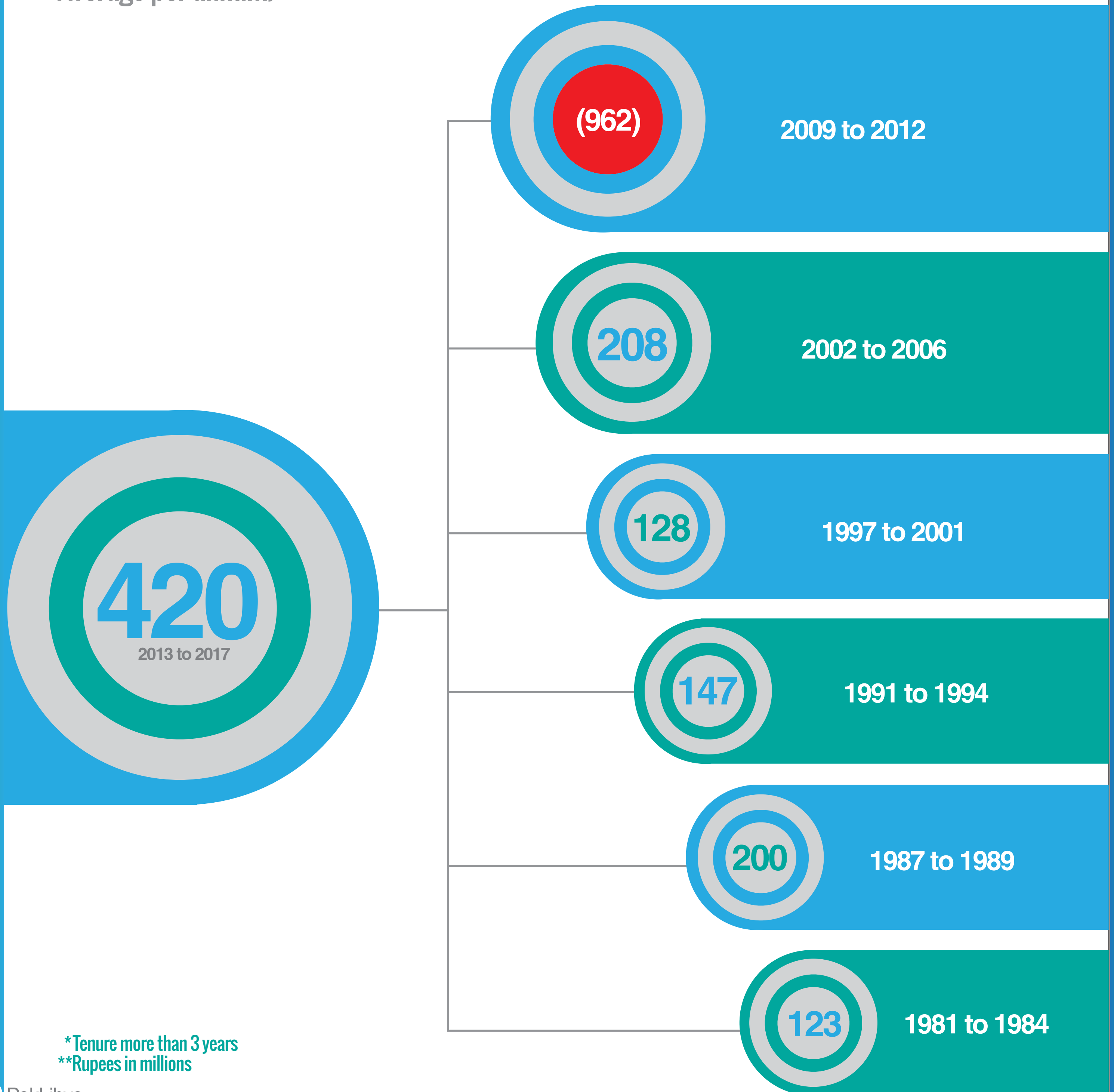
EXPENSE COMPOSITION 2017



ASSET MIX 2017

FOCUS ON MANAGEMENT PERFORMANCE

(Profit Before Tax - Tenure wise Average per annum)



*Tenure more than 3 years
**Rupees in millions

DISBURSEMENTS

**Rupees in millions

STATEMENT OF INTERNAL CONTROLS

FOR THE YEAR ENDED 31 DECEMBER 2017

OVERVIEW OF INTERNAL CONTROL SYSTEM

It is the responsibility of the Company's management to establish and maintain a sound system of internal controls that helps in effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system broadly comprises of control procedures and control environment. Following is the brief on the internal control systems:

- Management identifies control objectives for key areas, makes necessary policies and procedures for effective controls and ensures implementation of the same.
- Policies for various key areas have been made which have been approved by the Board of Directors.
- Policies and procedures are reviewed and amendments are made to continuously bring required improvements in the same from time to time.
- The Company has internal audit function which reports to the Audit Committee and reviews the application of policies and procedures and ensures identification for rectification of control weaknesses (if any).
- On regular basis, observation of control environment, appropriate test of transactions, sharing of findings of internal control systems and implementation of relevant appropriate corrective actions are carried out.
- The observations and weaknesses identified and reported by the auditors (internal, external and the State Bank of Pakistan (SBP)) are duly taken into account by the management and necessary control measures are taken to avoid repetition of those observations and exceptions.
- Management endeavors to ensure timely and satisfactory response to the recommendations and suggestions made by the auditors and the same are periodically reviewed for implementation by the internal audit department.
- Budgets and plans are approved by the Board of Directors which are monitored for implementation on periodic basis.
- Due attention is given to enhance overall competence level and knowledge of the employees to achieve the desired level of internal control systems.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

- Previous documentation for Internal Controls Over Financial Reporting (ICFR) is being updated in financial year 2017 to incorporate the updated status of processes and controls as a result of new operating activities and implementation of integrated management reporting system. This is aimed to bring further improvement in the ICFR framework of the Company.
- SBP's instructions (specific or general) issued on the matter of ICFR from time to time are being complied at earliest possible timelines.
- The SBP has granted exemption, to the Company, from the requirement of Statutory Auditors' Long Form Report on ICFR. Consequently, the Company has been submitting the Audit Committee's annual assessment report on the efficacy of the Internal Control over Financial Reporting as required under circular 'OSED Circular No. 01 of 2014' dated 7 February 2014.

EVALUATION OF INTERNAL CONTROL SYSTEMS INCLUDING INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's internal controls including internal controls over financial reporting are sound in design and are being effectively implemented and monitored. The Company has made efforts during the financial year 2017 to bring further improvements in the internal control systems through implementation of integrated management reporting system. Moreover, gaps identified in the internal control systems, including internal controls over financial reporting from time to time are targeted to be completed at the earliest possible timeline.

Khaled Joma Ezarzor
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 23 March 2018

STATEMENT OF BEST PRACTICES OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2017

This statement is being presented to conform with the best practices of Corporate Governance which are being practiced by Pak-Libya Holding Company (Private) Limited ("the Company" or "Pak-Libya" or "PLHC"). Until prior year the Code of Corporate Governance (the Code) as framed by the Securities and Exchange Commission of Pakistan was applicable to all Development Financial Institutions (DFIs) including the Company, however through BPRD circular 14 of 2016 issued on 20 October 2016 by the State Bank of Pakistan (SBP) the Code is no longer mandatory for the DFIs.

The Company nevertheless, has applied the principles considered to be the best practices in Corporate Governance in the following manner:

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Libya (State of Libya), the Company's board of directors comprises of six directors with three directors nominated by each Government. The Company encourages representation of non-executive directors on its board of directors (the Board). At present the Board includes:

Category	Names
Executive Directors (two)	Mr. Abid Aziz – Managing Director Mr. Khalid S.T. Benrjoba – Deputy Managing Director (31/03/2017) Mr. Khaled Joma Ezarzor – Deputy Managing Director (05/04/2017)
Non-Executive Directors (Four)	Mr. Bashir Blkasm Omer Mr. Fazal ur Rehman Mr. Ramadan A. Haggiagi Mr. Haque Nawaz

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including PLHC.

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

4. During the year Mr. Khalid S.T Benrjoba, LAFICO nominee executive director, as at 31 March 2017, has been replaced by Mr. Khaled Joma Ezarzor. He took charge of his office on 5 April 2017 after the completion of regulatory formalities. Further, subsequent to the yearend, one of the Government of Pakistan's nominee non-executive directors Mr. Haque Nawaz has been replaced by Dr. Muhammad Tahir Noor under the GOP's letter F.No 1(3)-Inv-IV/2007 dated 22 January 2018.

5. The Company has prepared employee code of conduct and statement of ethics and business practices and has ensured that appropriate steps have been taken to disseminate it throughout the Company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. Further, as per the process, the appointment, remuneration and terms of employment of the CEO, other executive and non-executive directors are taken by the board / shareholders, as applicable.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every calendar quarter. Written notices of the Board meeting, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. Further, roles and responsibilities of the Chairman and Chief Executive Officer have been defined by the Board as per the requirements of the regulations and best practices.

9. The directors are professionally trained and have vast experience to effective discharge their fiduciary duties.

10. The appointments of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit including their remuneration and terms of employment are approved by the Board.

11. The Directors' Report for the year has been prepared in compliance with the requirements of related laws and regulations and fully describes the applicable salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company.

14. The Company has complied with all applicable corporate and financial reporting requirements of the applicable laws and regulations.

15. The Board has formed an Audit Committee. As per its approved structure, this committee comprises of three members, all of whom are non-executive Directors including its Chairman.

16. The meetings of the Audit Committee are held at least once every quarter prior to the approval of interim and final results of the Company. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has also constituted a Human Resource and Remuneration Committee (formerly Recruitment and Compensation Committee). As per the approved structure, it comprises of two non-executives and one executive director. The chairman of the committee is a non-executive Director.

18. The Board has set up an effective internal audit function. Personnel of the Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the 'Quality Control Review Program' of The Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. 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 confirmed that they have observed IFAC guidelines in this regard.

Khaled Joma Ezarzor
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 23 March 2018

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AUDITORS' REPORT TO THE MEMBERS OF PAK LIBYA HOLDING COMPANY (PRIVATE) LIMITED

We have audited the annexed unconsolidated statement of financial position of **Pak Libya Holding Company (Private) Limited** (the Company) as at **December 31, 2017** and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "unconsolidated financial statements"), 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 Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 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, which in case of loans and advances covered more than 60% of the total loans and advances of the Company, we report that:

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

(b) in our opinion:

(i) the unconsolidated statement of financial position and the related profit and loss account together with the notes forming part thereof have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Emphasis of matter

We draw attention to note 1.2 to the accompanying unconsolidated financial statements which explains that State Bank of Pakistan (SBP), has granted further exemption to the Company from the required minimum paid-up-capital (free of losses) of Rs. 6 billion till 30 June 2018 and has advised the Company to pursue the case with ministry of finance for equity injection in the Company by the Government of Pakistan.

Our opinion is not qualified in respect of the above matter.

Other matter

The financial statements of the Company for the year ended December 31, 2016 were audited by another firm of chartered accountants who in their audit report dated March 9, 2017, expressed an unqualified opinion.

Karachi
Date: March 29, 2018

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

UNCONSOLIDATED FINANCIAL STATEMENTS 2017

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017	2016
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	5	**28,328**	20,420
Balances with other banks	6	**83,494**	72,705
Lendings to financial institutions	7	**4,000,000**	950,000
Investments	8	**9,700,440**	13,183,821
Advances	9	**3,593,084**	2,837,523
Operating fixed assets	10	**80,458**	87,697
Deferred tax asset - net	11	**85,330**	26,419
Other assets	12	**1,591,796**	1,716,856
		19,162,930	18,895,441
LIABILITIES			
Bills payable		**-**	-
Borrowings	13	**14,367,132**	13,391,904
Deposits and other accounts	14	**39,000**	463,117
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	15	**201,883**	279,005
		14,608,015	14,134,026
NET ASSETS		**4,554,915**	4,761,415
REPRESENTED BY			
Share capital	16	**6,141,780**	6,141,780
Reserves	17	**311,650**	302,094
Accumulated loss		**(1,740,780)**	(1,774,710)
		4,712,650	4,669,164
(Deficit) / surplus on revaluation of assets - net of tax	18	**(157,735)**	92,251
		4,554,915	4,761,415
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 42 and Annexures I & II form an integral part of these unconsolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

PakLibya

	Note	2017	2016
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	21	**1,016,924**	1,179,031
Mark-up / return / interest expensed	22	**752,303**	865,788
Net mark-up / interest income		**264,621**	313,243
Provision / (reversal of provision) against non-performing advances - net	9.3.1	**26,427**	(1,019,869)
Reversal of provision against lendings to financial institutions	7.3	**(2,504)**	-
Provision / (reversal of provision) for diminution / impairment in the value of investments - net	8.14	**25,190**	(141,632)
Bad debts written-off directly		**-**	-
		49,113	(1,161,501)
Net mark-up / interest income after provisions		**215,508**	1,474,744
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**19,733**	12,461
Dividend income		**39,294**	44,579
Income from dealing in foreign currencies		**-**	-
Gain on sale of securities - net	23	**249,916**	55,330
Unrealised loss on revaluation of investments classified as 'held-for-trading'		**(968)**	-
Other income	24	**10,240**	6,127
Total non mark-up / interest income		**318,216**	118,497
		533,724	1,593,241
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	**404,292**	409,099
Other (reversals) / provisions / write offs	26	**15,537**	118,298
Other charges	27	**29,771**	34,025
Total non mark-up / interest expenses		**449,600**	561,422
		84,124	1,031,819
Extraordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**84,124**	1,031,819
Taxation			
- current		**65,329**	64,089
- prior years		**(30,021)**	-
- deferred		**1,036**	176,560
	28	**36,344**	240,649
PROFIT AFTER TAXATION		**47,781**	791,170
		------------ (Rupees) ------------	
Earnings per share - basic and diluted	29	**78**	1,288

The annexed notes 1 to 42 and Annexures I & II form an integral part of these unconsolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	------- (Rupees in '000) -------	
Profit after taxation	**47,781**	791,170
Other comprehensive income - net		
Items not to be reclassified in profit and loss account in subsequent periods		
Actuarial (loss) / gain on defined benefit plan	**(4,294)**	4,045
Total comprehensive income for the year	**43,487**	795,215
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of 'available-for-sale securities' - net of tax*	**(249,986)**	71,457
Total comprehensive (loss) / income	**(206,499)**	866,672

*Surplus / (deficit) arising on revaluation of 'Available-for-sale securities' - net of tax has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on 26 June 2014.

The annexed notes 1 to 42 and Annexures I & II form an integral part of these unconsolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

PakLibya

	Note	2017	2016
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**84,124**	1,031,819
Less: Dividend income		**(39,294)**	(44,579)
		44,830	987,240
Adjustments:			
Depreciation	10.2	**30,360**	24,971
Amortisation	10.4	**1,146**	717
Provision / (Reversal of provision) against non-performing loans and advances - net	9.3.1	**26,427**	(1,019,869)
Unrealised loss on revaluation of investments classified as 'held-for trading'		**968**	-
Reversal of provision against lendings to financial institutions		**(2,504)**	-
Reversal of provision against other assets	12.3	**15,537**	(233,804)
Provision / (reversal) of provision for diminution in the value of investments - net	8.14	**25,190**	(141,632)
Gain on sale of operating fixed assets	24	**(15)**	(1,944)
		97,108	(1,371,561)
		141,939	(384,321)
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(200,000)**	70,000
Investments classified as 'held-for-trading'		**(4,986,243)**	1,103,418
Advances		**(781,949)**	1,420,757
Other assets (excluding advance taxation)		**157,786**	(949,184)
		(5,810,406)	1,644,991
Increase / (decrease) in operating liabilities			
Borrowings		**975,228**	3,950,805
Deposits and other accounts		**(424,117)**	(1,274,272)
Other liabilities		**(81,417)**	82,002
		469,694	2,758,535
		(5,198,774)	4,019,205
Income tax paid		**(81,382)**	(162,010)
Net cash (used in) / generated from operating activities		**(5,280,156)**	3,857,195
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in 'available-for-sale' securities - net		**8,590,735**	(3,161,139)
Investments in 'held-to-maturity' securities - net		**(457,204)**	-
Dividend received		**39,569**	42,354
Investments in operating fixed assets - net		**(24,262)**	(43,478)
Proceeds on sale of operating fixed assets		**15**	2,000
Net cash generated from / (used in) investing activities		**8,148,853**	(3,160,263)
Increase in cash and cash equivalents		**2,868,697**	696,932
Cash and cash equivalents at beginning of the year		**793,125**	96,193
Cash and cash equivalents at end of the year	30	**3,661,822**	793,125

The annexed notes 1 to 42 and Annexures I & II form an integral part of these unconsolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital reserve	Revenue reserve		
		Statutory reserve (refer note 17)	Accumulated loss	Total Reserve	
	(Rupees in '000)				
Balance as at 01 January 2016	6,141,780	143,860	(2,411,691)	(2,267,831)	3,873,949
Total comprehensive income for the year					
Profit after taxation for the year ended 31 December 2016	-	-	791,170	791,170	791,170
Other comprehensive income	-	-	4,045	4,045	4,045
	-	-	795,215	795,215	795,215
Transfer to statutory reserve	-	158,234	(158,234)	-	-
Balance as at 31 December 2016	6,141,780	302,094	(1,774,710)	(1,472,616)	4,669,164
Total comprehensive income for the year					
Profit after taxation for the year ended 31 December 2017	-	-	47,781	47,781	47,781
Other comprehensive income	-	-	(4,294)	(4,294)	(4,294)
	-	-	43,487	43,487	43,487
Transfer to statutory reserve	-	9,556	(9,556)	-	-
Balance as at 31 December 2017	6,141,780	311,650	(1,740,780)	(1,429,130)	4,712,650

The annexed notes 1 to 42 and Annexures I & II form an integral part of these unconsolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. STATUS AND NATURE OF BUSINESS

1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure for further thirty years upto 14 October 2038. The objectives of the Company interalia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has one sales and service center located at Lahore. Effective 05 August 2012, activities of Islamabad office have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs. 6 billion. The paid-up capital of the Company (free of losses) as of 31 December 2017 amounted to Rs. 4.401 billion (31 December 2016: Rs. 4.367 billion).

The Board of Directors (BOD) of the Company in its meeting held on 09 December 2012 and 10 December 2012, recommended the shareholders for increase in paid-up capital by Rs. 4 billion in the year 2013. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company.

Further, the Chairman of the Company (Libyan Nominee) in the Board meeting held on 26 April 2014 informed that BOD of Libyan Foreign Investment Company (LAFICO) has given approval for the capital injection of Rs. 2 billion with a condition of simultaneous injection of additional capital by Government of Pakistan (GOP).

In this regard, SBP has been reviewing the progress and performance of the Company and the Company has been following up the matter of additional capital injection with the Ministry of Finance (MOF). Considering the performance of the Company, both shareholders in the Annual General Meeting (AGM) held on 15 April 2016 revisited the required additional capital and agreed to reduce the capital injection from Rs. 4 billion to Rs. 2 billion (Rs.1 billion by each shareholder).

The SBP vide its letter no. BPRD/BA&CP/657/134/2017 dated 03 January 2017 had granted further extension in the exemption for meeting the minimum paid-up capital (free of losses) requirement till 30 June 2017 and had advised the Company to pursue the matter of capital injection with Finance Division and provide specific timeline for equity injection by the GOP in the Company by 31 March 2017. The management of the Company proposed shareholders to inject the additional capital in tranches, for which the timeline has not been decided yet. However, GOP's firm commitment to inject additional capital in the Company has not been received till date. Further, the Company has applied to SBP for further extension in relation to regulatory minimum capital requirement. In this regard during the year, the Company has submitted a 3 year plan to SBP to demonstrate its ability to meet the MCR through organic growth, as advised by the SBP. Subsequently, MOF vide its letter no. F.2(1) Inv-IV/2014 dated 16 January 2018 has stated that in the last quarter of current Financial Year, after a review of fiscal space, injection of equity would be given due consideration. Consequently, SBP vide its letter No. BPRD/BA&CP/657/5114/2018 dated 07 March 2018 granted relaxation in MCR till 30 June 2018.

Subsidiary Company

1.3 Kamoke Powergen (Private) Limited (the Company) (KPL) was incorporated in Pakistan as a private limited company on 07 February 2017. The Company is wholly owned subsidiary of Pak Libya Holding Company (Private) Limited. The Company has been established as a Special Purpose Vehicle (SPV) and applied for the power generation license from NEPRA to increase the salability of assets of Kamoki Energy Limited (KEL). Approval from State Bank of Pakistan (SBP) was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016. The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. Refer note 8.5.3.

2. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (repealed - note 2.1), the Banking Companies Ordinance 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. The approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). Wherever the requirements of the Ordinance (repealed - note 2.1), the Banking Companies Ordinance, 1962 or the directives issued by SECP and SBP differ with the requirements of these standards, the requirements of the Ordinance or the said directives prevail.

2.1 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 (the Act) on 30 May 2017. However, SECP vide its circular No. 23 dated 04 October 2017 allowed companies whose financial year closes on or before 31 December 2017 to prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Act does not impact the financial statements of the Company for the year ended 31 December 2017.

The SBP through its BSD circular No. 11 dated 11 September 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement', and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. The SECP has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

These unconsolidated financial statements represents the separate financial statements of the Company in which investment in subsidiary is stated at cost. The consolidated financial statements of the Company and its subsidiary are presented separately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2016 other than those disclosed in note 4.1 below:

4.1 New Standards, Interpretations and Amendments

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	01 January 2017
IAS 12 - Recognition of Deferred Tax (Amendments to IAS 12)	01 January 2017
IFRS 12 - Annual Improvements to IFRS 2014-2016	01 January 2017

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended 31 December 2016 and 31 December 2017.

Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on 01 January 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.3 Revenue recognition

Dividend income is recognised when the Company's right to receive payment is established.

Gain on sale of securities is recognised at the time of sale of relevant securities.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates, sukuks, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis using the effective interest method except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Premium or discount on debt securities is amortised using the effective interest method and taken to unconsolidated profit and loss account.

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.

4.4 Advances including net investment in finance leases

Advances are stated as net of provisions for bad and doubtful debts, if any, which are charged to the unconsolidated profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to unconsolidated profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets are transferred to the lessee, such leases are classified as finance lease.

A receivable is recognised at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

Provisions

Specific

Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the unconsolidated profit and loss account.

General provision

General provision is maintained on consumer financing portfolio in accordance with the requirements of Prudential Regulations for Consumer Financing issued by SBP and charged to the unconsolidated profit and loss account.

4.5 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the unconsolidated profit and loss account.

The Company has classified its investments, except for strategic investment in joint venture, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are 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. These are carried at market value, with the related gain / (loss) on revaluation being taken to unconsolidated profit and loss account.

Intra day trading
The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale

These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost being its fair value which includes transaction costs associated with the investment. These are carried at market value except for unlisted securities where market value is not available, which are carried at lower of cost and break-up value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unlisted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' below equity is included in the unconsolidated profit and loss account for the period.

The Company amortises the premium / discount on acquisition of government securities using the effective yield method.

Provision for diminution in value of investments for unlisted debt securities is calculated as per the SBP's Prudential Regulations.

The Company follows the 'Settlement date' accounting for investments.

Gains and losses arising on sale of investments are recognised in the unconsolidated profit and loss account.

Investment in subsidiary

Investment in subsidiary are valued at cost less impairment, if any. Gains and losses on disposal of investments is recognised in the unconsolidated profit and loss account.

4.6 Operating fixed assets

4.6.1 Owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the unconsolidated profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

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

Assets are derecognised when no future economic benefit is expected from its use or disposal. Profit or loss on sale or retirement of fixed assets is included in the unconsolidated profit and loss account.

4.6.2 Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight line method over their estimated useful lives after taking into account the residual value, if any.

Amortisation on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

Amortisation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no amortisation is charged on additions during the second half of the month and disposals in the first half of the month.

4.7 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.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.8 Staff retirement benefits

Defined benefit plan

- **Gratuity Fund**

The Company operates a funded gratuity scheme for all its permanent employees in accordance with the human resource policy of the Company and terms of employment for managing director and deputy managing director. Contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised).

The last actuarial valuation of the scheme was carried out as at 31 December 2017. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

- **Benevolent Fund**

The Company operates a benevolent fund scheme for its employees where equal fixed contributions are being made by employees and the Company. Employees or their legal heirs are entitled to certain pre-defined benefits on happening of specified events including retirement, incapacitation, marriage and death etc. as per their entitlement. Contributions paid by Company to the fund are included in expenses for the period.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at a rate of 3.5 and 4 (2016: 3.5 and 4) percent respectively and 10 percent of salary for the managing director and deputy managing director, as applicable. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of the future payments is available.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the statement of financial position date.

The Company recognises provision for compensated absences on the basis of actuarial valuation under Projected Unit Credit Method. The last actuarial valuation was carried out as at 31 December 2017.

4.9 Securities under repurchase / resale agreements

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 investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

4.10 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

4.11 Foreign currencies

Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in the unconsolidated profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

4.12 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Company to settle the obligation. The provision is charged to the unconsolidated profit and loss account net of expected recovery and the provision is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.13 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount 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.

4.14 Dividend and reserves

Dividend declared and appropriations, except for transfer of statutory reserve, made subsequent to the balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

4.15 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for bad and doubtful advances including net investment in lease (note 4.4)

b) Classification and provisioning of investments (note 4.5)

c) Depreciation of property and equipment and amortisation of intangible assets (note 4.6)

d) Assumptions and estimation in recognition of deferred taxation (note 4.7)

e) Accounting for defined benefit plan and compensated absences (note 4.8)

f) Impairment (note 4.20)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.16 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Company's primary format of reporting is based on its business segments for which individual business strategies are formulated based on Company's overall business strategy and implementation plan.

Business segments

Following are the main segments of the Company:

Corporate & Investment Banking	Includes loans, advances, lease financing, advisory services, mergers and acquisitions and other such corporate and investment banking transactions.
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 interbank market and manages the interest rate risk exposure of the Company.
Capital Market	Undertakes trading and investment primarily in listed securities with an aim to earn trading gains from market fluctuation and to hold securities for dividend income and price appreciation in the form of capital gain.
SME & Retail Banking	Undertakes SME and Retail Finance activities via bills discounting, business loans against mortgaged property, auto-lease financing and consumer financing.

Geographical segments

The geographical spread of Company's operations is limited to Pakistan only.

4.17 Borrowing cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.19 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

4.20 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in unconsolidated profit and loss account.

4.21 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendements to IFRS 2)	01 January 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	01 January 2018
IFRIC 22 - Foreign Currency	01 January 2018
IAS 40 - Transfers of Investment	01 January 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	01 January 2019
Annual Improvements to IFRSs 2015	01 January 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021
IFRS 16 – Leases	01 January 2019

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2017	2016
		------ (Rupees in '000) ------	
Cash in hand			
Local currency		**30**	6
Foreign currency		**-**	70
Balances with State Bank of Pakistan (SBP)			
Local currency current account	5.1	**27,749**	19,572
Balances with National Bank of Pakistan			
Local currency current account		**549**	772
		28,328	20,420

5.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

6. BALANCES WITH OTHER BANKS

	Note	2017	2016
In Pakistan			
Current accounts		**30,297**	9,316
Deposit accounts	6.1	**53,197**	63,389
		83,494	72,705

6.1 The return on these balances ranges from 3.75 to 4.00 (2016: 3.75 to 4.50) percent per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

7.1 In local currency

	Note	2017	2016
Placements		**33,064**	35,568
Repurchase agreement lendings (reverse repo)		**-**	-
Term deposit receipts	7.2	**4,000,000**	950,000
Less: Provision against placements	7.3	**(33,064)**	(35,568)
	7.4	**4,000,000**	950,000

7.2 Term deposit receipts carry mark-up at rates ranging from 6.55 to 8.00 (2016: 7.1 to 7.5) percent per annum. These are due to mature between 05 January 2018 and 05 September 2018.

7.3 Provision against lendings

	2017	2016
Opening balance	**35,568**	35,568
Charge for the year	**-**	-
Less: Reversal during the year	**(2,504)**	-
Net reversal for the year	**(2,504)**	-
Closing balance	**33,064**	35,568

7.4 Particulars of lendings

	2017	2016
In local currency	**4,000,000**	950,000

8. INVESTMENTS

8.1 Investments by types

	Note	2017 Held by the Company	2017 Given as collateral	2017 Total	2016 Held by the Company	2016 Given as collateral	2016 Total
		------------------	------------------	(Rupees in '000)	------------------	------------------	------------------
Held-for-trading securities							
Market treasury bills	8.3.1	**862,620**	**4,123,623**	**4,986,243**	-	-	-
					-	-	-
Available-for-sale securities							
Market treasury bills	8.3.1	**-**	**-**	**-**	299,161	-	299,161
Pakistan investment bonds	8.3.2	**946**	**1,628,558**	**1,629,504**	775,565	9,816,417	10,591,982
Listed ordinary shares	8.4	**1,247,542**	**-**	**1,247,542**	921,364	-	921,364
Unlisted ordinary shares	8.5	**52,801**	**-**	**52,801**	93,341	-	93,341
Listed preference shares	8.6	**-**	**-**	**-**	25,000	-	25,000
Unlisted preference shares	8.7	**300,000**	**-**	**300,000**	300,000	-	300,000
Listed term finance certificates	8.8	**444,531**	**-**	**444,531**	455,641	-	455,641
Unlisted term finance certificates	8.9	**1,421,992**	**-**	**1,421,992**	1,012,429	-	1,012,429
Unlisted sukuks	8.10	**253,859**	**-**	**253,859**	247,046	-	247,046
Investment in Subsidiary - Kamoke Powergen (Pvt) Limited (KPL)	8.5.3	**5,000**	**-**	**5,000**	-	-	-
		3,726,671	**1,628,558**	**5,355,229**	4,129,547	9,816,417	13,945,964
Held-to-maturity securities							
Commercial paper	8.11	**457,204**	**-**	**457,204**	-	-	-
Unlisted participation term certificates (PTCs)	8.12	**6,366**	**-**	**6,366**	6,366	-	6,366
		463,570	**-**	**463,570**	6,366	-	6,366
Strategic investment in joint venture - Kamoki Energy Limited							
Unlisted ordinary shares - net	8.13	**404,867**	**-**	**404,867**	404,867	-	404,867
Investment at cost		**5,457,728**	**5,752,181**	**11,209,909**	4,540,780	9,816,417	14,357,197
Less: Provision for diminution in the value of investments	8.14	**(1,321,926)**	**-**	**(1,321,926)**	1,296,736	-	1,296,736
Investments (net of provisions)		**4,135,802**	**5,752,181**	**9,887,983**	3,244,044	9,816,417	13,060,461
Unrealised loss on revaluation of 'held-for-trading' securities		**(168)**	**(800)**	**(968)**	-	-	-
(Deficit) / surplus on revaluation of 'available-for-sale' securities		**(182,008)**	**(4,567)**	**(186,575)**	30,809	92,551	123,360
Total investments		**3,953,626**	**5,746,814**	**9,700,440**	3,274,853	9,908,968	13,183,821

8.2 Investments by segments

	Note	2017	2016
		---- (Rupees in '000) ----	
Federal government securities			
Market treasury bills	8.3.1	**4,986,243**	299,161
Pakistan investment bonds	8.3.2	**1,629,504**	10,591,982
Fully paid-up ordinary shares			
Listed	8.4	**1,247,542**	921,364
Unlisted	8.5	**52,801**	93,341
Unlisted - Investment in subsidiary (KPL)	8.5.3	**5,000**	-
Fully paid-up preference shares			
Listed	8.6	**-**	25,000
Unlisted	8.7	**300,000**	300,000
Term finance certificates			
Listed	8.8	**444,531**	455,641
Unlisted	8.9	**1,421,992**	1,012,429
Other investments			
Sukuk - unlisted	8.10	**253,859**	247,046
Commercial paper - unlisted	8.11	**457,204**	-
Participation term certificates	8.12	**6,366**	6,366
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.13.2	**404,867**	404,867
Total investment at cost		**11,209,909**	14,357,197
Less: Provision for diminution in value of investments	8.14	**(1,321,926)**	(1,296,736)
Investments (net of provisions)		**9,887,983**	13,060,461
Unrealised loss on revaluation of 'held-for-trading' securities		**(968)**	-
(Deficit) / Surplus on revaluation of 'available-for-sale' securities		**(186,575)**	123,360
Total investments		**9,700,440**	13,183,821

8.3 Available-for-sale securities

8.3.1 Market Treasury Bills

The purchase yield on the market treasury bills is 5.99 (2016: 5.83) percent per annum maturing by January 2018 (2016: January 2017). These are held by the SBP and are eligible for rediscounting.

8.3.2 Pakistan Investment Bonds

These Pakistan investment bonds carry interest rate of 9.25 (2016: 7.75 to 11.50) percent per annum maturing by March 2020 (2016: July 2017 and April 2021). These are held by the SBP and are eligible for rediscounting.

8.4 Particulars of investment held in ordinary shares of listed companies - available-for-sale

Name of investee	Note	Number of shares 2017	Number of shares 2016	Cost 2017	Cost 2016
				--- (Rupees in '000) ---	
Commercial banks					
Habib Bank Limited		**450,000**	205,000	**102,568**	49,914
National Bank of Pakistan		**700,000**	600,000	**44,544**	44,375
MCB Bank Limited		**375,000**	279,300	**85,659**	61,802
Habib Metropolitan Bank Limited		**100,000**	-	**3,397**	-
Financial services					
Invest Capital Investment Bank Limited		**-**	2,600,000	**-**	10,000
Pakistan Stock Exchange (PSX)		**1,602,953**	-	**16,060**	-
Chemicals					
Agritech Limited	8.4.2	**8,384,283**	8,384,283	**266,675**	266,675
Ittehad Chemicals Limited		**989,076**	375,000	**39,332**	15,533
Pharmaceuticals					
GlaxoSmithkline Pakistan Limited		**150,000**	-	**35,189**	-
Fertilizers					
Fauji Fertilizer Company Limited		**1,150,000**	1,000,000	**141,197**	128,047
Engro Corporation Limited		**325,000**	250,000	**104,161**	83,384
Engro Fertilizers Limited		**450,000**	300,000	**29,419**	20,029
Fauji Fertilizer Bin Qasim Limited		**-**	350,000	**-**	19,903
Non life insurance					
Pakistan Reinsurance Company Limited		**1,425,000**	1,597,500	**63,885**	57,549
Adamjee Insurance Company Limited		**700,000**	-	**38,728**	-
IGI Insurance Limited		**130,000**	90,400	**48,286**	22,480
Atlas Insurance Limited		**237,000**	150,000	**19,586**	12,399
Food and personal care products					
Al Shaheer Corporation Limited		**650,000**	130,000	**35,552**	7,156
Textile and composite					
Gul Ahmed Textile Mills Limited		**450,000**	500,000	**19,252**	26,967
Cable and electrical goods					
TPL Trakker Limited		**1,300,000**	500,000	**21,953**	9,234
Technology and communication					
TRG Pakistan Limited		**200,000**	-	**7,912**	-
Power Generation & Distribution					
Lalpir Power Limited		**962,500**	850,000	**22,257**	20,077
Pakgen Power Limited		**462,000**	400,000	**11,400**	10,206
Engineering					
Aisha Steel Mills Limited		**-**	2,000,000	**-**	32,228
International Steels Limited		**100,000**	-	**13,470**	-
Oil and gas					
Hi-Tech Lubricants Limited		**125,000**	-	**11,677**	-
Oil & Gas Development Company Limited		**150,000**	150,000	**24,141**	23,406
Attock Refinery Limited		**125,000**	-	**41,242**	-
				1,247,542	921,364

8.4.1 The nominal value of each share held in a listed company is Rs.10 per share as at 31 December 2017 and 31 December 2016.

8.4.2 Additional 1,008,787 ordinary shares of Agritech Limited (Agritech) at Rs. 35 per share were purchased at a total consideration of Rs. 35.31 million, under a buy-back arrangement, signed by the investors in year 2012, during first quarter of the financial year 2016. The SBP vide its letter No.BPRD/BPD (Policy)/ 2016-14898 dated 14 June 2016 has granted relaxation to the investors for recording impairment on this investment upto 30 June 2017 in phases. Pursuant to the requirement of this letter, impairment equivalent to 100% of the required amount has been recorded by the Company as at 30 June 2017.

8.5 Particulars of investment held in unlisted ordinary shares - available-for-sale

Name of investee	%	Break-up value per share (Rupees)	Based on audited financial statements as at	Number of shares 2017	Number of shares 2016	Cost 2017	Cost 2016
						--- (Rupees in '000) ---	
Shareholding upto 10%							
Agro Dairies Limited CEO - Mr. Mukhtar Hussain Rizvi	*	*	*	**300,000**	300,000	**2,301**	2,301
FTC Management Company Limited CEO - Mr. Kalim Sheikh	9.1	10.00	30 June 2017	**50,000**	50,000	**500**	500
New - VIS Credit Information Services (Private) Limited CEO - Mr. Fahim Ahmed	5.69	(0.38)	30 June 2015	-	39,000	-	390
Pakistan Textile City Limited CEO - Mr. Muhammad Hanif	4.00	3.38	30 June 2015	**5,000,000**	5,000,000	**50,000**	50,000
Pakistan Stock Exchange Limited (Karachi Stock Exchange) CEO - Mr. Nadeem Naqvi	0.50	10.02	30 June 2017	-	4,007,383	-	40,150
						52,801	93,341

* Under litigation

8.5.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at 31 December 2017 and 31 December 2016.

8.5.2 The Pakistan Stock Exchange (PSX) divested 40% of the shares, that were allotted pursuant to Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012, to the Chinese Consortium at a price of Rs. 28 per share. These shares were held by the Company in the blocked account; the divestment constituted 40% of the total Company's shareholding. Thereafter, the remaining 20% shares in the blocked account were further divested through book building and retail offering.

8.5.3 During the year, the Company established a wholly owned subsidiary named Kamoke Powergen (Private) Limited with a paid-up capital of Rs. 5,000,000 representing 500,000 shares of Rs. 10 each. The Company appointed an SVP grade executive (Mr. Kashif Shabbir) as Chief Executive Officer (CEO) of KPL. KPL has been established as a Special Purpose Vehicle (SPV) to obtain power generation license from NEPRA to increase the salability of assets of KEL. SBP's approval was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016.

8.6 Particulars of investment held in listed preference shares - available-for-sale

Name of investee	Number of shares 2017	Number of shares 2016	Cost 2017	Cost 2016
			--- (Rupees in '000) ---	
Household goods				
Pak-Elektron Limited	-	2,500,000	-	25,000
			-	25,000

8.7 Particulars of investment held in unlisted preference shares - available-for-sale

Name of investee	Note	Number of shares 2017	Number of shares 2016	Cost 2017	Cost 2016
				--- (Rupees in '000) ---	
Electricity					
Kamoki Energy Limited (CEO Dr. Umer Masood) under liquidation	8.13.1	**30,000,000**	30,000,000	**300,000**	300,000

These are cumulative, convertible, redeemable and non-participatory preference shares carrying dividend at the rate of 17% per annum having face value of Rs.10 each. These are redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon will be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

The Company has made 100% provision against this investment based on the reasons as explained in note 8.13.

8.8 Particulars of investment in listed term finance certificates (TFCs) - available-for-sale

Name of investee	Number of certificates 2017	Number of certificates 2016	Cost 2017	Cost 2016
			--- (Rupees in '000) ---	
Commercial banks				
Summit Bank Limited	**79,955**	79,955	**398,394**	398,255
Financial services				
Trust Investment Bank Limited	**5,000**	5,000	**9,371**	9,371
Jahangir Siddiqui & Company Limited	**10,000**	10,000	**23,750**	35,000
Personal goods (textile)				
Azgard Nine Limited	**8,000**	8,000	**13,015**	13,015
			444,531	455,641

8.8.1 The face value of each term finance certificate was Rs.5,000 as at 31 December 2017 and 31 December 2016.

8.9 Particulars of investment held in unlisted TFCs - available-for-sale

Name of investee	Note	Name of the chief executive officer	Number of certificates 2017	Number of certificates 2016	Cost 2017	Cost 2016
					--- (Rupees in '000) ---	
Azgard Nine Limited (4th issue)		Mr. Ahmed H. Sheikh	**56,000**	56,000	**179,652**	179,652
Azgard Nine Limited (5th issue)		Mr. Ahmed H. Sheikh	**16,080**	16,080	**80,400**	80,400
Dewan Farooque Spinning Mills Limited		Mr. Dewan Abdul Baqi Farooqui	**15,000**	15,000	**18,750**	18,750
Silk Bank Limited		Mr. Azmat Tarin	**20,000**	-	**100,000**	-
New Allied Electronics Industries (Private) Limited		Mr. Mian Pervaiz Akhtar	**10,000**	10,000	**15,957**	15,957
Pakistan International Airlines Corporation Limited	8.9.1	Dr. Musharraf Rasool	**35,415**	35,415	**110,581**	143,756
Security Leasing Corporation Limited (3rd issue)		Mr. S. Nauman Akhtar	**4,000**	4,000	**3,081**	3,081
U MicroFinance Bank Limited		Syed Umar Viqar	**18,000**	-	**90,000**	-
Bank Al-Habib Limited		Mansoor Ali Khan	**60,000**	-	**300,000**	-
JDW Sugar Mills Limited		Mr. Jahangir Khan Tareen	**2**	2	**11,111**	33,333
NRSP Micro Finance Bank Limited		Mr. Zahoor Hussain Khan	**50,000**	50,000	**93,750**	187,500
JS Bank Limited - I		Mr. Khalid Imran	**40,000**	20,000	**199,960**	100,000
Jahangir Siddiqui & Company Limited		Mr. Suleman Lalani	**50,000**	50,000	**218,750**	250,000
					1,421,992	1,012,429

8.9.1 No provision has been made against the investment on the basis of exposure being guaranteed by the Government as stated in Annexure V "Guidelines in the matter of classification and provisioning of assets" of Prudential Regulations R-8 of Corporate / Commercial Banking.

SBP vide its letter no. BPRD/BPD(Policy)/2015-7848 dated 04 April 2015 has allowed relaxation to the investors for their restructured debt (including this PPTFC issue) from the requirements of Prudential Regulation R-8 of Corporate / Commercial Banking upto 31 December 2015. The investment has been restructured through a TFC Investor Agreement effective from 06 May 2015.

8.10 Particulars of investment held in unlisted sukuks - available-for-sale

Name of investee	Name of the chief executive officer	Number of certificates 2017	Number of certificates 2016	Cost 2017	Cost 2016
				--- (Rupees in '000) ---	
Security Leasing Corporation Limited (2nd issue)	Ms. Farrah Azeem	**8,000**	8,000	**12,323**	12,323
AGP Limited	Ms. Nusrat Munshi	**500**	-	**45,000**	-
Pak Elektron Limited (2nd issue)	Mr. Murad Saigol	**9,000**	9,000	**13,574**	23,883
Hascol Petroleum Limited	Mr. Saleem Butt	**20,000**	20,000	**85,000**	100,000
TPL Trakker Limited	Mr. Ali Jameel	**50**	50	**50,000**	50,000
Liberty Power Technology Limited	Mr. Azam Sakarani	**1,000,000**	1,000,000	**47,962**	60,840
				253,859	247,046

8.11 Particulars of investment held in unlisted commercial paper - held to maturity

	Name of the chief executive officer	Number of certificates 2017	2016	Cost 2017	2016
				(Rupees in '000)	
Crescent Steel & Allied Products Limited	Mr. Ahsan Saleem	2,000	-	191,322	-
Pak-Elektron Limited	Mr. Murad Saigol	280	-	265,882	-
				457,204	-

8.12 Particulars of investment held in unlisted Participation Term Certificates (PTCs) - held-to-maturity

Name of investee	Name of the chief executive officer	Number of certificates 2017	2016	Cost 2017	2016
				(Rupees in '000)	
Agro Dairies Limited	Mr. Mukhtar Hussain Rizvi	12	12	1,925	1,925
Qureshi Vegetable Ghee Mills Limited	Mr. Tariq Mahmud Qureshi	96	96	4,441	4,441
				6,366	6,366

8.13 As at 31 December 2017, the Company has the following investments / exposures in Kamoki Energy Limited (KEL) which was a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental power generation plant. KEL could not commence its commercial operations.

On 30 March 2012, a decision was announced by the Honorable Supreme Court of Pakistan (SCP) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Honorable SCP taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL had filed a review petition against the decision of the Court which is pending adjudication.

Keeping in view the above, the Board of Directors in their meeting, held on 09 December 2012 and 10 December 2012, had deliberated upon different alternatives in detail with respect to the exposure in KEL and thereafter decided to take exit from KEL. The Board advised the management to explore options, to sell the project to a third party.

Consequent to filing of winding up petition, for KEL, by Ameejee Valejee & Sons (Private) Limited along with certain shareholders of KEL from Tapal Family, Honorable Sindh High Court (SHC) has ordered liquidation of KEL and appointed an Official Assignee.

As per the order of Honorable SHC, M/s. Joseph Lobo (Private) Limited was appointed to carry out fresh valuation of the KEL. Subsequently, the first and second auctions were held on 29 November 2014 and 08 April 2015 respectively under the jurisdiction of Official Assignee, which, however, remained uneventful. Consequently, the Honorable SHC passed an order dated 28 April 2015 to set off the assets of KEL to the extent of forced sale value of Rs. 1,134 million against claim of the Company. Later, the SHC vide its letter dated 27 May 2015 directed that the assets of KEL be handed over to the Company. Subsequent to the said order of SHC certain claimants filed their claims, amounting to Rs. 117.371 (Rs. 116.423) million before official assignee, the final outcome of which is still pending.

Nature of assets / exposures	Note	31 December 2017 Book value before provision	Provision held	Book value after provision	31 December 2016 Book value before provision	Provision held	Book value after provision
		(Rupees in '000)			(Rupees in '000)		
Preference shares	8.13.1	300,000	(300,000)	-	300,000	(300,000)	-
Ordinary shares	8.13.2	404,867	(404,867)	-	404,867	(404,867)	-
Total funded exposure		704,867	(704,867)	-	704,867	(704,867)	-

8.13.1 These are unlisted preference shares issued by KEL, the entire issue (100%) of these preference shares was subscribed by the Company during the year 2011. These have been fully provided due to the reasons stated above.

8.13.2 This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above. The book value represents cost of investment amounting to Rs. 500 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment is designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

8.14 Particulars of provision	Note	2017	2016
		(Rupees in '000)	
Opening balance		1,296,736	1,437,217
Add: Adjustments during the year		-	1,151
Charge for the year		45,402	22,085
Less: Reversal during the year		-	-
Net charge / (reversal) for the year		45,402	22,085
Less: Reversal on disposal		(20,212)	(163,717)
Net provision / (reversal)		25,190	(141,632)
Closing balance	8.14.1	1,321,926	1,296,736

8.14.1 Particulars of provision in respect of type and segment

	Note	2017	2016
Available-for-sale securities			
Listed shares (ordinary and preference)	8.14.2	225,842	200,262
Unlisted shares (ordinary and preference)	8.14.3	352,301	352,691
Listed / unlisted term finance certificates	8.14.4	320,227	320,227
Unlisted sukuks	8.14.5	12,323	12,323
Held-to-maturity securities			
Unlisted participation term certificates	8.14.6	6,366	6,366
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.14.7	404,867	404,867
		1,321,926	1,296,736

	2017	2016
	---- (Rupees in '000) ----	

8.14.2 Particulars of provision against listed shares (ordinary and preference shares)

	2017	2016
Opening balance	200,262	337,743
Charge for the year	45,402	22,085
Less: Reversal for the year	-	-
Net charge for the year	45,402	22,085
Less: Reversal / adjustment of provision on sale of available-for-sale ordinary and preference shares	(19,822)	(159,566)
Closing balance	225,842	200,262

8.14.3 Particulars of provision against unlisted shares (ordinary and preference shares)

	2017	2016
Opening balance	352,691	352,691
Charge for the year	-	-
Less: Reversal during the year	-	-
Net charge for the year	-	-
Less: Reversal of provision on sale of available-for-sale ordinary shares	(390)	-
Closing balance	352,301	352,691

8.14.4 Particulars of provision against listed / un-listed TFCs

	2017	2016
Opening balance	320,227	323,227
Charge for the year	-	-
Less: Reversal during the year	-	-
Net charge for the year	-	-
Less: Reversal on settlement / disposal	-	(3,000)
Closing balance	320,227	320,227

8.14.5 Particulars of provision against unlisted sukuk

	2017	2016
Opening balance	12,323	12,323
Charge for the year	-	-
Less: Reversal during the year	-	-
Net reversal for the year	-	-
Closing balance	12,323	12,323

8.14.6 Particulars of provision against unlisted PTCs

	2017	2016
Opening balance	6,366	6,366
Charge for the year	-	-
Less: Reversal during the year	-	-
Net charge for the year	-	-
Closing balance	6,366	6,366

8.14.7 Particulars of provision against strategic investment in joint venture - Kamoki Energy Limited - unlisted ordinary shares - net

	2017	2016
Opening balance	404,867	404,867
Charge for the year	-	-
Less: Reversal during the year	-	-
Net charge for the year	-	-
Closing balance	404,867	404,867

8.15 Quality of securities / entities

	2017 Market value (Rupees in '000)	2017 Ratings	2016 Market value (Rupees in '000)	2016 Ratings
8.15.1 Held-for-trading securities				
Government securities				
Market treasury bills	4,985,276	Unrated	-	Unrated
8.15.2 Available-for-sale securities				
Government securities				
Pakistan investment bonds (PIBs)	1,624,935	Unrated	10,691,584	Unrated
Market treasury bills	-	-	299,086	Unrated
	1,624,935		10,990,670	
Listed ordinary shares				
Commercial banks				
Habib Bank Limited	75,191	AAA	56,016	AAA
National Bank of Pakistan	33,992	AAA	44,934	AAA
MCB Bank Limited	79,620	AAA	66,423	AAA
Habib Metropolitan Bank Limited	3,450	AA+	-	
Financial services				
Invest Capital Investment Bank Limited	-	-	5,746	Unrated
Pakistan Stock Exchange (PSX)	35,906	Unrated	-	-
Chemicals				
Agritech Limited	40,831	Unrated	106,313	Unrated
Ittehad Chemicals Limited	25,796	Unrated	15,086	Unrated
Pharmaceuticals				
Glaxosmithkilne Pakistan Limited	25,182	Unrated	-	-
Fertilizers				
Fauji Fertilizer Company Limited	90,977	AA	104,370	Unrated
Engro Corporation Limited	89,294	AA	79,023	AA
Engro Fertilizers Limited	30,474	AA-	20,394	AA-
Fauji Fertilizer Bin Qasim Limited	-	-	17,924	Unrated
Food and personal care products				
Al Shaheer Corporation Limited	14,443	Unrated	7,462	Unrated
Textile and Composite				
Gul Ahmed Textile Mills Limited	16,686	Unrated	25,585	Unrated
Non-life insurance				
Pakistan Reinsurance Company Limited	60,463	AA	66,440	AA
Adamjee Insurance Company Limited	36,379	A+	-	-
IGI Insurance Company Limited	38,075	AA	27,832	AA
Atlas Insurance Limited	18,116	Unrated	12,705	Unrated
Cable and electrical goods				
TPL Trakker Limited	9,295	A-	8,815	A-
Power generation and distribution				
Lalpir Power Limited	21,685	AA	20,570	AA
Pakgen Power Limited	10,224	AA	10,708	AA
Technology and Communication				
TRG Pakistan	5,920	Unrated	-	-
Engineering				
Aisha Steel Mills Limited	-	-	31,460	Unrated
International Steel Limited	10,637	A+	-	-
Oil and gas				
Oil & Gas Development Company Limited	24,419	AAA	24,803	AAA
Attock Refinery Limited	29,265	AA	-	-
Hi Tech Lubricants	8,875	Unrated	-	-
	835,195		752,609	

	2017 Market value (Rupees in '000)	2017 Ratings	2016 Market value (Rupees in '000)	2016 Ratings
Unlisted ordinary shares				
Agro Dairies Limited *	-	-	-	-
FTC Management Company Limited	500	Unrated	500	Unrated
New - VIS Credit Information Services (Private) Limited *	-	-	-	-
Pakistan Textile City Limited *	-	-	-	-
Pakistan Stock Exchange (Karachi Stock Exchange Limited)	-	-	40,150	Unrated
Kamoke Powergen (Private) Limited	5,000	Unrated	-	
	5,500		40,650	
Listed preference shares				
Household goods				
Pak-Elektron Limited	-	-	12,500	A-
Unlisted preference shares				
Electricity				
Kamoki Energy Limited *	-	Unrated	-	Unrated
Listed Term Finance Certificates				
Commercial banks				
Summit Bank Limited	402,892	A-	403,078	A
Financial services				
Invest Capital Investment Bank Limited **	-	-	-	-
Trust Investment Bank Limited*	-	-	-	-
Jahangir Siddiqui & Company Limited	23,750	AA+	35,000	A+
Personal goods (textile)				
Azgard Nine Limited - 3rd issue *	-	-	-	Unrated
	426,642		438,078	
Unlisted Term Finance Certificates				
Azgard Nine Limited (4th issue) *	-	Unrated	-	Unrated
Azgard Nine Limited (5th issue) *	-	Unrated	-	Unrated
Dewan Farooque Spinning Mills Limited *	-	Unrated	-	Unrated
JDW Sugar Mills Limited	11,111	A	33,333	A+
Jahangir Siddiqui & Company Limited	218,750	AA+	250,000	AA+
Silk Bank Limited	100,000	A-	-	-
U MicroFinance Bank Limited	90,000	BB+	-	-
Bank Al-Habib Limited	300,000	AA+	-	-
JS Bank Limited	199,960	A+	100,000	A+
New Allied Electronics Industries (Private) Limited *	-	-	-	-
NRSP Micro Finance Bank Limited	93,750	A	187,500	A
Pakistan International Airlines Corporation Limited	110,581	Unrated	143,755	Unrated
Security Leasing Corporation Limited (3rd issue)*	-	Unrated	-	Unrated
	1,124,152		714,588	

	2017 Market value (Rupees in '000)	2017 Ratings	2016 Market value (Rupees in '000)	2016 Ratings
Unlisted sukuk				
Pak Elektron Limited (2nd issue)	13,574	A+	23,887	Unrated
Hascol Petroleum Limited	85,000	AA	100,000	Unrated
AGP Limited	45,000	A	-	-
TPL Trakker Limited	50,000	A+	50,000	A+
Liberty Power Technology Limited	47,962	A+	60,839	A+
	241,536		234,726	
8.15.3 Held-to-maturity securities				
Unlisted Participation Term Finance Certificates				
Agro Dairies Limited *	-	Unrated	-	Unrated
Qureshi Vegetable Ghee Mills Limited *	-	Unrated	-	Unrated
Commercial paper				
Crescent Steel & Allied Products Limited	191,322	A+	-	-
Pak-Elektron Limited	265,882	A+	-	-
	457,204		-	-
8.15.4 Investment in joint venture				
Kamoki Energy Limited				
Unlisted ordinary shares - strategic investment - net *	-	Unrated	-	Unrated
Total	9,700,440		13,183,821	

* 100% provision has been made against these investments.

Note: In case of investments, where instrument is unrated, entity rating has been stated, if applicable.

** Investment in listed Term Finance Certificates of Invest Capital Investment Bank Limited was settled at Rs.1,500,000 in the year 2016. The investment had a cost of Rs.3,000,000 and was fully provided in the prior years.

8.16 Information relating to TFCs and sukuks required to be disclosed as part of the financial statements under the SBP's BSD circular no. 4 dated 17 February 2006, is given in Annexure "I" to these financial statements.

9. ADVANCES

	Note	2017	2016
		---- (Rupees in '000) ----	
In Pakistan			
Loans		4,493,456	3,614,162
Net investment in finance lease	9.2	212,921	209,308
Staff loans	9.5	149,709	150,973
Consumer loans and advances		58,270	96,675
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility (LTFF)		162,500	223,790
Advances - gross		5,137,036	4,355,087
Less: Provision against			
Non-performing advances - specific provision	9.3	1,543,715	1,516,914
Consumer loans and advances - general provision	9.3.1	237	650
		1,543,952	1,517,564
Advances - net of provision		3,593,084	2,837,523

	2017	2016
	---- (Rupees in '000) ----	

9.1 Particulars of advances (gross)

	2017	2016
9.1.1 In local currency	5,137,036	4,355,087
In foreign currencies	-	-
	5,137,036	4,355,087
9.1.2 Short-term (for upto one year)	916,916	366,915
Long-term (for over one year)	4,220,120	3,988,172
	5,137,036	4,355,087

9.2 Net investment in finance lease

The periodic break-up of minimum lease payments due is as follows:

2017	Not later than one year	Later than one and less than five years	Over five years	Total
	---- (Rupees in '000) ----			
Lease rentals receivable	195,637	30,754	-	226,391
Residual value	51,960	9,722	-	61,682
Minimum lease payments	247,597	40,476	-	288,073
Financial charges for future periods	73,321	1,831	-	75,152
Present value of minimum lease payments	174,276	38,645	-	212,921

2016	Not later than one year	Later than one and less than five years	Over five years	Total
	---- (Rupees in '000) ----			
Lease rentals receivable	180,733	26,046	-	206,779
Residual value	51,960	24,734	-	76,694
Minimum lease payments	232,693	50,780		283,473
Financial charges for future periods	72,324	1,841	-	74,165
Present value of minimum lease payments	160,369	48,939	-	209,308

9.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amounts recoverable under these arrangements are receivable by the year 2019 and carry mark-up at rates ranging between 8.09 to 9.97 (2016: 9.31 to 10.05) percent per annum. In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs.61.682 million (2016: Rs.76.694 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 15).

9.3 Advances include Rs.1,980.90 million (2016: Rs.1,637.11 million) which have been placed under non-performing status as detailed below:

Category of classification	Classified advances Domestic	Classified advances Overseas	Classified advances Total	Provision required Domestic	Provision required Overseas	Provision required Total	Provision held Domestic	Provision held Overseas	Provision held Total
	---- (Rupees in '000) ----								
OAEM	251	-	251	-	-	-	-	-	-
Substandard*	399,456	-	399,456	99,864	-	99,864	21,055	-	21,055
Doubtful	-	-	-	-	-	-	-	-	-
Loss	1,581,193	-	1,581,193	1,522,660	-	1,522,660	1,522,660	-	1,522,660
2017	1,980,900	-	1,980,900	1,622,524	-	1,622,524	1,543,715	-	1,543,715
OAEM	2,453	-	2,453	-	-	-	-	-	-
Substandard	54,734	-	54,734	13,682	-	13,682	13,682	-	13,682
Doubtful	1,636	-	1,636	818		818	818	-	818
Loss	1,578,286	-	1,578,286	1,502,414	-	1,502,414	1,502,414	-	1,502,414
2016	1,637,109	-	1,637,109	1,516,914	-	1,516,914	1,516,914	-	1,516,914

**Included herein is subjective provision on a certain exposure to the extent of 5%.*

9.3.1 Particulars of provision against non-performing advances

	2017 Specific	2017 General	2017 Total	2016 Specific	2016 General	2016 Total
	---- (Rupees in '000) ----					
Opening balance	1,516,914	650	1,517,564	2,571,231	892	2,572,123
Charge for the year	72,763	-	72,763	333,661	-	333,661
Less: Reversal during the year	(45,923)	(413)	(46,336)	(1,353,288)	(242)	(1,353,530)
Net charge / (reversal) for the year	26,840	(413)	26,427	(1,019,627)	(242)	(1,019,869)
Less: Amounts written off	(39)	-	(39)	(34,690)	-	(34,690)
Closing balance	1,543,715	237	1,543,952	1,516,914	650	1,517,564

9.3.2 Particulars of provision against non-performing advances

	2017 Specific	2017 General	2017 Total	2016 Specific	2016 General	2016 Total
	---- (Rupees in '000) ----					
In local currency	1,543,715	237	1,543,952	1,516,914	650	1,517,564
In foreign currencies	-	-	-	-	-	-
	1,543,715	237	1,543,952	1,516,914	650	1,517,564

9.3.3 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. Nil million (31 December 2016: Rs.17.342 million) in respect of consumer financing and Rs.58.532 million (2016: Rs.58.532 million) being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

9.3.4 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

9.4 Details of loans written off of Rs.500,000 and above (refer Annexure II)

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended 31 December 2017 is given in Annexure II.

9.5 Particulars of loans and advances to directors, associated companies etc.

	Note	2017	2016
		---- (Rupees in '000) ----	
Particulars of loans and advances to directors, associated companies etc.	37		
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons			
Balance at beginning of year		**150,973**	116,636
Loans granted during the year		**49,454**	54,218
Repayments during the year		**(50,718)**	(19,881)
Amount written off		**-**	-
Balance at end of the year		**149,709**	150,973
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		**-**	266,188
Loans granted during the year		**-**	-
Other receivable		**-**	-
Transfer from other receivable to short term loan		**-**	-
Repayments during the year		**-**	-
Less: Provision during the year		**-**	(266,188)
Less: Transfer of provision from other receivable to short-term loan		**-**	-
Balance at end of the year		**-**	-

9.5.1 Particulars of loans to key management personnel

	2017	2016
Amount due at beginning of year	**59,882**	44,118
Disbursements during the year	**27,353**	24,717
Repayments / adjustments during the year	**(35,549)**	(8,953)
	(8,196)	15,764
Amount due at end of the year	**51,686**	59,882

10. OPERATING FIXED ASSETS

	Note	2017	2016
		---- (Rupees in '000) ----	
Capital work-in-progress	10.1	-	5,713
Property and equipment	10.2	77,551	79,256
Intangible assets	10.4	2,907	2,728
		80,458	87,697

10.1 Capital work-in-progress

	2017	2016
Advances to vendors	-	5,713

10.2 Property and equipment

31 December 2017	Cost: As at 01 January 2017	Cost: Additions / (deletions) / adjustments	Cost: As at 31 December 2017	Accumulated depreciation: As at 01 January 2017	Accumulated depreciation: Charge for the year / (on disposal)	Accumulated depreciation: As at 31 December 2017	Net book value as at 31 December 2017	Rate (%)
	(Rupees in '000)							
Leasehold land (note 10.2.1)	1,951	- -	1,951	582	22 -	604	1,347	1.11
Buildings on leasehold land (note 10.2.1)	80,954	- -	80,954	57,466	1,836 -	59,302	21,652	5
Furniture and fixtures	48,225	2,264 (1,195)	49,294	35,592	4,224 (1,195)	38,622	10,672	10,15 & 25
Electrical appliances	13,202	1,007 (315)	13,894	8,238	1,153 (315)	9,076	4,818	10 & 15
Office equipment	678	- -	678	418	58 -	476	202	10
Computer equipment	28,604	3,169 -	31,773	23,080	2,573 -	25,653	6,120	30
Motor vehicles	60,728	22,216 (41)	82,903	29,710	20,494 (41)	50,163	32,740	25 & 33.3
	234,342	28,656 (1,551)	261,447	155,086	30,360 (1,551)	183,896	77,551	

31 December 2016	Cost			Accumulated depreciation			Net book value as at 31 December 2016	Rate (%)
	As at 01 January 2016	Additions / (deletions) / adjustments	As at 31 December 2016	As at 01 January 2016	Charge for the year / (on disposal)	As at 31 December 2016		
	(Rupees in '000)							
Leasehold land (note 10.2.1)	1,951	- -	1,951	561	21 -	582	1,369	1.11
Buildings on leasehold land (note 10.2.1)	80,954	- -	80,954	55,630	1,836 -	57,466	23,488	5
Furniture and fixtures	46,826	6,209 (4,810)	48,225	36,270	4,131 (4,809)	35,592	12,633	10,15 & 25
Electrical appliances	11,896	2,645 (1,339)	13,202	8,529	1,048 (1,339)	8,238	4,964	10 & 15
Office equipment	600	78 -	678	364	54 -	418	260	10
Computer equipment	24,878	3,826 (100)	28,604	21,325	1,765 (10)	23,080	5,524	30
Motor vehicles	53,557	25,519 (18,348)	60,728	31,933	16,116 (18,339)	29,710	31,018	25 & 33.3
	220,662	38,277 (24,597)	234,342	154,612	24,971 (24,497)	155,086	79,256	

10.2.1 The transfer of title to leasehold land and building thereon in respect of the Company's premises at the Finance and Trade Centre, Karachi in favour of the Company is pending.

10.2.2 Assets having cost of Rs. 96.38 million (2016: Rs. 95.6 million) are fully depreciated.

10.3 The following are operating fixed assets having cost of Rs.1 million or above / net book value of Rs.250,000 or above, or those sold to employees and key management personnel during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Key Management Personnel							
Furniture and fixtures							
House hold furnishing items *	183	183	-	-	-	Company Policy	Mr. Atif Mehmood**
House hold furnishing items *	177	177	-	-	-	Company Policy	Mr. Nasim Ahmed Khan**
House hold furnishing items *	475	475	-	-	-	Company Policy	Mr. Muhammad Ali Yacoob**
House hold furnishing items *	360	360	-	-	-	Company Policy	Syed Ghazanfar Ali**

* The house furnishing facility is given to employees (SVP and above) under human resource policy of the Company.

** These are related parties of the Company.

10.4 Intangible assets

		Cost			Accumulated Amortisation			Net book value as at 31 December	Rate (%)
		As at 01 January	Additions	As at 31 December	As at 01 January	For the year	As at 31 December		
		(Rupees in '000)							
Computer software	**2017**	**4,683**	**1,325**	**6,008**	**1,955**	**1,146**	**3,101**	**2,907**	**20%**
Computer software	2016	2,807	1,876	4,683	1,238	717	1,955	2,728	20%

11. DEFERRED TAX ASSET - net

	Note	2017	2016
		(Rupees in '000)	
Deferred credits arising in respect of:			
Net investment in finance leases		**(28,782)**	(29,867)
Accelerated / (decelerated) tax depreciation		**1,206**	(50)
Deferred debits arising in respect of:			
Provision for compensated absences		**3,825**	4,527
Provision for advances, investments and other assets		**80,242**	82,917
		56,491	57,527
Deferred tax asset on revaluation of available-for-sale investments - net	18	**28,839**	(31,108)
	11.1	**85,330**	26,419

11.1 As at 31 December 2017, the Company has available provision for advances, investments and other assets amounting to Rs.1,801.99 million (31 December 2016: Rs.1,775.19 million) and unused tax losses upto 31 December 2017 amounting to Rs. 2,001.45 million (31 December 2016: Rs.2,103.12 million). However, the management has prudently recognised the deferred tax asset only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections approved by the Board of Directors.

12. OTHER ASSETS

	Note	2017	2016
		------- (Rupees in '000) -------	
Income / mark-up / return receivable in local currency		**155,758**	323,896
Security deposits		**4,642**	4,640
Short-term advances	12.1	**16,540**	35,135
Prepayments		**3,588**	4,676
Advance taxation		**228,616**	182,539
Non banking assets acquired in satisfaction of claims	12.2	**1,179,360**	1,179,360
Other receivables		**32,920**	701
		1,621,424	1,730,947
Less: Provision held against other assets	12.3	**(29,628)**	14,091
		1,591,796	1,716,856

12.1 The comparative includes short term advance given to deputy managing director (refer note 37).

12.2 This includes non-banking assets acquired under satisfaction of claim in relation to KEL's exposure (refer notes 8.13 and 26 for further details). These assets comprise of land measuring 14.125 acre, building structure and power plant. The project is situated at Kamoki, District Gujranwala, Punjab, Pakistan.

Considering the strategic importance of KEL, consequent to transfer of the said assets in Company's name the management presented a Management plan, highlighting all aspects, regarding the Power Project Assets to the Board of Directors. In continuation to the efforts made for the disposal, management appointed M/s. Iqbal A. Nanjee for a new valuation as at December 2016. As per the new valuation the market value of these assets were Rs.1.799 billion whilst forced sale value is Rs. 1.286 billion.

The management had also submitted a time-bound action plan to SBP for the disposal of the said non-banking assets in which it was anticipated that the assets will be disposed off before financial year end 2017. However, that could not materialise therefore management revisited its plan and commited to dispose off these assets by May 2018. A wholly owned subsidiary has already been setup during the year to obtain a generation license to increase the salability of these assets.

12.3 Provision against other assets

	Note	2017	2016
Opening balance		**14,091**	247,895
Charge for the year	26	**18,065**	2,298
Less: Reversal during the year		**(2,528)**	(236,102)
Net reversal for the year		**15,537**	(233,804)
Less: Amount written off		**-**	-
Closing balance		**29,628**	14,091

13. BORROWINGS

	Note	2017	2016
In Pakistan	13.1	**14,367,132**	13,391,904
Outside Pakistan		**-**	-
		14,367,132	13,391,904

13.1 Particulars of borrowings with respect to currencies

	2017	2016
In local currency	**14,367,132**	13,391,904
In foreign currencies	**-**	-
	14,367,132	13,391,904

13.2 Details of borrowings

	Note	2017	2016
		------- (Rupees in '000) -------	
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing facility (LTFF)	13.2.1	**162,500**	211,904
Repurchase agreement borrowings - Repo	13.2.2	**5,368,021**	1,950,000
Borrowings from financial institutions	13.2.3	**7,787,500**	11,070,000
Bai Muajjal	13.2.4	**299,111**	-
		13,617,132	13,231,904
Unsecured			
Clean borrowings		**750,000**	160,000
		14,367,132	13,391,904

13.2.1 The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 2.5 (2016: 2.5) and Nil (2016: 8.40 to 10.10) percent per annum.

13.2.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by April 2018 (31 December 2016: January 2017). The rate of mark-up on these facilities range from 5.90 to 6.05 (31 December 2016: 5.90 percent per annum.

13.2.3 This includes borrowings from financial institutions as under:

(a) Rs. 3,787.5 million (2016: Rs.3,075 million) representing long term borrowings from certain financial institutions which are secured by way of first pari passu charge over assets of the Company with 25 and 30 percent margin on the facility amount. They carry a mark-up rate of six months KIBOR plus 0.25 percent to 1.00 percent per annum payable on semi-annual basis (2016: six months KIBOR plus 0.35 percent to 1.00 percent per annum payable on semi-annual basis). As at 31 December 2017, the applicable interest rates were 6.40 to 7.17 (2016: 6.52 and 7.15) percent per annum. These borrowings are due for maturity latest by August 2022 (2016: December 2021).

(b) For the year 2016, short term borrowings (running finance and money market line) from certain financial institutions for period ranging from overnight to 12 months for running finance and 1 month to 12 months for money market line. They carry mark-up rate between one month to three months KIBOR minus 0.1 percent per annum to plus 1.25 percent per annum. Of the total short term borrowings, facilities amounting to Rs. 6,795 million were secured by way of hypothecation on all present and future loans, lease receivables and pledge of government securities.

13.2.4 Rs. 299.11 million (2016: Rs. Nil) representing financing through Bai Muajjal of Sukuk from financial institution secured against Government Securities due for repayment on 08 November 2018.

14. DEPOSITS AND OTHER ACCOUNTS

	Note	2017	2016
		------- (Rupees in '000) -------	
Customers			
Certificates of investment - (in local currency)	14.1	**39,000**	463,117
Financial institutions			
Certificates of investment - (in local currency)		-	-
		39,000	463,117

14.1 Particulars of deposits

	Note	2017	2016
In local currency	14.2	**39,000**	463,117
In foreign currency		-	-
		39,000	463,117

14.2 The profit rates on these Certificates of Investment (COIs) is 6.10 (31 December 2016: 6.15 to 6.50) percent per annum. These COIs are due for maturity on 09 August 2018 (31 December 2016: 21 July 2017).

15. OTHER LIABILITIES

	Note	2017	2016
Mark-up / return / interest payable in local currency		**109,948**	135,142
Accrued liabilities		**23,972**	47,292
Employees' compensated absences	15.1	**15,384**	14,190
Security deposits against investment in finance lease	9.2.1	**61,682**	76,694
Staff retirement gratuity - (asset) / liability	15.1 & 32.3	**(11,117)**	5,173
Other advances and deposits		**2,014**	514
		201,883	279,005

15.1 This is based on actuarial valuation carried out as of 31 December 2017 for regular employees.

16. SHARE CAPITAL

16.1 Authorised share capital

Number of shares 2017	Number of shares 2016		2017	2016
			------- (Rupees in '000) -------	
800,000	800,000	Ordinary shares of Rs.10,000 each	**8,000,000**	8,000,000

16.2 Issued, subscribed and paid-up capital

Number of shares 2017	Number of shares 2016		2017	2016
		Ordinary shares of Rs.10,000 each		
471,836	471,836	Fully paid in cash	**4,718,360**	4,718,360
142,342	142,342	Issued as bonus shares	**1,423,420**	1,423,420
614,178	614,178		**6,141,780**	6,141,780

16.3 SBP on behalf of the GOP and the LAFICO on behalf of the State of Libya each held 307,089 (2016: 307,089) ordinary shares of the Company as at 31 December 2017.

17. RESERVES

	Note	2017	2016
		------- (Rupees in '000) -------	
Capital reserve - statutory reserve			
As at 01 January		**302,094**	143,860
Add: Appropriation of profit	17.1	**9,556**	158,234
		311,650	302,094

17.1 The statutory reserve during the year is created equal to 20% of profit after taxation in compliance with the applicable legal requirements.

18. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - net of tax

	2017	2016
(Deficit) / Surplus on revaluation of 'available-for-sale' securities		
Pakistan Investment Bonds	**(4,568)**	99,602
Market Treasury Bills	**-**	(76)
	(4,568)	99,526
Related deferred tax	**1,371**	(30,853)
	(3,197)	68,673
Listed companies - fully paid-up ordinary and preference shares	**(186,504)**	19,009
Listed TFCs	**4,498**	4,824
	(182,006)	23,833
Related deferred tax	**27,468**	(255)
	(154,538)	23,578
	(157,735)	92,251

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 In financial year 2014, the Company received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Company's rectification application, a rectified order was issued which resulted in a refund of Rs.122.777 million. The Tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.

19.1.2 For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return; however, it did not recognise the said additional refund on a prudent basis. The Company filed an appeal with Commissioner Inland Revenue Appeals CIR (A) on 14 October 2013. The CIR (A) disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIR (A) confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application.

19.1.3 For the tax year 2013, the Company received a tax demand of Rs.24.3 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIR (A) disposed the appeal vides his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application.

19.1.4 For the tax year 2014, the ACIR passed an order wherein he demanded tax of Rs.57.866 million disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIR (A) disposed the appeal vides his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed.

No provision has been made in these financial statements in respect of above mentioned Income tax matters as the management is hopeful of a favourable outcome on these matters, considering the appellate history and tax advisor's opinion.

19.1.5 The Company, through its lawyer, has challenged in the Court of Sindh (SHC) section 2(g)(V), 5(3), 5(4) and 6(1) of the Sindh Workers Welfare Fund Act, 2014 to be unlawful and void ab initio. The Court as an interim measure passed the order that no coercive action shall be taken against the Company till next date of hearing as suit No 610/2017, in which almost 20 Financial Institutions have filed a Composite Suit challenging the same law, requires hearing.

19.1.6 Claims not acknowledged as debt as referred to in note 8.13 to the financial statements.

	2017	2016
	(Rupees in '000)	
19.2 Commitments		
19.2.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	-	-
Others	861,571	860,487
	861,571	860,487

This represents the guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (SCP), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Company under the same (refer note 8.13).

	2017	2016
19.2.2 Trade - related contingent liabilities		
Contingent liabilities in respect of letters of credit favouring:		
Government	-	-
Others	104,666	241,500
	104,666	241,500
19.3 Commitments to extend credit	1,021,967	737,675

	2017	2016
	(Rupees in '000)	
19.4 Unsettled investment transactions for:		
Purchase of Pakistan Investment Bonds	-	219,781
Sale / purchase of listed ordinary shares	28,890	89,705
	28,890	309,486
19.5 Commitments for acquisition of fixed assets	2,550	2,530
19.6 Commitments against other services	13,879	24,198

19.7 Contingent Assets

There were no contingent assets as at the statement of financial position date.

20. DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year.

	2017	2016
	(Rupees in '000)	
21. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to		
customers	219,041	200,868
On investments in		
'held-for-trading' securities	65,714	4,148
'available-for-sale' securities	653,356	961,815
'held to maturity' securities	6,284	-
On deposits with customers / financial institutions	70,940	9,741
On lendings through clean / reverse repo agreement	844	1,332
Income on bank deposits	745	1,127
	1,016,924	1,179,031
22. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	16,060	93,251
On borrowings through repo agreement	253,134	301,943
On other borrowings		
Long-term (includes PPTFC)	235,715	168,699
Short-term	247,394	301,895
	752,303	865,788
23. GAIN ON SALE OF SECURITIES - NET		
Government securities		
Market Treasury Bills	62	87
Pakistan Investment Bonds	101,583	148,733
	101,645	148,820
Listed shares	132,906	(91,990)
Listed preference shares	15,365	-
TFCs, sukuks and mutual fund units	-	(1,500)
	249,916	55,330
24. OTHER INCOME		
Gain on sale of operating fixed assets	15	1,944
Rental income	3,317	2,220
Bad debts recovered	-	1,465
Miscellaneous	6,909	498
	10,240	6,127

25. ADMINISTRATIVE EXPENSES

	Note	2017	2016
		------- (Rupees in '000) -------	
Salaries, allowances and benefits		184,737	171,726
Charge for defined benefit plan	32.6	(11,075)	10,643
Contribution to defined contribution plan	33	7,152	5,857
Executive directors' remuneration (including remuneration of the Managing Director and Deputy Managing Director)		107,273	110,132
Non-executive directors' fee and remuneration	34	3,418	4,030
Directors orientation and training expense		-	940
Board meeting expenses		24,701	25,574
Traveling and lodging		1,963	1,669
Rent and utilities		6,907	6,547
Legal, consultancy and professional services		11,336	9,944
Communications		5,723	5,575
Repairs and maintenance		11,398	10,825
Motor vehicle expenses		2,712	2,730
Business development and other expenses		1,386	2,295
Insurance		3,965	3,331
Software maintenance expenses		2,666	4,260
Bank charges		405	404
Printing and stationery		2,895	2,267
Advertisement, periodicals, membership dues and publicity		3,596	2,844
Auditors' remuneration	25.1	1,585	1,567
Depreciation	10.2	30,360	24,971
Amortisation	10.4	1,146	717
Exchange (gain) / loss		(130)	(3)
Others		175	254
		404,292	409,099

25.1 Auditors' remuneration

	2017	2016
Audit fee		
Company	740	740
Consolidation	30	-
Subsidiary	30	-
Half yearly review fee	300	300
Special certifications and sundry advisory services	194	236
Out of pocket expenses	186	189
	1,480	1,465
Add: Sales tax on services	105	102
	1,585	1,567

26. OTHER PROVISIONS / WRITE OFFS

	Note	2017	2016
Reversal of provision against non-banking assets acquired in satisfaction of claims		-	-
Loss on non-banking assets acquired in satisfaction of claims	26.1	-	116,000
		-	116,000
Others		15,537	2,298
		15,537	118,298

26.1 As explained in note 8.13, the Company acquired non-banking assets of KEL in satisfaction of its secured credit of Rs.1,250 million. These assets were acquired under the order of the High Court of Sindh at the forced sale value of Rs.1,134 million, whereas the market value of these assets amounted to Rs.1,417.60 million based on valuation dated 11 October 2014 conducted by M/s. Joseph Lobo (Private) Limited.

27. OTHER CHARGES

	2017	2016
Arrangement fee and documentation charges	3,667	4,975
Brokerage commission	4,515	3,734
Expenses for privately placed term finance certificates	470	8,450
Expenses pertaining to KEL	20,875	16,866
Penalty imposed by SBP	244	-
	29,771	34,025

28. TAXATION

	Note	2017	2016
		------- (Rupees in '000) -------	
For the year			
- Current	28.1	65,329	64,089
- Prior		(30,021)	-
- Deferred		1,036	176,560
		36,344	240,649

28.1 Due to current year tax loss, the Company has made provision for applicable minimum tax and income tax at fixed rates. Therefore, relationship between tax expense and accounting profit for the year has not been presented.

29. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2017	2016
Earnings for the year after taxation (Rupees in thousand)		47,781	791,170
Weighted average number of ordinary shares in issue		614,178	614,178
Earnings per share (Rupees)	29.1	78	1,288

29.1 There were no convertible dilutive potential ordinary shares outstanding as at 31 December 2017 (31 December 2016: Nil).

30. CASH AND CASH EQUIVALENTS

	Note	2017	2016
Cash and balances with treasury banks	5	28,328	20,420
Balances with other banks	6	83,494	72,705
Term deposit receipts (TDRs)	7 & 30.1	3,550,000	700,000
		3,661,822	793,125

30.1 These term deposit receipts (TDRs) are due for maturity on various dates between January 2018 to March 2018.

31. STAFF STRENGTH

	2017	2016
	---------- (Numbers) ----------	
Permanent	81	66
Temporary / on contractual basis	6	15
Daily wagers	11	10
Company's own staff strength at the end of the year	98	91
Outsourced	13	15
Total staff strength	111	106

32. DEFINED BENEFIT PLAN

Staff retirement gratuity

	2017	2016
	--- Percent per annum ---	
Discount rate	8.25	7.25
Expected rate of increase in salary levels	6.75	5.75
Expected rate of return on plan assets	8.25	7.25

The disclosures made in notes 32.1 to 32.10 are based on the information included in the actuarial valuation as at 31 December 2017.

32.1 Mortality rate

The rates assumed were based on the State Life Insurance Company 2001-2005 with one year age set back.

32.2 Expected return on plan assets

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

32.3 Reconciliation of amount payable to defined benefit plan

	Note	2017	2016
		(Rupees in '000)	
Present value of defined benefit obligation	32.4	**110,647**	130,755
Fair value of plan assets	32.5	**(121,764)**	(125,582)
		(11,117)	5,173

32.4 The movement in the defined benefit obligation over the year is as follows:

	Note	2017	2016
Present value of obligation at the beginning of the year		**130,755**	112,319
Current service cost	32.6	**10,408**	10,298
Interest cost		**8,785**	10,390
Benefit paid		**(19,171)**	-
Past service cost	32.8	**(21,514)**	-
Actuarial loss / (gain) on obligation		**1,384**	(2,252)
Present value of obligation at the end of the year		**110,647**	130,755

32.5 The movement in the fair value of plan assets of the year is as follows:

	Note	2017	2016
Fair value of plan assets at the beginning of the year		**125,582**	103,448
Expected return on plan assets	32.2 & 32.6	**8,754**	10,045
Contributions		**9,509**	10,296
Benefits paid	32.8	**(19,171)**	-
Actuarial (loss) / gain on assets	32.10	**(2,910)**	1,793
Fair value of plan assets at the end of the year		**121,764**	125,582

32.6 The amount recognised in the profit and loss account is as follows:

	Note	2017	2016
Current service cost	32.4	**10,408**	10,298
Interest cost (net)	32.4 & 32.5	**31**	345
Past service cost	32.8	**(21,514)**	-
		(11,075)	10,643

32.7 Actual return on plan assets during the year was Rs. 5.844 million (2016: Rs.11.838 million).

32.8 The current year expense / net favourable balance of Rs. 11.075 million includes a past service cost of Rs. 21.514 million. As per the decision taken by the Board, an amount of Rs. 12.978 million pertaining to the MD / CEO for his entitlement till November 18, 2012 based on the salary as at that time as SEVP has been paid. Now he will be entitled for gratuity from his settlement date till his date of retirement as MD on last drawn salary will be payable to him.

32.9 Plan assets comprise the following:

The following information is based on the latest un-audited financial statements of the Fund:

Particulars	2017 Rupees in '000	2017 Percent	2016 Rupees in '000	2016 Percent
Cash and bank balances	**3,170**	**2.6%**	79	0.1%
Market treasury bills	**85,693**	**70.4%**	42,857	34.1%
Pakistan investment bonds	**-**	**-**	50,958	40.6%
Units of mutual funds	**1,025**	**0.8%**	3,900	3.1%
Certificates of Investment	**31,875**	**26.2%**	27,788	22.1%
	121,763	**100%**	125,582	100%

32.10 Amounts for the current year and previous four annual periods of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	Note	2017	2016	2015	2014	2013
		(Rupees in '000)				
Present value of defined benefit obligation		**110,647**	130,755	112,319	99,830	104,724
Fair value of plan assets		**(121,764)**	(125,582)	(103,448)	(90,949)	(92,368)
Net defined benefit obligation		**(11,117)**	5,173	8,871	8,881	12,356
Liability recognised in the balance sheet		**(11,117)**	5,173	11,297	8,881	12,356
Experience adjustments on plan assets	32.5	**2,910**	(1,793)	3,245	(3,065)	(683)

32.11 Staff benevolent fund

	2017	2016
	(Rupees in '000)	
Contribution from the Company	**125**	119
Contribution from the employees	**125**	119

33. DEFINED CONTRIBUTION PLAN

	2017	2016
Contribution from the Company	**7,152**	5,857
Contribution from the employees	**7,152**	5,857
	14,304	11,714

33.1 Provident Fund Disclosures

The following information is based on the latest financial statements of the Fund:

	Unaudited 2017	Audited 2016
	(Rupees in '000)	
Size of the Fund - total assets	**95,520**	98,681
Cost of investment made	**92,588**	95,986
Fair value of investments	**94,475**	97,650
Percentage of investment made	**99%**	99%

33.2 The break-up of fair value of investments is:

	Unaudited 2017 Rupees in '000	Unaudited 2017 Percent	Audited 2016 Rupees in '000	Audited 2016 Percent
Bank balances	**1,887**	**2.0%**	220	0.2%
Market treasury bills	**61,590**	**65.2%**	25,035	25.6%
Pakistan investment bonds	**-**	**-**	42,870	43.9%
Certificate of Investment (COIs) - at amortised cost	**20,300**	**21.5%**	18,283	18.7%
Units of mutual funds	**10,698**	**11.3%**	11,242	11.5%
	94,475	**100%**	97,650	100%

33.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Act, 2017 and the rules formulated for this purpose.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Executive Directors				Non-executive Directors			
	Managing Director		Deputy Managing Director		Directors		Executives *	
	2017	2016**	2017	2016**	2017	2016	2017	2016
	(Rupees in '000)							
Fees and remuneration	-	-	-	-	3,418	4,030	-	-
Managerial remuneration	44,009	60,177	54,440	42,406	-	-	154,851	143,232
Charged for defined benefit plan	107	1,338	1,174	1,204	-	-	8,027	7,402
Contribution to defined contribution plan	1,304	1,292	1,480	1,484	-	-	3,785	3,168
Employee compensated absences	783	-	1,154	-	-	-	2,811	2,734
Rent and house maintenance	905	954	1,467	1,475	-	-	-	-
Utilities	1,525	1,292	1,510	1,511	-	-	-	-
Medical	309	131	211	907	-	-	5,912	4,812
Others	1,563	144	220	204	-	-	1,083	551
	50,505	65,328	61,656	49,191	3,418	4,030	176,469	161,899
Number of persons	1	1	1	1	4	4	64	58

The Managing Director and Deputy Managing Director (Executive Committee) are also entitled to usage of certain Company maintained assets as per their terms of employment.

Out of total Rs. 61.656 million, Rs. 27.161 million is related to compensation during the period to former Deputy Managing Director of the Company. His directorship had been concluded at 31 March 2017 and a new Deputy Managing Director resumed the office.

Executive Committee members and executives are entitled to certain employment benefits referred to in note 4.8 as may be applicable under the terms of the employment and Human Resource policy.

* Executive means employees other than the Managing Director, Deputy Managing Director and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Also included herein is compensation to 23 (2016:16) employees which are not involved in managerial activities; however their total compensation during the year exceeds Rs.500,000. Total compensation to these employees amounts to Rs. 23.636 (2016: Rs.16.6) million.

**Rs. 0.395 million have been recorded in current year as Company's local travelling whilst comparative amount of Rs. 0.860 million together with certain expenses amounting to Rs. 0.032 million have been reclassified from above disclosure.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Level 1 — **valuation technique using quoted market price:** financial instruments with quoted prices (unadjusted) for identical instruments in active markets that the Company can access at the measurement date.

Level 2 — **valuation technique using observable inputs:** financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 — **valuation technique with significant unobservable inputs:** financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The following table sets out the financial instruments by fair value hierarchy.

Financial instruments carried at fair value and basis of valuation

	2017			
	Quoted market price (unadjusted) Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	(Rupees in '000)			
Recurring Fair Value Measurements				
Financial Assets - Investments				
- Fully paid up ordinary shares	794,364	40,831	5,500	840,695
- Preference shares	-	-	-	-
- Government securities	-	6,610,211	-	6,610,211
- Debentures and corporate debt instruments	-	426,642	-	426,642
Non Financial Assets				
Non-banking assets acquired in satisfaction of claims	-	1,798,923	-	1,798,923
	794,364	8,876,607	5,500	9,676,471

	2016			
	Quoted market price (unadjusted) Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	(Rupees in '000)			
Recurring Fair Value Measurements				
Financial Assets - Investments				
- Fully paid up Ordinary Shares	640,550	112,059	40,650	793,259
- Preference Shares	-	12,500	-	12,500
- Mutual Fund Units	-	-	-	-
- Government Securities	-	10,990,670	-	10,990,670
- Debentures and Corporate Debt Instruments	-	438,078	-	438,078
Non Financial Assets				
Non-Banking Assets acquired in satisfaction of claims	-	1,798,923	-	1,798,923
	640,550	13,352,230	40,650	14,033,430

During the year, there has been no transfers of investments between the three hierarchies.

The fair value of all remaining financial assets and financial liabilities approximate to their carrying values.

36. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2017					
	Corporate finance	Treasury	Capital Markets	SME & Retail Banking	Others	Total
	(Rupees in '000)					
Total income	273,423	794,924	171,503	39,175	(8,534)	1,270,491
Total expenses	(205,466)	(596,206)	(25,563)	(41,082)	(318,050)	(1,186,367)
Net income / (loss)	67,957	198,718	145,940	(1,907)	(326,584)	84,124
Segment assets (gross)	8,193,912	10,956,019	796,312	390,477	1,725,153	22,061,872
Segment non-performing loans	1,938,451	-	-	42,449	-	1,980,900
Segment non-performing Investments / lendings	1,356,392	39,430	-	-	-	1,395,822
Segment provision required & held on loans	1,505,572	-	-	38,380	-	1,543,952
Segment provision required & held on investments / lendings	1,315,560	39,430	-	-	-	1,354,990
Segment liabilities	3,163,359	11,019,126	130	389,544	35,856	14,608,015
Net assets						4,554,915
Return on net assets						1.85%
Cost of funds (%)						6.27%

	2016					
	Corporate finance	Treasury	Capital Markets	Consumer Financing	Others	Total
	(Rupees in '000)					
Total income	1,323,774	1,025,617	96,520	6,953	6,165	2,459,029
Total expenses	(333,055)	(716,098)	(27,570)	(17,499)	(332,988)	(1,427,210)
Net income / (loss)	990,719	309,519	68,950	(10,546)	(326,823)	1,031,819
Segment assets (gross)	6,639,915	12,500,279	682,924	323,000	1,599,192	21,745,310
Segment non-performing loans	1,568,192	-	-	68,917	-	1,637,109
Segment non-performing Investments / lendings	1,391,783	41,934	-	-	-	1,433,717
Segment provision required and held on loans	1,469,239	-	-	48,326	-	1,517,565
Segment provision required and held on investments / lendings	1,290,370	41,934	-	-	-	1,332,304
Segment liabilities	1,354,523	12,329,283	1,114	312,794	136,312	14,134,026
Net assets	-	-	-	-	-	4,761,415
Return on net assets						3.44%
Cost of funds (%)						6.19%

37. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnel are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Company Secretary and Head of Departments.

Contribution to approved defined benefit plan and defined contribution plan, post employment benefit, are disclosed in **note 32** and **note 33** respectively to these unconsolidated financial statements. Employees' compensated absences, other long – term benefit, are disclosed in **note 15** to the unconsolidated financial statements.

Transactions with owners have been disclosed in 'Statement of Changes in Equity'.

Remuneration and short term employee benefit to the Executives is disclosed in **note 34** to the unconsolidated financial statements.

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

	31 December 2017					31 December 2016				
	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
37.1 Balances outstanding										
Bank balance	-	-	-	28,298	-	-	-	-	20,344	-
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Placements / reverse repo made during the year	-	-	-	350,000	-	-	-	-	3,648,161	-
Placements / reverse repo matured during the year	-	-	-	(350,000)	-	-	-	-	(3,648,161)	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	704,867	11,201,958	500	-	-	704,867	9,062,104	500
Investment made during the year	-	-	-	18,538,264	-	-	-	-	10,689,453	-
Investment redeemed / disposed off / adjusted during the year	-	-	-	- (22,829,037)	-	-	-	-	(8,549,599)	-
Closing balance	-	-	704,867	6,911,185	500	-	-	704,867	11,201,958	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Surplus on revaluation of investments	-	-	-	(18,265)	-	-	-	-	110,373	-

	31 December 2017					31 December 2016				
	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Advances										
Opening balance (3)	-	59,882	-	-	-	-	44,118	1,284,690	-	-
Additions during the year	-	27,353	-	-	-	-	24,717	-	-	-
Settled / repaid during the year (3)	-	(35,549)	-	-	-	-	(8,953)	(1,284,690)	-	-
Closing balance	-	51,686	-	-	-	-	59,882	-	-	-
Provision held against advances	-	-	-	-	-	-	-	1,018,502	-	-
Other assets										
Mark-up receivable										
- Gross	-	742	-	41,420	-	-	494	-	267,933	-
- Suspended / provided	-	-	-	(3,002)	-	-	-	-	(2,762)	-
Closing balance	-	742	-	38,418	-	-	494	-	265,171	-
Amount receivable from defined contribution plan	-	-	-	-	-	-	-	-	-	-
Other receivables (5)	-	26,110	-	-	-	-	-	-	-	-
Advance taxation	-	-	-	228,616	-	-	-	-	182,539	-
Other advances										
Opening balance	-	25,548	-	-	-	-	550	-	-	-
Additions during the year (4)	-	897	-	-	-	-	25,783	-	-	-
Settled / repaid during the year (4)	-	(25,907)	-	-	-	-	(785)	-	-	-
Closing balance	-	538	-	-	-	-	25,548	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions										
Opening balance	-	-	-	2,260,256	-	-	-	-	2,080,804	-
Borrowings during the year	-	-	-	201,916,445	-	-	-	-	217,366,003	-
Settled during the year	-	-	-	(200,275,778)	-	-	-	-	(217,186,551)	-
Closing balance	-	-	-	3,900,923	-	-	-	-	2,260,256	-
Deposits and other accounts										
Opening balance	-	-	-	200,000	-	-	530	-	745,000	150,000
Additions during the year	-	-	-	439,000	-	-	546	-	700,000	170,000
Repayments during the year	-	-	-	(600,000)	-	-	(1,076)	-	(1,245,000)	(320,000)
Closing balance	-	-	-	39,000	-	-	-	-	200,000	-

	31 December 2017					31 December 2016				
	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Other liabilities										
Mark-up payable	-	-	-	15,275	-	-	-	-	7,070	-
Amount payable to retirement benefit funds	-	-	-	-	(11,117)	-	-	-	-	5,173
Others / departing bonus payable (3)	-	-	1,008	1,132	-	-	18,478	1,008	110	-
	-	-	1,008	16,407	(11,117)	-	18,478	1,008	7,180	5,173
Contingencies and commitments										
Letter of guarantee	-	-	861,571	-	-	-	-	860,487	-	-
Commitment to extend credit	-	14,712	-	-	-	-	17,675	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	2,284	-	-	-	-	244,537	-
	-	14,712	861,571	2,284	-	-	17,675	860,487	244,537	-

37.2 Transactions, income and expenses

	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
Mark-up / return / interest earned - net	-	518		620,016	-	-	736	-	862,310	-
Mark-up / return / interest expensed	-	-	-	129,087	-	-	18	-	214,490	5,320
Gain on sale of securities - net	-	-	-	124,761	-	-	-	-	156,601	-
Dividend income	-	-	-	7,095		-	-	-	11,212	
Contribution paid to defined contribution plan	-	-	-	-	7,152	-	-	-	-	5,858
Contribution paid to defined benefit plan	-	-	-	-	10,091	-	-	-	-	10,896
Non-executive directors' fee and remuneration	3,418	-	-	-	-	4,030	-	-	-	-
Remunerations	-	188,597	-	-	13,804	-	168,356	-	-	10,635

(1) Key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

(2) Fee based income to be recorded on cash receipt basis.

(3) The opening balance include Rs. 25 million, grandfathered, loan obtained by the then Senior Executive Vice President (SEVP) during FY 2009-2010 before becoming the managing director (executive director) of the Company in FY 2012. As per the terms approved by the Board, the SEVP was given relaxation in certain employee loan related terms; including to pay the entire Rs. 25 million (principal) upon completion of his employment term. However, he has been paying interest on the said loan. The loan was due for repayment on 21 February 2017 which has been settled during the year.

(4) During the year 2016, the former deputy managing director obtained an advance amounting to Rs. 25 million. As per employment terms of the managing director and deputy managing director (the executive directors), the managing director/deputy managing director is entitled to 3 months salary as advance, without interest, repayable in 12 months; however, the deputy managing director requested for Rs. 25 million. Considering this being a related party transaction, the board of directors approved the transaction as an interest free advance repayable within 12 months against his end of service benefits. The Company marked a lien on end of service benefit against this advance as security. The advance was due for repayment on 06 April 2017 however has been settled at 31 March 2017 consequent to conclusion of his directorship.

(5) This includes an amount of Rs. 26.11 million paid to former deputy managing director (DMD) of the Company, who was relocated to Libya on 31 March 2017, on account of depreciation benefit, transportation cost and tax paid by the Company. The Board subsequently resolved that the said benefits will be recovered from former DMD partly from sale proceeds of the car surrendered by former DMD to the Company and partly from actual payment. The car was disposed off subsequent to year end at the price of Rs. 9.11 million. The management has started recovery proceedings against the remaining amount.

38. CAPITAL ASSESSMENT AND ADEQUACY

38.1 Capital adequacy

SBP's regulatory capital guidelines under Basel III allow for three tiers of capital. Common Equity Tier I capital includes common shares and retained earnings. Pak Libya currently does not hold any instruments in Additional Tier 1 or Tier 2 capital. The authorised share capital of the Company is Rs.8,000 million and the paid-up capital is Rs.6,141.780 million consisting of 614,178 shares with a par value of Rs.10,000 per share.

Company's regulatory capital is divided into three tiers.

* Common Equity Tier 1 capital (CET1), which includes fully paid up capital and statutory reserves as per the financial statements and unappropriated loss after all regulatory adjustments applicable on CET1.
* There is no amount for Additional Tier 1 Capital (AT1) of the Company.
* Tier 2 capital includes revaluation reserves on account of unrealised gain on available-for-sale investments and general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets).

The table below illustrates the following approaches that are adopted at Pak Libya for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

Minimum capital requirement

SBP has prescribed that the minimum paid-up capital (free of losses) for DFI is required to be maintained at Rs.6 billion and ratio of total regulatory capital to risk weighted asset is to be maintained at or above 10% alongwith Capital Conservation Buffer (CCB) of 1.275%. The paid-up capital (free of losses) of the Company as of 31 December 2017 amounted to Rs.4.401 billion, which is below the minimum capital requirement of Rs.6 billion. However, the SBP has granted further exemption to the Company in meeting the MCR till 30 June 2018.The Board of Directors of the Company has approved the financial projections for the next 5 years, envisaging a capital injection which is aimed to comply with minimum capital requirement, enhance the risk absorption capacity and future growth and expansion in business prospects of the Company.

Capital management

A strong capital position is essential to the Company's business strategy and competitive position. The Company's capital strategy focuses on long-term stability, which aims to build and invest in core business activities. The Company seeks to maintain adequate levels of capital in order to:

- comply with the capital requirement set by the regulators of the Company;
- safeguard Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- acquire, develop and maintain a strong capital base to support the development of its business activities;
- support the underlying risks inherited in the core business activities; and
- be able to withstand capital demands under market shocks and stress conditions.

The Company carries out Capital Planning annually to ensure the sufficiency of capital keeping in view the business strategy, expected growth, regulatory requirements, Basel III guidelines and risks associated with the business operations. The capital planning is normally undertaken for the horizon of next three to five years. The plan takes the following into account:

- current capital requirement
- growth of core financing and investment business based on activities plans of the various business units (Corporate & Investment Banking, Treasury and Capital Market)
- the funding structure and sources of funding, liabilities and equity to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III guidelines
- maintenance of regulatory capital requirements and capital adequacy ratios

The Company has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Company's ICAAP covers the capital management, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of three to five years. The ICAAP report is produced on an annual basis and is approved by the Board of Directors.

Under the ICAAP methodology, the following risk types are identified and measured:

- risks covered under Pillar 1 (credit risk, market risk and operational risk)
- risks not fully covered under Pillar 1 (Residual Risk)
- risks covered under Pillar 2 (concentration risk, interest rate risk, liquidity risk, reputational risk, strategic/business risk)

The Company has also implemented Stress Testing Framework as per the SBP guidelines. This involves the use of various techniques to assess the Company's susceptibility to plausible yet extreme stress scenarios. The stress tests cover shocks related to credit risk, interest rate risk, exchange rate risk, equity price risk and liquidity risk. The stress tests are performed quarterly and results are reported to Management and Board of Directors through respective Risk Management Committee.

Scope of applications

The Basel III Capital Regulations (Basel III) are applicable to Pak Libya Holding Company (Private) Limited (Pak Libya) in line with the guidelines issued by State Bank of Pakistan (SBP).

SBP has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 31 December 2013. Accordingly, the Company's Risk Weighted Assets (RWA), total capital and related ratios are calculated under the Basel II and III framework.

Basel-III framework enables a more risk-sensitive regulatory capital calculation along with tightening of capital requirements, raising the quality, consistency and transparency of capital base to promote long term viability of the Company. As the Company carry on the business, it is critical that the Company is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Company to a particular segment of business.

Significant subsidiary

Pak Libya has wholly owned subsidiary named Kamoke Powergen (Private) Limited incorporated on 07 February 2017. However, the Company does not have significant investment in any insurance entity.

38.2 CAPITAL ADEQUACY RETURN AS OF 31 December 2017

Rows #		Source based on reference number from Step 2 Table 38.3.2	31 December 2017	31 December 2016
			------- (Rupees in '000) -------	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully paid-up capital / capital deposited with SBP	(t)	6,141,780	6,141,780
2	Balance in Share Premium Account			
3	Reserve for issue of Bonus Shares			
4	Discount on Issue of shares			
5	General / statutory reserves	(w)	311,650	302,094
6	Gain / (losses) on derivatives held as cash flow hedge			
7	Unappropriated / unremitted profits / (losses)	(y)	(1,740,780)	(1,774,710)
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)	(z)	-	-
9	**CET 1 before Regulatory Adjustments**		4,712,650	4,669,164
10	Total regulatory adjustments applied to CET1 (note 38.2.1)		(980,481)	(206,254)
11	**Common Equity Tier 1**		3,732,169	4,462,910
	Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium			
13	of which: Classified as equity	(u)	-	-
14	of which: Classified as liabilities	(n)	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	(aa)	-	-
16	of which: instrument issued by subsidiaries subject to phase out		-	-
17	**AT1 before regulatory adjustments**		-	-
18	Total regulatory adjustment applied to AT1 capital (note 38.2.2)		(605,058)	(49,611)
19	Additional Tier 1 capital after regulatory adjustments		-	-
20	**Additional Tier 1 capital recognized for capital adequacy**		-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		3,732,169	4,462,910
	Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	(o)	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	(ab)	-	-
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	(g)	237	650
27	Revaluation Reserves (net of taxes)			
28	of which: Revaluation reserves on fixed assets		-	-
29	of which: Unrealized gains/losses on AFS	portion of (ac)	-	71,956
30	Foreign exchange translation reserves	(v)	-	-
31	Undisclosed / other reserves (if any)		-	-
32	**T2 before regulatory adjustments**		237	72,606
33	Total regulatory adjustment applied to T2 capital (note 38.2.3)		(438,910)	(122,216)
34	Tier 2 capital (T2) after regulatory adjustments		(438,673)	(49,610)
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) (21+37)**		3,732,169	4,462,910
39	**Total Risk Weighted Assets (RWA) {for details refer note 38.5}**		11,848,688	12,180,821

		31 December 2017	31 December 2016
		(%)	
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**31.50%**	36.64%
41	**Tier-1 capital to total RWA**	**31.50%**	36.64%
42	**Total capital to total RWA**	**31.50%**	36.64%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**25.50%**	30.64%
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	**6.00%**	6.00%
49	Tier 1 minimum ratio	**7.50%**	7.50%
50	Total capital minimum ratio	**10.00%**	10.00%
51	Total capital minimum ratio plus CCB	**11.28%**	10.65%
52	Leverage ratio	**3.00%**	3.00%

Regulatory Adjustments and Additional Information

		Source based on reference number from Step 2 Table 38.3.2	31 December 2017	Subject to Pre- Basel III treatment*	31 December 2016
			(Rupees in '000)		
38.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)	(k) - (p)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	(h)+(l)-(q)	**(2,907)**	-	(8,441)
3	Shortfall in provisions against classified assets	(f)	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(i) - (s} * x%	-	-	-
5	Defined-benefit pension fund net assets	{(m) - (r)} * x%	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(d)	-	-	-
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	ad	**(157,735)**	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ae)-(ag)	**(210,781)**	**(52,696)**	(68,046)
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)	(b)-(af)-(ah)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(j)	-	-	-
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		-	-	(80,156)
20	Any other deduction specified by SBP (mention details)		**(4,000)**	**(5,000)**	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		**(605,058)**	**(150,074)**	(49,611)
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)		**(980,481)**	**(207,770)**	(206,255)

		Source based on reference number from Step 2 Table 39.3.2	31 December 2017	Subject to Pre- Basel III treatment*	31 December 2016
			(Rupees in '000)		
38.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	(c)	-	-	-
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)	(ae)	**(165,886)**	**(41,471)**	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-	-	-
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		**(500)**	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**(438,672)**	**(109,103)**	49,611
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)		**(605,058)**	**(150,574)**	49,611
38.2.3	**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		**(500)**	-	-
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)	(ag)	**(438,410)**	**(109,602)**	(122,216)
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ah)	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)		**(438,910)**	**(109,602)**	(122,216)

		31 December 2017	31 December 2016
		(Rupees in '000)	
38.2.4	**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	**52,696**	45,364
(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	**109,602**	81,478
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	**455,201**	466,072
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	**85,330**	26,419
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**237**	650
42	Cap on inclusion of provisions in Tier 2 under standardized approach	**118,990**	95,257
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

38.3 Capital Structure Reconciliation

38.3.1 Step 1: Under Step 1, the Company is required to use balance sheet of the published financial statements based on the accounting scope of consolidation as a starting point and report the numbers for each item in the published financial statements based on regulatory scope of consolidation. Since in case of PLHC, the accounting consolidation is identical to the scope of regulatory consolidation there is no need to undertake Step-1.

38.3.2 Step 2: Under Step 2 the company is required to expand the balance sheet under the regulatory scope of consolidation to identify all the elements that are used in the capital adequacy disclosure template set out in Note 38.2. Each element must be given a reference number / letter in the 2nd column that will be used as a cross reference for note 38.2.

		31 December 2017	
Step 2	Reference	Statement of financial position as in published unconsolidated financial statements	Under regulatory scope of consolidation
		------- (Rupees in '000) -------	
Assets			
Cash and balances with treasury banks		28,328	28,328
Balances with other banks		83,494	83,494
Lendings to financial institutions		4,000,000	4,000,000
Investments		9,700,440	9,700,440
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	1,018,845	1,018,845
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	b		
of which: Mutual Funds exceeding regulatory threshold	c		
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	d		
of which: others (mention details)	e		
Advances	f	3,593,084	3,593,084
shortfall in provisions / excess of total EL amount over eligible provisions under IRB			
general provisions reflected in Tier 2 capital	g	237	237
Fixed assets		80,458	80,458
of which: intangible	h	2,907	2,907
Deferred tax assets		85,330	85,330
of which: DTAs that rely on future profitability excluding those arising from temporary differences	i	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	j	85,330	85,330
Other assets		1,591,796	1,591,796
of which: Goodwill	k		
of which: Intangibles	l	-	-
of which: Defined-benefit pension fund net assets	m		
Total assets		19,162,930	19,162,930
Liabilities and equity			
Bills payable		-	-
Borrowings		14,367,132	14,367,132
Deposits and other accounts		39,000	39,000
Sub-ordinated loans		-	-
of which: eligible for inclusion in AT1	n	-	-
of which: eligible for inclusion in Tier 2	o	-	-
Liabilities against assets subject to finance lease			
Deferred tax liabilities			
of which: DTLs related to goodwill	p	-	-
of which: DTLs related to intangible assets	q	-	-
of which: DTLs related to defined pension fund net assets	r	-	-
of which: other deferred tax liabilities	s	-	-
Other liabilities		201,883	201,883
Total liabilities		14,608,015	14,608,015
Share capital		6,141,780	6,141,780
of which: amount eligible for CET1	t	6,141,780	6,141,780
of which: amount eligible for AT1	u	-	-
Reserves		311,650	311,650
of which: portion eligible for inclusion in CET1: Share premium	v	-	-
of which: portion eligible for inclusion in CET1: General / statutory reserves	w	311,650	311,650
of which: portion eligible for inclusion in Tier 2	x	-	-
Unappropriated profit / (losses)	y	(1,740,780)	(1,740,780)
Minority Interest			
of which: portion eligible for inclusion in CET1	z	-	-
of which: portion eligible for inclusion in AT1	aa	-	-
of which: portion eligible for inclusion in Tier 2	ab	-	-
Surplus on revaluation of assets			
of which: Revaluation reserves on fixed assets	ac		
of which: Unrealized gains / (losses) on AFS		(157,735)	(157,735)
In case of Deficit on revaluation (deduction from CET1)	ad		
Total liabilities and equity		19,162,930	19,162,930

38.4 Main features template of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares
1	Issuer	Pak Libya
2	Unique identifier (e.g. 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)	6,141,780
9	Par value of instrument	10,000 per share
10	Accounting classification	Share Holders' equity
11	Original date of issuance	28-11-1981
12	Perpetual or dated	No maturity
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	No
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	No
20	Fully discretionary, partially discretionary or mandatory	fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
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	No
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	No
37	If yes, specify non-compliant features	NA

38.5 Risk weighted exposures

The risk-weighted assets are measured by means of hierarchy different risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

	Capital requirements		Risk weighted assets	
	2017	2016	2017	2016
	(Rupees in '000)			
Credit risk				
PSE	**5,529**	7,188	**55,291**	71,878
Banks	**131,357**	29,829	**1,313,574**	298,291
Corporates	**309,895**	284,340	**3,098,950**	2,843,403
Retail portfolio	**2,333**	11,323	**23,329**	113,230
Secured by residential mortgage	**4,705**	1,517	**47,049**	15,167
Past due loans	**56,380**	4,360	**563,797**	43,598
Significant investment and DTAs	**21,333**	6,605	**213,325**	66,048
Listed equity investment	**48,856**	30,071	**488,558**	300,706
Unlisted equity investment	**75**	6,098	**750**	60,975
Investment in fixed assets	**7,755**	7,926	**77,551**	79,256
Other assets	**159,180**	171,686	**1,591,796**	1,716,856
	747,397	560,941	**7,473,970**	5,609,407
Credit risk on off-balance sheet				
Non-market related	**203,745**	192,889	**2,037,451**	1,928,885
Market related	**777**	8,227	**7,769**	82,272
Market risk				
Interest rate risk	**36,139**	241,115	**361,392**	2,411,155
Equity position risk	**124,883**	139,413	**1,248,825**	1,394,128
Foreign exchange risk	**8**	14	**79**	145
Operational risk				
Capital requirement for operational risks	**71,920**	75,483	**719,201**	754,829
Total	**1,184,869**	1,218,082	**11,848,688**	12,180,821

	2017		2016	
Capital adequacy ratios	Required	Actual	Required	Actual
CET1 to total RWA	**6.00%**	**31.50%**	6.00%	36.64%
Tier-1 capital to total RWA	**7.50%**	**31.50%**	7.50%	36.64%
Total capital to total RWA	**10.00%**	**31.50%**	10.00%	36.64%
Total capital plus CCB to total RWA	**11.28%**	**31.50%**	10.65%	36.64%
Leverage Ratio	**3.00%**	**14.37%**	3.00%	19.40%

39. RISK MANAGEMENT

The Company has an independent risk management division and developed risk management framework to continuously manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the Company. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits prescribed by the Board of Directors; and
- Risk taking decisions are in line with the policy guidelines, business strategy and objectives set by the Board.

The Company is exposed to a number of risks, which it manages at different levels.

The main categories of risk associated to / with the Company are as follows:

Credit risk

The risk of losses resulting from counterparties' failure to meet all or part of their obligations towards the Company.

The Company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk management structure facilitates the Credit approval function by its Internal Credit Risk Rating model through which an appropriate risk level of the borrower / counterparty is assessed for credit sanctioning and disbursement.

The Company manages credit risk through:

- Establishment of acceptable risk appetite and tolerance levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence; and
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses resulting from the variance in the market value of the Company's assets and liabilities owing to changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in respect to the Company's assets and liability management is primarily associated with the capital market exposure and the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensures that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses resulting from deficient or erroneous internal procedures, human or system errors, or external events.

The Company has in place a duly approved operational risk policy, manual disaster recovery system (DRS) and a business continuity plan (BCP). These are continuously reviewed to strengthen operational controls prevailing in the Company.

Operational risk policy and manual set minimum standards and require all business units to identify and assess risks through loss data collection, Risk Control Self Assessment (RCSA) and key risk indicators (KRIs). The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit is responsible to report any potential deviation giving rise to operational risk events in the Company.

The Company is in the process of continuously improving its internal controls which aids in strengthening the Operational Risk Management of the Company. In this regards, the Company maintains a detailed internal control over financial reporting (ICFR) documentation.

Liquidity risk

The risk arising due to failure in raising funds at reasonable cost within the required time duration to finance the Company's operations and meet its liabilities when these become due is categorised as liquidity risk.

The Company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Company has also formulated Liquidity Risk Management policy as per SBP's guidelines. The risk management division uses different tools for identifying, assessing, measuring and controlling liquidity risk and periodically reports to senior management and risk management committees. The Company is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to Asset & Liability Committee (ALCO). The ALCO of the Company deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

39.1 Credit risk

Credit risk management objectives and policies

Credit risk refers to the risk of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the Company arises primarily from the lending and investment activities.

Credit exposures include both individual borrowers, corporates and groups of connected counterparties and portfolios in the Company's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board and management respectively. The procedures and policy guidelines spell out relevant process flow, approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in compliance with the Prudential Regulations and Risk Management Guidelines of the State Bank of Pakistan.

Appropriate levels of facilities are approved by the Board of Directors. The Executive Committee (EC) approves facilities of upto Rs.200 million while facilities exceeding this limit require approval from the Board of Directors on recommendation of the EC. ALCO / Credit Committee (CC) considers and recommends the said facilities to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower / counterparty.

The Company currently uses Standardised Approach for computing capital charge on credit risk weighted assets. Currently, the Company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to identify changes in risk profiles at early stages, credits with deteriorating ratings are subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower / guarantor / counterparty. Risk ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower / guarantor / counterparty. The Credit scoring in the ICRRS is being conducted by Corporate and Investment Banking Division which is reviewed by the Risk Management Division on periodic basis and from time to time upon receiving the required information and documents of the credit proposal/obligor for its credit approval.

Objective of Internal Credit Risk Rating (ICRR)

Credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management; and
- Setting of credit risk concentration limits.

The Company constantly updates and improves upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the Company.

The Company also uses and give due weightage to external rating while evaluating the risk. The Company considers external ratings assigned by external credit rating agencies including PACRA and / or JCR-VIS.

Exposures	JCR-VIS	PACRA	Other
Corporate	Yes	Yes	x
Banks	Yes	Yes	x

Credit exposures subject to standardised approach

		2017			2016		
Exposures	Rating Category	Amount outstanding	Deduction CRM*	Net amount	Amount outstanding	Deduction CRM*	Net amount
		---------------- (Rupees in '000) ----------------			---------------- (Rupees in '000) ----------------		
Corporate	0	-	-	-	-	-	-
	1	1,016,802	-	1,016,802	411,301	-	411,301
	2	693,572	-	693,572	665,917	-	665,917
	3-4	532,353	-	532,353	-	-	-
	5-6	-	-	-	-	-	-
	Unrated	1,735,012	-	1,735,012	2,040,387	-	2,040,387
		3,977,739	-	3,977,739	3,117,605	-	3,117,605
Banks	0	-	-	-	-	-	-
	1	2,583,494	-	2,583,494	1,022,705	-	1,022,705
	2-3	1,593,750	-	1,593,750	187,500	-	187,500
	4-5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		4,177,244	-	4,177,244	1,210,205	-	1,210,205
Sovereigns		-	-	-	-	-	-
Total Credit Exposure		8,154,983	-	8,154,983	4,327,810	-	4,327,810

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Company are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.3 of these financial statements.

39.1.1 Segment information

39.1.1.1 Segment by class of business

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	27,354	0.53%	-	-	-	-
Textile	768,100	14.95%	-	-	100,000	4.92%
Chemicals and pharmaceuticals	741,253	14.43%	-	-	89,206	4.39%
Cement	200,000	3.89%	-	-	-	-
Sugar	389,506	7.58%	-	-	12,500	0.61%
Automobile and transportation equipment	138,781	2.70%	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	53,897	1.05%	-	-	-	-
Power (electricity), gas, water, sanitary	957,590	18.64%	-	-	1,589,668	78.17%
Transport, storage and communication	684,002	13.32%	-	-	-	-
Financial institutions	226,103	4.40%	-	-	-	-
Insurance	-	-	-	-	9,684	0.48%
Services	20,582	0.40%	-	-	216,429	10.64%
Industrial transportation	-	-	-	-	-	-
Individuals	207,978	4.05%	-	-	14,712	0.72%
Others	721,890	14.05%	39,000	100%	1,324	0.07%
	5,137,036	100%	39,000	100%	2,033,522	100%

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	47,354	1.09%	-	-	-	-
Textile	832,342	19.11%	-	-	100,000	4.60%
Chemicals and pharmaceuticals	642,856	14.76%	250,000	53.98%	11,722	0.54%
Cement	200,000	4.59%	-	-	11,035	0.51%
Sugar	265,825	6.10%	-	-	-	-
Automobile and transportation equipment	153,756	3.53%	-	-	200,000	9.19%
Electronics and electrical appliances	275,000	6.31%	-	-	-	-
Construction	53,897	1.24%	-	-	-	-
Power (electricity), gas, water, sanitary	690,088	15.85%	-	-	1,212,474	55.72%
Transport, storage and communication	703,139	16.15%	-	-	-	-
Financial institutions	-	-	-	-	233,407	10.73%
Insurance	-	-	-	-	21,185	0.97%
Services	36,938	0.85%	150,000	32.39%	24,198	1.11%
Industrial transportation	-	-	-	-	-	-
Individuals	245,881	5.65%	-	-	17,675	0.81%
Others	208,011	4.78%	63,117	13.63%	344,180	15.82%
	4,355,087	100%	463,117	100%	2,175,876	100%

39.1.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	-	-	39,000	100%	-	-
Private	5,137,036	100%	-	-	2,033,522	100%
	5,137,036	100%	39,000	100%	2,033,522	100%

	2016					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	-	-	200,000	43.19%	-	-
Private	4,355,087	100%	263,117	56.81%	2,175,876	100%
	4,355,087	100%	463,117	100%	2,175,876	100%

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	7,354	7,354	7,354	7,354
Textile	229,340	220,808	253,130	244,599
Chemicals and pharmaceuticals	500,000	500,000	500,000	500,000
Cement	200,000	200,000	200,000	200,000
Sugar	60,000	60,000	60,000	60,000
Automobile and transportation equipment	138,781	138,781	138,781	138,781
Transport, storage and communication	447,944	73,599	53,896	13,474
Electronics and electrical appliances	-	-	-	-
Construction	53,897	3,897	53,897	3,897
Power (electricity), gas, water, sanitary	301,135	301,135	301,135	301,135
Individuals	42,449	38,141	68,916	47,674
	1,980,900	1,543,715	1,637,109	1,516,914

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

	2017		2016	
Public / Government	-	-	-	-
Private	1,980,900	1,543,715	1,637,109	1,516,914
	1,980,900	1,543,715	1,637,109	1,516,914

39.1.1.5 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
2017				
Pakistan	84,124	19,162,930	4,554,915	2,033,522
2016				
Pakistan	1,031,819	18,895,441	4,761,415	2,175,876

39.2 Market risk

Market risk refers to the impact on the Company's financial condition resulting from future price volatility or adverse movements in the value of assets contained in its trading book and / or investment portfolio. The principal market risk in respect of the Company's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities and equity price risk. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely.

Transaction undertaken by the financial institution for the banking book means any position or financial instrument held by Company in the normal course of business, not for trading purpose, or financial instrument that the financial institution intends to hold until maturity. All investment excluding trading book are considered as part of banking book which includes Available-for-Sale, Held-to-Maturity and Strategic Investments. Due to diversified nature of investments in banking book, it shall be subject to interest rate and equity price risk.

The Company has a sound framework for Market Risk Management with the Treasury Investment Policy and Market Risk Management policies duly approved by the Board.

The Market Risk Management framework of the Company comprises of exposure limits, a series of stop loss limits and potential loss limits recommended by Asset and Liability Committee (ALCO) of the Company to ensure that front line risk-takers do not exceed or breach the defined boundaries set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis is conducted on regular basis in order to assess the quantum of market risk and liquidity position of the Company. The limits are set and reviewed regularly taking into account number of factors, including market trading, liquidity of the instruments, returns and Company's business strategy.

Management of interest rate risk of the banking and / or trading book is primarily focused on interest cum fair value through Re-pricing Gap Analysis and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice. On quarterly basis, the Stress Test reports are being prepared for senior management, risk management committees and regulator to have an accurate understanding of Company's risk tolerance levels.

39.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Company's exposure to this risk is negligible as its assets and liabilities are primarily denominated in Pakistan rupees.

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan rupee	19,162,851	14,608,015	1,908,405	6,463,320
United States dollar	79	-	125,117	125,196
Euro	-	-	-	-
31 December 2017	19,162,930	14,608,015	2,033,522	6,588,516
Pakistan rupee	18,895,296	14,134,026	1,915,009	6,676,279
United States dollar	75	-	260,867	260,942
Euro	70	-	-	70
31 December 2016	18,895,441	14,134,026	2,175,876	6,937,291

39.2.2 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. Equity price risk is managed within the statutory limits and as defined in the policy framework by applying trading limit, scrip-wise and portfolio wise limits. Value at Risk (VaR) and stress testing of the equity portfolio are also performed and reported to ALCO, senior management and risk management committees.

39.2.3 Mismatch of interest rate sensitive assets and liabilities

Yield and interest rate sensitivity position for on-balance sheet instruments is based on the earlier contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate repricing that may be undertaken, which is complied by the Company's Treasury & Fund Management Division.

39.2.4 Mismatch of interest rate sensitive assets and liabilities

2017

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
			Exposed to yield / interest rate risk (Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	28,328	-	-	-	-	-	-	-	-	-	28,328
Balances with other banks	3.75% - 4.00%	83,494	53,197	-	-	-	-	-	-	-	-	30,297
Investments	5.99% - 9.71%	9,700,440	5,120,275	421,979	1,235,353	457,204	-	1,624,935	-	-	-	840,694
Lendings to financial institutions	6.55% - 8.00%	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-	-
Advances	5.00% - 10.95%	3,593,084	310,063	2,250,503	661,003	32,674	83,307	74,308	91,376	-	-	89,850
Other assets		1,591,796	-	-	-	-	-	-	-	-	-	1,591,796
		18,997,142	7,483,535	4,222,482	2,146,356	689,878	83,307	1,699,243	91,376	-	-	2,580,965
Liabilities												
Borrowings	2.5%-7.17%	14,367,132	5,118,022	1,612,500	3,212,500	50,000	75,000	-	-	-	-	4,299,110
Deposits and other accounts	6.10%	39,000	-	-	-	39,000	-	-	-	-	-	-
Other liabilities	-	201,883	-	-	-	-	-	-	-	-	-	201,883
		14,608,015	5,118,022	1,612,500	3,212,500	89,000	75,000	-	-	-	-	4,500,993
On-balance sheet gap		4,389,127	2,365,513	2,609,982	(1,066,144)	600,878	8,307	1,699,243	91,376	-	-	(1,920,028)
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			2,365,513	2,609,982	(1,066,144)	600,878	8,307	1,699,243	91,376	-	-	
Cumulative yield / interest rate risk sensitivity gap			2,365,513	4,975,495	3,909,351	4,510,229	4,518,536	6,217,779	6,309,155	6,309,155	6,309,155	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	18,997,142
Non financial instruments	
Operating fixed assets	80,458
Deferred taxation	85,330
	19,162,930

2016

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
			Exposed to yield / interest rate risk (Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	20,420	-	-	-	-	-	-	-	-	-	20,420
Balances with other banks	3.75%-4.5%	72,705	9,316	-	-	-	-	-	-	-	-	63,389
Investments	5.83%-11.5%	13,183,821	449,086	449,315	788,078	822,098	4,277,251	557,272	5,034,963	-	-	805,758
Lendings to financial institutions	7.10%-7.5%	950,000	700,000	-	250,000	-	-	-	-	-	-	-
Advances	5%-10.05%	2,837,523	403,108	1,652,843	485,310	17,379	40,106	41,899	89,694	-	-	107,184
Other assets	-	1,716,856	-	-	-	-	-	-	-	-	-	1,716,856
		18,781,325	1,561,510	2,102,158	1,523,388	839,477	4,317,357	599,171	5,124,657	-	-	2,713,607
Liabilities												
Borrowings	2.5%-10.10%	13,391,904	4,810,000	5,100,943	2,305,961	62,500	112,500	-	-	-	-	1,000,000
Deposits and other accounts	6.15%-6.50%	463,117	258,117	55,000	-	150,000	-	-	-	-	-	-
Other liabilities	-	279,005	-	-	-	-	-	-	-	-	-	279,005
		14,134,026	5,068,117	5,155,943	2,305,961	212,500	112,500	-	-	-	-	1,279,005
On-balance sheet gap		4,647,299	(3,506,607)	(3,053,785)	(782,573)	626,977	4,204,857	599,171	5,124,657	-	-	1,434,602
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(3,506,607)	(3,053,785)	(782,573)	626,977	4,204,857	599,171	5,124,657	-	-	
Cumulative yield / interest rate risk sensitivity gap			(3,506,607)	(6,560,392)	(7,342,965)	(6,715,988)	(2,511,131)	(1,911,960)	3,212,697	3,212,697	3,212,697	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	18,781,325
Non financial instruments	
Operating fixed assets	87,697
Deferred taxation	26,419
	18,895,441

39.3 Liquidity risk

The risk arising due to failure in raising funds at reasonable cost within the required time duration to finance the Company's operations and meet its liabilities when these become due.

Pak-Libya's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Company has also formulated liquidity risk management policy as per SBP's guidelines. The risk management division uses different tools for measuring liquidity risk and periodically reports to senior management and risk management committees. The Company is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to ALCO. The ALCO of the Company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. ALCO has approved basis for computing maturities of assets and liabilities which take in to account the contractual maturity for assets and liabilities and/or expectation and estimation for realisation of underlying assets and liabilities by the respective business or operational units to arrive at the appropriate maturity buckets.

The Company seeks to ensure that it has ability to raise funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and by taking advantage of any potential lending and investment opportunities as they arise.

39.3.1 Maturities of assets and liabilities - On the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	28,328	28,328	-	-	-	-	-	-	-	-
Balances with other banks	83,494	83,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-
Investments	9,700,440	5,096,482	155,849	346,993	1,199,787	355,173	1,772,246	106,491	667,419	-
Advances	3,593,084	97,659	341,873	548,192	559,772	612,795	469,449	448,108	514,476	760
Operating fixed assets	80,458	2,789	5,567	6,617	12,848	19,572	10,225	8,099	10,009	4,732
Deferred tax asset - net	85,330	-	4,012	4,012	8,023	16,979	18,350	16,977	16,977	-
Other assets	1,591,796	32,121	94,667	40,138	1,241,508	89,361	89,361	-	4,640	-
	19,162,930	7,340,873	2,151,968	1,195,952	3,221,938	1,093,880	2,359,631	579,675	1,213,521	5,492
Liabilities										
Borrowings	14,367,132	4,668,021	5,112,500	775,000	874,111	1,125,000	825,000	762,500	225,000	-
Deposits and other accounts	39,000	-	-	-	39,000	-	-	-	-	-
Other liabilities	201,883	81,070	34,550	78,237	-	-	2,650	-	5,376	-
	14,608,015	4,749,091	5,147,050	853,237	913,111	1,125,000	827,650	762,500	230,376	-
	4,554,915	2,591,782	(2,995,082)	342,715	2,308,827	(31,120)	1,531,981	(182,825)	983,145	5,492
Share capital	6,141,780									
Reserves	311,650									
Accumulated loss	(1,740,780)									
Surplus on revaluation of assets - net of tax	(157,735)									
	4,554,915									

	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	20,420	20,420	-	-	-	-	-	-	-	-
Balances with other banks	72,705	72,705	-	-	-	-	-	-	-	-
Lendings to financial institutions	950,000	700,000	-	250,000	-	-	-	-	-	-
Investments	13,183,821	457,655	298,724	233,149	1,053,631	5,108,498	723,267	5,203,637	105,260	-
Advances	2,837,523	106,688	122,226	158,877	509,348	655,061	428,319	363,378	466,721	26,905
Operating fixed assets	87,697	-	877	4,862	2,743	12,154	30,319	10,383	2,559	23,800
Deferred tax asset - net	26,419	-	4,146	4,169	4,997	(16,840)	46	29,901	-	-
Other assets	1,716,856	96,779	210,084	1,222,792	18,253	82,142	82,142	-	4,664	-
	18,895,441	1,454,247	636,057	1,873,849	1,588,972	5,841,015	1,264,093	5,607,299	579,204	50,705
Liabilities										
Borrowings	13,391,904	3,310,000	105,943	130,961	7,095,000	850,000	850,000	1,050,000	-	-
Deposits and other accounts	463,117	258,117	55,000	-	150,000	-	-	-	-	-
Other liabilities	279,005	100,149	72,835	84,008	-	-	2,650	-	-	19,363
	14,134,026	3,668,266	233,778	214,969	7,245,000	850,000	852,650	1,050,000	-	19,363
	4,761,415	(2,214,019)	402,279	1,658,880	(5,656,028)	4,991,015	411,443	4,557,299	579,204	31,342
Share capital	6,141,780									
Reserves	302,094									
Accumulated loss	(1,774,710)									
Deficit on revaluation of assets - net of tax	92,251									
	4,761,415									

39.4 **Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company**

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	28,328	28,328	-	-	-	-	-	-	-	-
Balances with other banks	83,494	83,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-
Investments	9,700,440	5,096,482	155,849	346,993	1,199,787	355,173	1,772,246	106,491	667,419	-
Advances	3,593,084	97,659	341,873	548,192	559,772	612,795	469,449	448,108	514,476	760
Operating fixed assets	80,458	2,789	5,567	6,617	12,848	19,572	10,225	8,099	10,009	4,732
Deferred tax asset - net	85,330	-	4,012	4,012	8,023	16,979	18,350	16,977	16,977	-
Other assets	1,591,796	32,121	94,667	40,138	1,241,508	89,361	89,361	-	4,640	-
	19,162,930	7,340,873	2,151,968	1,195,952	3,221,938	1,093,880	2,359,631	579,675	1,213,521	5,492
Liabilities										
Borrowings	14,367,132	4,668,021	5,112,500	775,000	874,111	1,125,000	825,000	762,500	225,000	-
Deposits and other accounts	39,000	-	-	-	39,000	-	-	-	-	-
Other liabilities	201,883	81,070	34,550	78,237	-	-	2,650	-	5,376	-
	14,608,015	4,749,091	5,147,050	853,237	913,111	1,125,000	827,650	762,500	230,376	-
	4,554,915	2,591,782	(2,995,082)	342,715	2,308,827	(31,120)	1,531,981	(182,825)	983,145	5,492
Share capital	6,141,780									
Reserves	311,650									
Accumulated loss	(1,740,780)									
Surplus on revaluation of assets - net of tax	(157,735)									
	4,554,915									

	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	20,420	20,420	-	-	-	-	-	-	-	-
Balances with other banks	72,705	72,705	-	-	-	-	-	-	-	-
Lendings to financial institutions	950,000	700,000	-	250,000	-	-	-	-	-	-
Investments	13,183,821	457,655	298,724	233,149	1,053,631	5,108,498	723,267	5,203,637	105,260	-
Advances	2,837,523	106,688	122,226	158,877	509,348	655,061	428,319	363,378	466,721	26,905
Operating fixed assets	87,697	-	877	4,862	2,743	12,154	30,319	10,383	2,559	23,800
Deferred tax asset - net	26,419	-	4,146	4,169	4,997	(16,840)	46	29,901	-	-
Other assets	1,716,856	96,779	210,084	1,222,792	18,253	82,142	82,142	-	4,664	-
	18,895,441	1,454,247	636,057	1,873,849	1,588,972	5,841,015	1,264,093	5,607,299	579,204	50,705
Liabilities										
Borrowings	13,391,904	3,310,000	105,943	130,961	7,095,000	850,000	850,000	1,050,000	-	-
Deposits and other accounts	463,117	258,117	55,000	-	150,000	-	-	-	-	-
Other liabilities	279,005	100,149	72,835	84,008	-	-	2,650	-	-	19,363
	14,134,026	3,668,266	233,778	214,969	7,245,000	850,000	852,650	1,050,000	-	19,363
	4,761,415	(2,214,019)	402,279	1,658,880	(5,656,028)	4,991,015	411,443	4,557,299	579,204	31,342
Share capital	6,141,780									
Reserves	302,094									
Accumulated loss	(1,774,710)									
Deficit on revaluation of assets - net of tax	92,251									
	4,761,415									

40. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these financial statements.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 March 2018 by the Board of Directors of the Company.

42. GENERAL

42.1 In its latest rating announcement (June 2017), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with negative outlook assigned to ratings).

42.2 Amounts in these financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

42.3 Certain comparative figures have been reclassified in order to present information on a basis consistent with current year.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
Annexure I
As referred in note 8.15 of the financial statements.

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES (TFCs)

S. No.	Name of TFCs	Cost 2017	Cost 2016
		------- (Rupees in '000) -------	
	Particulars of investments held in listed Term Finance Certificates (TFCs)		
1	Summit Bank Limited - TFC (27-10-2011) Certificate of Rs.5,000 each Mark-up: 9.42% (6 - Months Kibor + 3.25%) Redemption: Half yearly from April 2012 Maturity: October 2018	**398,395**	398,255
2	Trust Investment Bank Limited - TFC - IV (04-07-2008) Certificate of Rs.5,000 each Mark-up: 11.22% (6 - Months Kibor + 1.85%) Redemption: Half yearly from July 2008 Maturity: July 2013 Installment status: Overdue	**9,371**	9,371
3	Jahangir Siddiqui & Co. Limited - TFC - (31-03-2014) Certificate of Rs.5,000 each Mark-up: 7.92% (6 - Months Kibor + 1.75%) Redemption: Half yearly from October 2014 Maturity: April 2019	**23,750**	35,000
4	Azgard Nine Limited - TFC - II (20-09-2005) Certificate of Rs.5,000 each Mark-up: 11.43% (6 - Months Kibor + 1.25%) Redemption: Half yearly from Mar 2006 Maturity: September 2017 Installment status: Overdue	**13,015**	13,015
		444,531	455,641

S. No.	Name of TFCs	Cost 2017	Cost 2016
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)		
1	Azgard Nine Limited - TFC - V (19-12-2010) Certificate of Rs.5,000 each Mark-up: 10.83% (3 - Months Kibor + 1.25%) Redemption : Quarterly from May 2011 Maturity: November 2015 Installment status: Overdue	**179,652**	179,652
2	Azgard Nine Limited - TFC - VI (31-08-2012) Certificate of Rs.5,000 each Mark-up: 0% Redemption: Half yearly from March 2014 Maturity: March 2017	**80,400**	80,400
3	Dewan Farooq Spinning Mills Limited - TFC (04-12-2004) Certificate of Rs.5,000 each Mark-up: 11.15% (6 - Months Kibor + 3.75%) Redemption: Half yearly from June 2006 Maturity: June 2010 Installment status: Overdue	**18,750**	18,750
4	Jahangir Siddiqui & Co. Limited - TFC - (24-05-2016) Certificate of Rs.5,000 each Mark-up: 7.86% (6 - Months Kibor + 1.65%) Redemption: Half yearly from December 2017 Maturity: June 2021	**218,750**	250,000
5	NRSP MicroFinance Bank Limited - TFC - (24-06-2016) Certificate of Rs. 5,000 each Mark-up: 8.51% (6 - Months Kibor + 2.35%) Redemption: Half yearly from September 2016 Maturity: June 2018	**93,750**	187,500
6	Silk Bank Limited- TFC- (30.06.2017) Certificate of Rs.5,000 each Mark-up: 8.00% (6 - Months Kibor + 1.85%) Redemption: Half yearly from February 2018 Maturity: August 2025	**100,000**	-
7	U MicroFinance Bank Limited-TFC- (29.06.2017) Certificate of Rs.5,000 each Mark-up: 9.65% (6 - Months Kibor + 3.5%) Redemption: Half yearly from December 2022 Maturity: June 2024	**90,000**	-
	Balance c/f.	**781,302**	716,302

S. No.	Name of TFCs	Cost 2017	Cost 2016
		------- (Rupees in '000) -------	
	Balance b/f.	**781,302**	716,302
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)		
8	New Allied Electronics Industries (Pvt.) Limited - TFC (05-09-2007) Certificate of Rs.5,000 each Mark-up: 12.36% (3 - Months Kibor + 2.75%) Redemption: Quarterly from August 2008 Maturity: May 2011 Installment status: Overdue	**15,957**	15,957
9	Pakistan International Airlines Corporation Limited - TFC - II (20-02-2009) Certificate of Rs.5,000 each Mark-up: 7.39% (6 - Months Kibor + 1.25%) Redemption: Quarterly from May 2016 Maturity: February 2020	**110,581**	143,756
10	Security Leasing Corporation Limited - TFC - III (28-03-2006) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	**3,081**	3,081
11	Bank Al-Habib Limited Certificate of Rs.100,000 each Mark-up: 8.58% (3 - Months Kibor + 2.00%) Redemption: Quarterly from July 2012 Maturity: April 2016	**300,000**	-
12	JDW Sugar Mills Limited-TFC- (06.08.2013) Certificate of Rs.50 million each Mark-up: 7.15% (3 - Months Kibor + 2.50%) Redemption: Quarterly from December 2013 Maturity: March 2018	**11,111**	33,333
13	JS Bank Limited - TFC- (14-12-2016) Certificate of Rs. 5,000 each Mark-up: 7.57% (6-Months Kibor + 1.40%) Redemption: Half yearly from June 2017 Maturity: December 2023	**199,960**	100,000
		1,421,992	1,012,429

S. No.	Name of Sukuks	Cost 2017	Cost 2016
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted sukuks		
1	Security Leasing Corporation Limited (21-09-2008) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	**12,323**	12,323
2	AGP Limited Certificate of Rs.5,000 each Mark-up: 10.00% (3 - Months Kibor + 1.75%) (Cap 25% Floor 10%) Redemption: Quarterly from June 2015 Maturity: September 2016	**45,000**	-
3	Pak-Elektron Limited - II (31-03-2008) Certificate of Rs.5,000 each Mark-up: 8.00% (3 - Months Kibor + 1.00%) (Cap 25% Floor 8%) Redemption: Quarterly from June 2015 Maturity: March 2019	**13,574**	23,883
4	Liberty Power Technology Limited (18-03-2009) Certificate of Rs.5,000 each Mark-up: 9.60% (3 - Months Kibor + 3.00%) Redemption: Quarterly from March 2011 Maturity: December 2020	**47,962**	60,840
5	TPL Trakker Limited (13-04-2016) Certificate of Rs. 100,000 each Mark-up: 6.02% (3-Months Kibor + 3.00%) Redemption: Quarterly from October 2019 Maturity: April 2021	**50,000**	50,000
6	Hascol Petroleum Limited (07-01-2016) Certificate of Rs. 5,000 each Mark-up: 6.03% (3 - Months Kibor + 1.5%) Redemption: Quarterly from April 2017 Maturity: January 2022	**85,000**	100,000
		253,859	247,046

Annexure II

As referred in note 9.4 of the financial statements.

STATEMENT SHOWING WRITTEN- OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDERED THOUSAND Rs. OR ABOVE, PROVIDED DURING THE YEAR ENDED

31 December 2017

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	NIC NUMBER	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF / WAIVED			
					Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
1	Samin Textile Mills Limited / 50-C Main Gulberg, Lahore	Mr. Sarmad Amin	35202-2542463-3	Muhammad Amin			1,250,414	1,250,414			1,250,414	1,250,414
		Mr. Jehanzeb Amin	35202-0678117-5	Sarmad Amin								
		Mr. Safder Hussain Tariq	35202-7560182-5	Jaffar Hussain								
		Mr. Qamber Hamid	35202-2796208-1	Sheikh Akhtar								
		Mr. Shehryar Amin	35202-3737616-9	Sarmad Amin								
		Mr. Jamil Masood	611011-1880963-1	Iqbal Masood								
		Mr. Tariq Jillani	35201-2601114-9	Mian Ghulam Jillani								
2	Khawaja Abdul Aziz Ghori / H.No. D-138, BL-7, Gulshan-e-Iqbal, Karachi.	-	42201-3359001-9	Khawaja Mubzool-ur-Rehman Ghori	17,819	10,350*	9,354**	37,523			12,893**	12,893
3	Ali Murtaza Obaid / C-4,PHASE 3, F # 502, Haroon Royal City, Block 17, Gulistan-e-Johar, Karachi	-	42201-7553927-7	Muhammad Ali Naved	8,514	3,089*	2,658**	14,261			3,461**	3,461

* Markup - These amounts represent suspended markup

** Other - These amounts include late payment charges and other fee and charges that were kept out of books of accounts.

Note: Serial no. 2 and 3

- Both these cases have been rescheduled / restructured to recover outstanding liabilities and in case of any breach of terms / default in payment, all amounts waived shall become liable.
- Waiver amounts have been worked out on the basis of total receivable as per the initial terms of the loans net-off the amout worked out as per Court Decree.

31 December 2016

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	NIC NUMBER	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF / WAIVED			
					Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
1	Kamoki Energy Limited	*Official Liquidator, Sindh High Court										
	- Term loan				1,250,000	767,530		2,017,530	116,000	767,530		883,530
	- Short term loan				34,690	6,296		40,987	34,690	6,296		40,987
	- Other receivable						34,465	34,465			34,465	34,465

***Note:** Effective from date of passing of such Liquidation Order, the Directors of the Company ceased to have any control over the assets of the Project or its accounts and affairs etc. and the Official Assignee/Liquidator stepped into their shoes for all practical and legal purposes. Therefore, the name of the Director(s), their NIC number(s) and Father name(s) have not been given in the above disclosure.

گذشتہ چھ سالوں کا اہم آپریشن اور مالیاتی اعداد وشمار

	پاکستانی روپے ملین میں					
	2017	2016	2015	2014	2013	2012
مجموعی منظوریاں*	2,427	1,613	782	553	1,805	1,355
فراہمی قرضہ جات	1,799	986	479	807	1,213	1,295
سرمایہ کاری۔خالص	-	2,891	3,539	997	-	1,319
وصولیابیاں۔اصل	1,001	1,190	1,218	1,586	851	745
واگذاری (Redemption)۔سرمایہ	225	540	138	433	68	183
مجموعی آمدن	1,335	1,298	1,830	1,532	1,331	1,349
خالص سودی آمدن	265	313	360	315	254	245
خالص نفع / نقصان قبل از محصول	84	1,032	472	318	196	(3,317)
محصولات۔خالص	36	241	167	85	14	111
خالص نفع / نقصان بعد از محصول	48	791	305	233	182	(3,429)
حصص کنندگان کا ملکیتی سرمایہ۔خالص	4,555	4,761	3,895	3,586	3,320	3,144
کل اثاثہ جات	19,163	18,895	15,274	12,436	12,121	13,466
افرادی قوت (تعداد)**	111	106	105	110	111	104

* دوبارہ کی جانے والے سرمایہ کاری شامل ہے

** ٹھیکہ پر کام دیے جانے والا عملہ شامل ہے

نوٹ: متعلقہ سالوں کے اعداد وشمار میں دوبارہ بیان کے اثرات شامل ہیں (جیسا کہ قابل اطلاق ہے)

کمپنی کا منظر نامہ

کم از کم دستوری سرمایہ کی پابندی ایک رکاوٹ ہے جسے سال 2018 میں دور کرنے کی ضرورت ہے۔ اس سلسلے میں ہماری وزارت خزانہ (MoF) اور لیبیئن فارن انویسٹمنٹ کمپنی (LAFICO) ہونے والی پیش رفت سے ہم پر امید ہیں کہ اس معاملے پر سال کے دوران اس کے مثبت نتائج آئیں گے اور اس کے بعد ہم پر اعتماد ہیں کہ متوقع 2 ارب پاکستانی روپے کے تخمینہ سرمائے کے داخل ہونے کے ساتھ ساتھ کاموکی انرجی لمیٹڈ (KEL) کے اثاثہ جات کی فروخت، جو اس سال پہلے نصف میں متوقع ہے، سے ہمیں اس قابل کردے گی اس مسئلہ پر قابو پا سکیں جس سے ہمیں اپنے نمایاں ہمسر DFIs کے ساتھ مساوی کاروبا کے موقعے میسر آئیں گے اور صنعت میں موجودگی کا احساس پیدا کریں گے۔ نتیجتاً، سال میں KEL کے مستحکم اثاثہ جات کی فروخت پذیری میں اضافے کے لیے، کمپنی نے ایک مکمل طور پر ملکیتی ذیلی کمپنی تشکیل دی ہے اور بجلی کے پیداوری لائسنس کے اجراء کے لیے NEPRA کو درخواست دی ہے۔ علاوہ ازیں LAFICO نے یقین دہانی کرواچکی ہے کہ MoF کی جانب سے سرمایہ فراہم کرنے کے ساتھ اضافی سرمایہ کو جمع کروانے کو وعدہ پورا کرے گی۔

ہم اپنے مستقبل کی حکمتِ عملی اور مستقبل کے کاروبار کے بارے میں ایک مضبوط موقف رکھتے ہیں۔ ہم اپنے ایڈوانس کے پورٹ فولیو کو اگلے تین سالوں میں تقریباً دگنا کرنے کے مقصد کے ساتھ آگے بڑھ رہے ہیں، اور ہم سمجھتے اور یقین رکھتے ہیں کہ ہمارے بنیادی کاروبار کا ایک کارکردگی دکھانے والا پورٹ فولیو، جو ایک متوازن شرح سے ترقی کر رہا ہے، وہ ہمارے طویل المدت ترقی اور بہتری کا حصول میں ہمارے کاروباری اہداف کے مقاصد کو بڑھائیں گے۔

انتظامیہ کمپنی کے منافع بخش آپریشن کے حصول کے لیے تمام ممکنہ مواقعوں پر توجہ دے رہی ہے۔ اس میں شامل ہیں، لیکن اس تک ہی محدود نہیں ہیں، مسائل کا شکار اور ناکارکردگی دکھانے والے اثاثہ جات سے وصولی جو کہ ایک ممکنہ کمائی کا ذریعہ ہیں۔

انتظامیہ کی جانب سے کی جانے والی مجموعی کوششوں اور مسلسل کئی سالوں سے مثبت نتائج حاصل کرنے کی بنیاد پر ہم کمپنی کی مستقبل میں ترقی، منفع بخش ہونے اور مسابقتی برتری کے بارے میں بہت پر امید ہیں۔

ستائش

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے گاہکوں اور پاک۔لیبیا کے تمام شرکاء کا کمپنی پر اعتماد کرتے رہنے پر اظہار ممنونیت کرتے ہیں۔ ہم اپنے حصص یافتگان: LAFICO اور SBP بشمول MoF کی مسلسل حمائت اور رہنمائی اور کمپنی کے ملازمین کے مسلسل اعتماد اور وفاداری کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

خالد جمعہ الزرزور
ڈپٹی مینجنگ ڈائریکٹر

عابد عزیز
مینجنگ ڈائریکٹر اور CEO

23 مارچ 2018

آڈٹ کمیٹی کے اجلاس کی تفصیلات

سال کے دوران آڈٹ کمیٹی کے 4 اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

ڈائریکٹر کا نام	عہدہ	اجلاس	
		منعقد ہوئے	میں شرکت کی
جناب رمضان اے الحاج	2017/08/12 تک چیرمین اس کے بعد رکن*	4	4
جناب فضل الرحمان	2017/08/12 تک رکن اس کے بعد چیرمین*	4	4
جناب حق نواز	رکن	4	1

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

سال کے دوران رسک مینجمنٹ کمیٹی کے 2 اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

ڈائریکٹر کا نام	عہدہ	اجلاس	
		منعقد ہوئے	میں شرکت کی
جناب فضل الرحمان	2017/08/12 تک چیرمین*	1	1
جناب رمضان اے الحاج	رکن	2	2
خالد ایس ٹی بنزجوبہ	رکن	2	2
جناب حق نواز	2017/08/13 سے چیرمین*	1	1

بھرتی اور معاوضہ کمیٹی کے اجلاس کی تفصیلات

سال کے دوران بھرتی اور معاوضہ کمیٹی کے 2 اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

ڈائریکٹر کا نام	عہدہ	اجلاس	
		منعقد ہوئے	میں شرکت کی
جناب بشیر بی عمر	چیرمین	2	2
جناب فضل الرحمان	رکن	2	2
جناب عابد عزیز	2017/08/12 تک رکن اس ک بعد غیر رکن* 2017/08/13 سے آگے	2	2

کریڈٹ / سرمایہ کاری کمیٹی کے اجلاس کی تفصیلات

سال کے دوران آڈٹ کمیٹی کے دو اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

ڈائریکٹر کا نام	عہدہ	اجلاس	
		منعقد ہوئے	میں شرکت کی
جناب بشیر بی عمر	چیرمین	2	2
جناب فضل الرحمان**	رکن	2	2
جناب عابد عزیز	رکن	2	2

* کمیٹی(وں) کی ساخت میں تبدیلی کی وجہ سے

** 2017/08/13 کو جناب حق نواز کی جگہ آئے

محاسب

موجودہ محاسب میسرز گرانٹ تھورنٹن انجم رحمان (گرانٹ تھورنٹن انٹرنیشنل کا رکن ادارہ)، چارٹرڈ اکاؤنٹینٹس، کی مدت معاہدہ ختم ہوگئی ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو دوبارہ منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کی ہیں۔ آڈٹ کمیٹی نے بورڈ کی توثیق کے ساتھ ان کی بطور کمپنی محاسب، 31 دسمبر 2018 تک کے لیے دوبارہ انتخاب کرنے کی تجویز دی ہے۔

حصص کی ملکیت رکھنے کا رجحان

حصص کنندگان	حصص کی ملکیت (٪)
گورنمنٹ آف پاکستان بذریعہ بینک دولت پاکستان	50
گورنمنٹ / ریاست آف لیبیا بذریعہ لیبین فارن انویسٹمنٹ کمپنی (LAFICO)	50
کل	100

مالیاتی خطرے سے نپٹنے کا انتظامی ڈھانچہ

کمپنی کا مجموعی مالیاتی خطرے سے نپٹنے کا ڈھانچہ مضبوط ہے۔ کمپنی کے رسک مینجمنٹ کی ساخت کی نگرانی بورڈ کی رسک مینجمنٹ کمیٹی (BRMC) کرتی ہے جسے کو مزید مینجمنٹ رسک مینجمنٹ کمیٹی (MRMC) کی ذمہ داری بھی دی گئی ہے کہ وہ کمپنی کے مجموعی کاروباری میلان کی بنیاد پر اس کو درپیش خطرات کا تخمینہ لگائے اور ان کو کم کرنے کے لیے حکمتِ عملی بنائے اور عملی اقدام کرے۔

کمپنی کے قرضہ پالیسی اور قرضہ کی ہدایات کے کتابچے کو خطرات اور قوائد وضوابط کے تبدیل ہوتے ہوئے ماحول کے مطابق ان میں ترمیم یا تجدید کر دی گئی ہے اور ان کا نفاظ کیا جارہا ہے تاکہ ہر گاہک جو خطرہ اپنے ساتھ لاتا ہے اس کی تسلسل سے بہتر اور جامع قدرپیائی کی جاتی رہے۔ متعلقہ خطرات کی قدرپیائی کے لیےObligatory Risk Rating Model اور Facility Risk Rating Model کا تبدیل شدہ ڈیزائن مقاصد کا بھرپور احاطہ کرنے کے لیے اندرونی خطرے کی درجہ بندی کے نمونے(Internal Rating Model) پر زور دیتا ہے۔ نتیجتاً، خطرے کے جذب ہونے کی مخصوص حدود کو شامل کرنے کے لیے مزید وضاحت کی جاچکی ہے۔ مزید یہ کہ نگرانی اور رپورٹنگ کا میکنزم کو بھی مضبوط کر دیا گیا ہے جس کا مقصد مجموعی قرضوں کے خطرات کے انتظامی طریق عمل کو بہتر کیا جائے۔

ہمارا خیال ہے کہ سال کے دوران بنا رکاوٹ کے آپریشن کے کاموں کے بہاؤ کے مستحکم رسک فنکشن نہائت اہم ہے۔ اس لیے کسی بھی ناگہانی طور پر درپیش خطرے کے لیے چوکس رہنے کے لیے اور اپنے کاروبار کے آپریشن کے تسلسل کو یقینی بنانے کے لیے ہم نے اپنے کاروبار کو جاری رکھنے کے لیے، BCPسائٹ کو اپنے ہمسر DFIs میں سے ایک کے ساتھ دوطرفہ انتظام کے تحت وہاں منتقل کر دیا ہے۔ مزید یہ کہ قوائد کی تعمیل کے ساتھ ساتھ کوئی حادثہ جس کا تدارک فوری ضروری ہو اور اپریشن رسک میکنزم کے موثر ہونے کی قدرپیائی کے لیے آپریشنل رسک کا ڈیٹا بیس باقائدگی سے رکھا جارہا ہے۔

آپریشنل رسک کو مدِ نظر رکھتے ہوئے ہم نے پوری کمپنی میں ہر کاروباری یونٹ کے کاروبار کے تسلسل کے لیے دستاویزی منصوبے کو باضابطہ بنا چکے ہیں۔ سال کے دوران ہم نے مروجہ بہترین پریکٹسز اور رپورٹنگ کی ضرویات کو مدِ نظر رکھتے ہوئے اپنے اندرونی نگرانی کے نظام کو مضبوط کرنے کا عمل جاری رکھتے ہوئے متعدد اقدامات کئے اور مزید بہتری کے ساتھ مربوط IT سسٹم نافذ کیا جاچکا ہے۔ علاوہ ازیں ہماری تعمیل، رسک مینجمنٹ اور مجموعی اندرونی نگرانی کا نظام مضبوط ہے اور SBP کی ہدایات کا نفاذ اور مالیاتی رپورٹنگ (ICFR) کے لیے اندرونی نگرانی کا ڈھانچہ مستحکم ہے۔

مارکیٹ رسک فنکشن نے مارکیٹ سے متعلق رسکس کے نگرانی جاری رکھی۔ دباؤ ٹیسٹنگ کا تجزیئے کا استعمال موجودہ قرضہ جات کو درپیش اہم خطرات کے ممکنہ اثرات کا اندازہ لگایا جا سکے۔ ترمیم شدہ مارکیٹ رسک پالیسی بمع مفصل شرح سود کے نرخ کا نفاذ کیا جاچکا ہے۔ مجموعی مارکیٹ رسک مینجمنٹ کے ڈھانچے سودی نرخ کے خطرات کے لئے نگرانی اور رپورٹنگ کے رہنما اصول کو بڑھا دیا گیا ہے۔

کمپنی کے پاس سیالیت (liquidity) مینجمنٹ پالیسی کے علاوہ سیالیت رسک مینجمنٹ پالیسی بھی موجود ہے۔ تبدیل شدہ سیالیت رسک مینجمنٹ کی ہدایات کے کتابچے میں سیالیت کے لیے تفصیلی اور جامع ہنگامی پلان شامل ہے۔

کمپنی نے پورے سال میں Basel-II اورBasel-III کی ضروریات کے مطابق اپنے CAR کو ضوابط میں دیے گئے معیار سے بھی بلند درجے پر برقرار رکھنا جاری رکھا۔ اندرونی سرمایہ کی موزونیت کے تخمینہ کے پراسس (ICAAP) کا ڈھانچا SBP کے فراہم کردہ رہنما اصولوں کی روشنی میں جائزہ لیا گیا تاکہ پراسس کو مضبوط اور موثر بنایا جاسکے۔ مزید یہ کہ 6 بلین کے کم سے کم سرمایہ کی دستوری پابندی (MCR) کی تعمیل کے لیے کوششیں جاری ہیں اور اس کے لیے SBP نے MCR کی تعمیل کے لیے30 جون 2017 تک کا استثنٰی دیا تھا۔ MoF نے اپنے مراسلہ نمبر F.2(1) Inv- IV/2014 بتاریخ 16 جنوری 2018 کو SBP سے MCR کی تعمیل کے سلسلے میں کمپنی کو توسیع دینے کی درخواست کی ہے جس میں کہا گیا ہے کہ موجودہ اقتصادی سال کی آخری سہ ماہی میں مالیاتی گنجائش کا جائزہ لینے کے بعد ملکیتی سرمایہ (equity) کو جمع کروانے پر مناسب غور کیا جائے گا۔ اس کے نتیجے میں SBP نے MCR تعمیل کے لیے 30 جون 2018 تک کی توسیع کی منظوری دے دی ہے۔

کمپنی کے پورٹ فولیو کے رسک کے متعین حدود سے بڑھ جانے سے بچاؤ کے لیے اس کو موثر طور پر دیکھ بھال کی جارہی ہے۔ پروڈینشل کے ضابطوں میں ترمیم کے بعد ان حدود کو بھی باضابطہ طور سے تبدیل کر دیا گیا ہے۔ کمپنی کی منشاء ہے کہ کاروبار کی ترقی کے لیے براہِ راست شمولیت کے ذریعے اور خطرہ میں اپنا حصہ ڈالے۔ رسک مینجمنٹ ڈویژن رسک طے شدہ مثبت نکات پر مستعدی سے درپیش خطرات میں سے منتخب کرتا ہے۔

کمپنی اپنے رسک منیجمنٹ اور اندرونی کنٹرول ڈھانچے کو مزید بہتر اور مضبوط کرنے کے عمل کو جاری رکھے ہوئے ہے۔

اندرونی کنٹرول پر بیان

کمپنی کے مقاصد کو حاصل کرنے کے لیے ایک مضبوط اندرونی کنٹرول کا نظام موجود ہے اور کاروبار کی ضروریات اور آپریشن کے ماحول میں تبدیلی کی روشنی میں مسلسل بہتری لائی جارہی ہے۔ انتظامیہ اندرونی کنٹرول بمع مالیاتی رپورٹنگ کا اندرونی کنٹرولز کا اندازہ لگا چکی ہے اور اس کو موثر قرار دے چکی ہے جس کی توثیق بورڈ نے بھی کر دی ہے۔ کمپنی کے مضبوط کنٹرول کے ماحول کو مدِ نظر رکھتے ہوئے بینک دولت پاکستان نے کمپنی کو سالانہ بیرونی محتسب کے مالیاتی رپورٹنگ کے اندرونی کنٹرول (ICFR) کے طویل فارم کو جمع کروانے سے استثنٰی کی منظوری دی ہوئی ہے۔

آڈیٹرز کا اپنی آڈٹ رپورٹ پر تبصرہ

کمپنی کے آڈیٹرز نے مذکورہ اضافی پیراگراف پر توجہ اپنی آڈٹ رپورٹ میں دے چکے ہیں۔ انہوں نے منسلک مالیاتی دستاویزات میں نوٹ 1.2 توجہ دلائی ہے اور بیان کیا ہے کہ بینک دولت پاکستان نے مطلوبہ 6 بلین روپے کے کم سے کم اداشدہ سرمایہ (نقصان سے پاک) کی شرط کو پورا کرنے کے لیے 30 جون 2018 تک استثنٰی کی منظوری دے چکی ہے۔

آڈیٹر کی رائے مطلوبہ معاملے پر منفی (qualified) نہیں ہے۔

آڈیٹرز کا اداراتی نظم وضبط کی بہترین مشقوں (Practices) پر ان کی جائزہ رپورٹ میں تبصرہ

آڈیٹرز نے اپنی جائزہ رپورٹ میں اداراتی نظم وضبط کارکردگی کی بہترین مشقوں (Practices) پر کسی مادی عدم تعمیل کی نشاندھی نہیں کی ہے۔

پراویڈینٹ اور گریجوٹی کی سرمایہ کاری کا بیان

31 دسمبر 2016 پر آڈٹ شدہ گوشواروں کی بنیاد پر پراویڈینٹ اور گریجوٹی کی سرمایہ کاری کی مالیت (علاوہ بینک میں نقد رقم) بالترتیب 97.43 ملین پاکستانی روپے اور 121.68 ملین پاکستانی روپے رہی۔

بورڈ کے اجلاس اور بورڈ کی ذیلی کمیٹی کے اجلاس کی حاضری اور ان کی رکنیت کی تفصیلات

بورڈ آف ڈائریکٹرز کے اجلاس کی تفصیلات

سال کے دوران بورڈ آف ڈائریکٹرز کے 5 اجلاس ہوئے اور ان میں ڈائریکٹرز کی شرکت کی تفصیلات درج ذیل ہیں

ڈائریکٹر کا نام	عہدہ	اجلاس	
		منعقد ہوئے	میں شرکت کی
جناب بشیر بی عمر	چیرمین	5	5
جناب فضل الرحمان	ڈائریکٹر	5	5
جناب رمضان اے، الحاج	ڈائریکٹر	5	5
جناب حق نواز	ڈائریکٹر	5	2
جناب عابد عزیز	مینجنگ ڈائریکٹر	5	5
خالد ایس ٹی بنر جوبہ	ڈپٹی مینجنگ ڈائریکٹر (2017/03/31)	1	1
جناب خالد جمعہ الزرزور	ڈپٹی مینجنگ ڈائریکٹر (2017/04/05)	4	4

خزانہ اور فنڈ مینجمنٹ (TFM)

ہمارے TFM کے شعبے نے کاروباری اکائیوں کے لیے مسابقتی زرخوں پر وسائل کو متحرک کرنے کے علاوہ کمپنی کے بنیادی کاروبار کی آمدنی میں اضافے کے لیے ثانوی منڈی میں سرمایہ کاری اور منتخب ڈیٹ (debt) کے قرض سازی میں سرمایہ کاری جاری رکھیں۔ سال کے دوران TFM نے قرضے کے سرمائے پر 101.65 ملین پاکستانی روپے اثاثے میں اضافہ اور 691 ملین پاکستانی روپے کی سودی آمدنی حاصل کی۔ سال 2017 میں سرمایہ کاری منڈی کے ٹریژری بلز (MTBs)، مختصر دورانیہ کے پاکستانی سرمایہ کاری بانڈز (PIBs) میں محدود (concentrated) رہی۔ مجموعی کلی معیشت (macroeconomic) کے حالات کو مد نظر رکھتے ہوئے SBP نے سال کے اختتام کے بعد سودی نرخ میں 25bps کا اضافہ کر دیا جس کی وجہ سے حکومتی تمسکات میں سرمایہ کاری کی حوصلہ افزائی کے لیے ترغیب دی۔

تمسکات پورٹ فولیو مینجمنٹ (SPM)

سال 2017 کے پہلے نصف میں پاکستان اسٹاک ایکسچینج نے، گو کہ عارضی، غیر معمولی نمود کھائی۔ PSX 100 اشاریہ نے بھی حجم اور قدر کی مد میں غیر معمولی نئی بلندیوں کو چھوا۔ تاہم سرحدی منڈی سے ابھرتی ہوئی منڈی انڈیکس کے بدلنے سے منڈی نے 10,000 پوائنٹس کی بلند ترین گراوٹ دیکھی؛ سال کے دوسرے نصف میں KSE 100 نے غیر مستحکم حجم کا رجحان برقرار رکھا۔ کم سے کم سرمایہ کی پابندی (MCR) میں کمی کی وجہ سے عائد پابندیوں کے باوجود ہمارے SPM شعبے نے مجموعی خطرہ کے لیے رغبت کی اور دستیاب وسائل بنیاد پر تقریباً 17.5 فیصد کی آمدنی دکھائی۔

مالیاتی جھلکیاں

مالیاتی نتائج اور مالیاتی صورتحال کا مختصر خلاصہ درج ذیل ہے؛

	2017	2016
اختتام سال کے بقایاجات	**پاکستانی روپے 000 میں**	
کل اثاثہ جات	**19,162,930**	18,895,441
کل مالیاتی ذمہ داریاں	**14,608,015**	14,134,026
خالص اثاثہ جات	**4,554,915**	4,761,415
حصص کنندگان کا ملکیتی سرمایہ (خالص)		
حصصی سرمایہ	**6,141,780**	6,141,780
ذخائر	**311,650**	302,094
جمع شدہ مجموعی نقصان	**(1,740,780)**	(1,774,710)
ذیلی مجموعہ	**4,712,650**	4,669,164
اثاثہ جات دوبارہ قدر پیمائی پر اضافہ / کمی - محصول کا خالص	**(157,735)**	92,251
مجموعہ	**4,554,915**	4,761,415
برائے سال		
منافع قبل از محصول	**84,124**	1,031,819
منافع بعد از محصول	**47,781**	791,170
آمدنی فی حصص (پاکستانی روپے)	**78**	1,288

کمپنی منافع بعد از محصول کا 20 فیصد کی مالیت کے مساوی رقم دستوری ذخائر میں منتقل کر دیا ہے جو مروجہ قانونی ضروریات کے مطابق ہے۔

کمپنی کو کم سے کم سرمایہ رکھنے کی ضرورت (MCR) میں درپیش کمی کو مد نظر رکھتے ہوئے مقسمہ آمدنی (بونس یا نقد) کی حصص یافتگان میں تقسیم کے لیے کسی رقم پر غور نہیں کیا جا سکا ہے۔ تاہم ہم پر اعتماد ہیں کہ جیسے ہی ایک مرتبہ 2 ارب پاکستانی روپے کے سرمایہ کی فراہمی کا معاملہ مکمل ہوا جس سے کمپنی کی MCR کی تعمیل بھی مکمل ہوتے ہی کمپنی مناسب منافع کمانے لگے گی اور اس قابل ہوگی کہ اپنے حصص یافتگان کی مقسمہ منافع تقسیم کر سکے گی۔

اداراتی اور مالیاتی رپورٹنگ کے ڈھانچے پر بیان

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیت (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط تخمینوں پر رکھی ہے۔ مزید یہ کہ ان پالیسیوں میں تبدیلیوں کو مناسب طور پر بیان کیا گیا ہے۔
- پاکستان میں DFIs پر قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
- کمپنی کی ایک جاری رہنے والے ادارے کے طور پر چلتے رہنے میں کوئی شبہ نہیں ہے۔
- مستقبل میں محصول کی غیر یقینی ضروریات کو مالیاتی دستاویزات میں ظاہر کر دیا گیا ہے۔
- اداراتی نظم وضبط کی بہترین مشقوں (practices) سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- اندرونی نگرانی کا نظام اور اندرونی نگرانی کی مالیاتی رپورٹنگ کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور نگرانی کی جاتی ہے۔
- گذشتہ چھ سالوں کے آپریشنل اور مالیاتی اعداد و شمار کا خلاصہ منسلک ہے۔

اداراتی سماجی ذمہ داری

کمپنی ہمیشہ سے اپنی سماجی ذمہ داری پوری کرنے کے لیے مستعد رہی ہے اور مستقبل میں بھی اس محاذ پر کوششیں جاری رکھے گی۔ تاہم، کمپنی کی کارکردگی کے باوجود، ہم بینک دولت پاکستان کے کم سے کم سرمایہ کی پابندی اور دیگر قوائد وضوابط کی وجہ سے ہم نمایاں اور معروف خیراتی اداروں کی مدد نہیں کر سکے۔

بورڈ کی ساخت

سال کے دوران 31 مارچ 2017 پر جناب خالد ایس۔ ٹی۔ بنرجوبہ، LAFICO کے نامزد ایگزیکیٹو ڈائریکٹر کی جگہ جناب خالد جمعہ الزرزور لے چکے ہیں۔ قانونی ضوابط کی کاروائیوں کے بعد انہوں نے 5 اپریل 2017 کو اپنا دفتر سنبھالا۔ مزید، بعد از اختتام سال، گورنمنٹ آف پاکستان کے 22 جنوری 2018 کے اجرا کردہ مراسلہ نمبر-F. No 1(3) Inv-IV/2007 کے مطابق حکومت پاکستان کے نامزد کردہ نان ایگزیکیٹو ڈائریکٹر جناب حق نواز کی جگہ جناب محمد طاہر نے لے لی ہے۔

ناظمین کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2017 کو اختتام پذیر سال پر ہم پاک لیبیا ہولڈنگ کمپنی لمیٹڈ ("پاک لیبیا") کی ڈائریکٹرز رپورٹ بمع تصدیق شدہ سالانہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں

معیشت

سال 2017 پاکستان کی لئے ایک مثالی سال ثابت نہ ہوا۔ معاشی ترقی کی رفتار سال کے دوسرے نصف میں محدود رہی جس کی بنیادی وجہ وزیر آعظم کی ان کے دفتر سے نااہلی کے بعد پیدا ہونے والا سیاسی عدم استحکام تھا۔ مزید یہ کہ جاری کھاتے کا بڑھتا ہوا تشویش کن خسارہ، کم ہوتے ہوئے ذخائر اور اقتصادی خسارہ کا نتیجہ پاکستان کی طویل المدت ملکی اور غیر ملکی کرنسی کے اجرا کرنے والے کی مالی ذمہ داریاں پوری کرنے میں ناکامی اس کی درجہ بندی "مستحکم" سے "منفی" ہوگئی۔ پاکستان مشکل حالات کے گھیراؤ (vicious cycle) کی وجہ سے قرضہ میں اضافہ جاری رہا اور عالمی منڈی کے ذریعے سکوک اور یورو بانڈ سے 2.5 ارب امریکی ڈالر قرضہ جات حاصل کیے۔ ریاست کی لیے اس قرضہ کا صرف مثبت پہلو یہ تھا کہ الیکشن سے پہلے مزید قرضہ کے لیے اس کی انٹرنیشنل مانیٹری فنڈ (IMF) کے پاس جانے سے گریز کیا۔

پاکستان کی دوبارہ سے سرحدی منڈی سے ابھرتی (Emerging) ہوئی منڈی نے سرمایہ کاروں کا اعتماد بلند رکھا اور مئی 2017 میں PSX نے 53,000 کے لیول کے نشان کو عبور کیا لیکن اس تیزی کے رجحان کو قائم نہ رکھ سکا اور بازار حصص بدستور بہت تغیر پذیر رہا اور سال کے اختتام پر اس میں 23 فیصد کمی پر بند ہوا۔ تمام معاشی اشاروں کو مد نظر رکھتے ہوئے بینک دولت پاکستان (SBP) نے جنوری 2018 کے اپنی مالیاتی پالیسی کے اعلامیہ میں پالیسی نرخ میں 25bps کا اضافہ کردیا۔

جاری کاوشیں قابل غور ہیں کیونکہ معیشت طویل المدت مسائل کا سامنا کرتی رہے گی جن میں شامل ہیں ضرورت سے بڑھتا ہوا تجارتی خسارہ اور قرضہ جات کی ادائیگی کے معاملات، تیل کی قیمتوں کا بڑھتا ہوا رجحان، ناکافی محصولات کی اصلاحات، موجودہ غیر یقینی سیاسی صورتحال، دہشت گردی اور عالمی امن کی کوششیں بشمول ان کے اندرونی امن و امان کی صورتحال پر اس کے اثرات۔

آئندہ کے لیے، مضبوط اور مستحکم پاکستان کا نصب العین (vision) کا حصول موزوں سماجی-اقتصادی پالیسوں کے موئثر نفاذ اور CPEC سے متعلق منصوبوں پر کامیابی سے عملدرآمد سے مشروط ہے

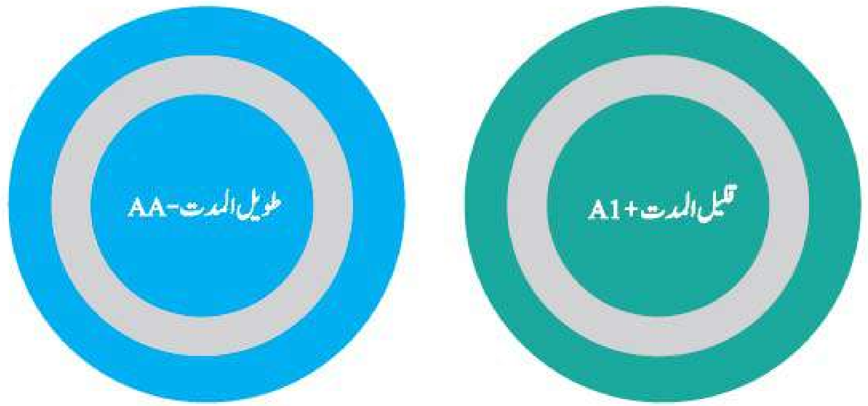
آپریشن کا جائزہ

کمپنی نے حالیہ ماضی میں اتار چڑھاؤ دیکھا؛ باوجودیکہ متعدد مشکلات کے سال 2017 میں کمپنی کے نتائج مثبت رہے اور کمپنی نے 84.12 ملین پاکستانی روپے کا منافع قبل از محصول کمایا۔

موجودہ اور بڑھتے ہوئے ضوابط کی پابندیاں جو سرمایہ کو قائم رکھے ہوئے ہیں، منظم اور سیالیت (liquidity) کے ساتھ ساتھ ان کو اپنانے کے لیے اٹھائے جانے والے اقدامات کمپنی کے منافع بخش آپریشن اور مجموعی طور زیادہ محفوظ اور لچکدار مالیاتی نظام کی تیاری انتہائی اہم ہیں۔ جبکہ ہم نے اپنا محتاط نقطہ نظر کو برقرار رکھا، اعلیٰ پائے کا ایڈانس پورٹ فولیو کا تشکیل اور اس کو برقرار رکھنے کے ساتھ یہ بھی اہم تھا کہ بنیادی کاروبار کی آمدن کے علاوہ دیگر کاروباری مواقعوں کو منافع بخش بنا کر کی جائے۔ اس لیے اثاثہ جات کا آمیزہ (mix) ڈیٹ تمسکات میں سرمایہ کاری میں نمایاں رہا کیونکہ حصص منڈی میں تغیر پذیری اور خاص طور پر سال کے دوسرے نصف میں KSE 100 کی بے کیف کارکردگی نے حصص منڈی سے سرمایہ کاروں کے لیے منافع کے حصول کے امکانات کو محدود کر دیا تھا۔

ضمناً، نئی کریڈٹ لائن کے لیے بھی گفت وشنید ہوئی تا کہ سیالیت میں پیدا ہونے والے شگاف کو دور کیا جاسکے اور ہنگامی ضرورت کے فنڈ کی منصوبہ بندی کو یقینی بنایا جاسکے۔

سال 2017 کے لیے پاکستان کی کریڈٹ ریٹنگ ایجنسی (PACRA) نے پاک لیبیا کی گذشتہ سال کی کریڈٹ درجہ بندی کو برقرار رکھا جو درج ذیل ہے؛



یہ درجہ بندیاں قرضہ جات کی وصولیابی کے کم خطرے کی نشاندہی کرتی ہے اور مالیاتی ادائیگیوں کی یقین دہانیوں کی بروقت ادا کرنے کی انتہائی مضبوط صلاحیت کو ظاہر کرتی ہیں

ایک انضمام شدہ (Consolidated) نقطہ نظر

ہمارے کاروبار کی ہر اکائی نے انتظامیہ کی کاروباری حکمت عملی کی معاونت کی ہے اور اس طرح سے کمپنی کو منافع بخش بنانے میں اپنا نمایاں حصہ ڈالا۔ سال 2017 کے دوران ہمارے کاروباری اکائیوں کی کارکردگی کی جھلکیاں درج ذیل ہیں۔

اداراتی اور سرمایہ کاری بینکاری (CIB)

کمپنی کی بنیادی کاروباری سرگرمیوں کو مد نظر رکھتے ہوئے کریڈٹ پورٹ فولیو میں اضافے کے لیے خاصی اہم کوششیں کی ہیں۔ CIB کا خالص کریڈٹ پورٹ فولیو 3,093.9 ملین پاکستانی روپے تک پہنچ گیا جو گذشتہ سال 2,428.5 ملین پاکستانی روپے تھا۔ اگرچہ خالص سودی آمدنی (NII) گذشتہ سال کے مقابلے میں کم ہوا ہے جس کی بنیادی وجہ سال 2017 کے اختتام تک گھٹتے ہوئے سودی نرخ ہیں اور قرضہ جات کی فراہمی سال کے آخری حصے میں ہوئی جس کا مثبت اثر سال 2018 میں ہوگا۔ مزید یہ کہ مجموعی کریڈٹ پورٹ فولیو کو سہارے کے لیے سال 2016 کے دوسرے نصف میں کمپنی نے SME اور ریٹیل بینکاری کے آپریشنز آغاز کیا۔

SME اور ریٹیل بینکاری (SME-RB)

SME سیکٹر میں ممکنہ منڈی میں حصہ کے حصول کے مقصد کے ساتھ SME کے مخصوص ذیلی سیکٹرز کی شناخت کی، متعدد مصنوعات تیار کیں اور کاروباری ٹیم کے اہداف متعین کیے گئے۔ سال کے دوران شعبہ گاڑیوں، لیز فنانسنگ اور جائیداد کو رہن رکھ کر کاروباری قرضہ جات کی فراہمی میں مصروف عمل رہا؛ اور مجموعی طور پر دونوں سیکٹرز میں بڑھتی ہوئی سرگرمیوں سے پیدا ہونے والی طلب مستحکم اور نمایاں ہونے کی وجہ سے تقریباً 390 ملین پاکستانی روپے مالیت کے قرضہ جات کی ادائیگیاں کی گئیں۔

انتظامیہ نے CIB اور SME-RB کے لیے گاہکوں کے انتخاب کے سلسلے میں سخت خطرہ کے تخمینہ اور قرضہ کی فراہمی کے بعد سخت نگرانی میں اضافی احتیاط کا طریقہ اختیار کیا۔

CONSOLIDATED FINANCIAL STATEMENTS 2017

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Pak Libya Holding Company (Private) Limited ("Pak-Libya") along with annual audited consolidated financial statements and the auditor's report thereon for the year ended 31 December 2017.

A brief summary of the financial results and financial position is as follows:

	2017 (PKR in thousands)
Year-end balances:	
Total assets	19,162,456
Total liabilities	14,608,015
Net assets	4,554,441
Shareholders' equity (net):	
Share capital	6,141,780
Reserves	311,650
Accumulated loss	(1,741,254)
Sub total	4,712,650
Surplus/(deficit) on revaluation of assets – net of tax	(157,735)
Total	4,554,441
For the year:	
Profit before taxation	83,649
Profit after taxation	47,306
Earnings per share (Rs.)	77

Comments of Auditors in their Audit Report

The Company auditors have added emphasis of matter paragraphs in their audit report. They have drawn attention to note 1.2 to the accompanying consolidated financial statements and stated that the State Bank of Pakistan (SBP) has granted exemption to the Company from the required minimum paid-up capital (free of losses) of Rs. 6 billion till 30 June 2018.

The opinion of auditors is not qualified in respect of the above matter.

Auditors

The present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants (A member firm of Grant Thornton International Ltd) retire and being eligible, have offered themselves for re-appointment. The Audit Committee has recommended re-appointment of auditors for the year ending 31 December 2018 which has been endorsed by the Board of Directors.

Acknowledgements

On behalf of the Board and the Management, we would like to express our sincere gratitude to the customers and all stakeholders of Pak-Libya for their confidence that they continue to repose in the Company. We would also like to express our appreciation to the shareholders; LAFICO and SBP, including MoF, for their continued support and guidance and to the employees of the Company for their steadfast trust and loyalty.

On behalf of the Board of Directors

Khaled Joma Ezarzor
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 23 March 2018

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PakLibya

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated statement of financial position of **Pak Libya Holding Company (Private) Limited** (the Company) and its subsidiary company (the Group) as at **December 31, 2017** and the related consolidated profit and loss account, consolidated statement of comprehensive loss, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the "consolidated financial statements") for the year then ended. We have also expressed separate opinions on the financial statements of Pak Libya Holding Company (Private) Limited and its subsidiary Kamoke Powergen (Private) Limited. These consolidated financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pak Libya Holding Company (Private) Limited and its subsidiary company as at December 31, 2017 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 1.2 to the accompanying consolidated financial statements which explains that State Bank of Pakistan (SBP), has granted further exemption to the Company from the required minimum paid-up-capital (free of losses) of Rs. 6 billion till 30 June 2018 and has advised the Company to pursue the case with ministry of finance for equity injection in the Company by the Government of Pakistan.

Our opinion is not qualified in respect of the above matter.

Karachi
Date: March 29, 2018

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 (Rupees in '000)
ASSETS		
Cash and balances with treasury banks	5	28,328
Balances with other banks	6	88,495
Lendings to financial institutions	7	4,000,000
Investments	8	9,695,440
Advances	9	3,593,084
Operating fixed assets	10	81,302
Deferred tax asset - net	11	85,330
Other assets	12	1,590,477
		19,162,456
LIABILITIES		
Bills payable		-
Borrowings	13	14,367,132
Deposits and other accounts	14	39,000
Sub-ordinated loans		-
Liabilities against assets subject to finance lease		-
Deferred tax liabilities		-
Other liabilities	15	201,883
		14,608,015
NET ASSETS		4,554,441
REPRESENTED BY		
Share capital	16	6,141,780
Reserves	17	311,650
Accumulated loss		(1,741,254)
		4,712,176
Deficit on revaluation of assets - net of tax	18	(157,735)
		4,554,441
CONTINGENCIES AND COMMITMENTS	19	

The annexed notes 1 to 42 and Annexures I & II form an integral part of these consolidated financial statements.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

PakLibya

	Note	2017 (Rupees in '000)
Mark-up / return / interest earned	21	1,016,924
Mark-up / return / interest expensed	22	752,303
Net mark-up / interest income		264,621
Provision against non-performing advances - net	9.3.1	26,427
Reversal of provision against lendings to financial institutions	7.3	(2,504)
Provision for diminution in the value of investments - net	8.13	25,190
Bad debts written-off directly		-
		49,113
Net mark-up / interest income after provisions		215,508
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income		19,733
Dividend income		39,294
Income from dealing in foreign currencies		-
Gain on sale of securities - net	23	249,916
Unrealised loss on revaluation of investments classified as 'held-for-trading'		(968)
Other income	24	10,240
Total non mark-up / interest income		318,216
		533,724
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	25	404,766
Other (reversals) / provisions / write offs	26	15,537
Other charges	27	29,771
Total non mark-up / interest expenses		450,074
		83,649
Extraordinary / unusual items		-
PROFIT BEFORE TAXATION		83,649
Taxation		
- current		65,329
- prior years		(30,021)
- deferred		1,036
	28	36,344
PROFIT AFTER TAXATION		47,306
		(Rupees)
Earnings per share - basic and diluted	29	77

The annexed notes 1 to 42 and Annexures I & II form an integral part of these consolidated financial statements.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 (Rupees in '000)
Profit after taxation	47,306
Other comprehensive income - net	
Items not to be reclassified in profit and loss account in subsequent periods	
Actuarial loss on defined benefit plan	(4,294)
Total comprehensive income for the year	43,012
Components of comprehensive income not reflected in equity	
Deficit on revaluation of 'available-for-sale securities' - net of tax*	(249,986)
Total comprehensive loss	(206,974)

*Surplus / (deficit) arising on revaluation of 'Available-for-sale securities' - net of tax has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on 26 June 2014.

The annexed notes 1 to 42 and Annexures I & II form an integral part of these consolidated financial statements.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

PakLibya

	Note	2017 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		83,649
Less: Dividend income		(39,294)
		44,356
Adjustments:		
Depreciation	10.1	30,390
Amortisation	10.3	1,146
Provision against non-performing loans and advances - net	9.3.1	26,427
Unrealised loss on revaluation of investments classified as 'held-for trading'		968
Reversal of provision against lendings to financial institutions		(2,504)
Reversal of provision against other assets - net	12.2	15,537
Provision for diminution in the value of investments - net	8.13	25,190
Gain on sale of operating fixed assets	24	(15)
		97,138
		141,494
(Increase) / decrease in operating assets		
Lendings to financial institutions		(200,000)
Investments classified as 'held-for-trading'		(4,986,243)
Advances		(781,949)
Other assets (excluding advance taxation)		159,104
		(5,809,088)
Increase / (decrease) in operating liabilities		
Borrowings		975,228
Deposits and other accounts		(424,117)
Other liabilities		(81,417)
		469,694
		(5,197,900)
Income tax paid		(81,382)
Net cash used in operating activities		(5,279,282)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in 'available-for-sale' securities - net		8,590,735
Investment in subsidiary		5,000
Investments in 'held-to-maturity' securities - net		(457,204)
Dividend received		39,569
Investments in operating fixed assets - net		(25,134)
Proceeds on sale of operating fixed assets		15
Net cash generated from investing activities		8,152,981
Increase in cash and cash equivalents		2,873,698
Cash and cash equivalents at beginning of the year		793,125
Cash and cash equivalents at end of the year	30	3,666,823

The annexed notes 1 to 42 and Annexures I & II form an integral part of these consolidated financial statements.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		Reserves			
		Capital reserve	Revenue reserve		
	Issued, subscribed and paid-up capital	Statutory reserve (refer note 17)	Accumulated loss	Total Reserve	Total
	---------- (Rupees in '000) ----------				
Balance as at 01 January 2017	6,141,780	302,094	(1,774,710)	(1,472,616)	4,669,164
Total comprehensive income for the year					
Profit after taxation for the year ended 31 December 2017	-	-	47,306	47,306	47,306
Other comprehensive income	-	-	(4,294)	(4,294)	(4,294)
	-	-	43,012	43,012	43,012
Transfer to statutory reserve	-	9,556	(9,556)	-	-
Balance as at 31 December 2017	6,141,780	311,650	(1,741,254)	(1,429,604)	4,712,176

The annexed notes 1 to 42 and Annexures I & II form an integral part of these consolidated financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khaled Joma Ezarzor
Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Pak-Libya Holding Company (Private) Limited (the Holding Company) and its wholly owned subsidiary company, Kamoki Powergen (Private) Limited. Brief profile of the Holding Company and its Subsidiary Company is as follows:

The Holding Company

1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Holding Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure for further thirty years upto 14 October 2038. The objectives of the Holding Company interalia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Holding Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has one sales and service center located at Lahore. Effective 05 August 2012, activities of Islamabad office have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs.6 billion. The paid-up capital of the Company (free of losses) as of 31 December 2017 amounted to Rs.4.401 billion.

The Board of Directors (BOD) of the Company in its meeting held on 09 December 2012 and 10 December 2012, recommended the shareholders for increase in paid-up capital by Rs.4 billion in the year 2013. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company.

Further, the Chairman of the Company (Libyan Nominee) in the Board meeting held on 26 April 2014 informed that BOD of Libyan Foreign Investment Company (LAFICO) has given approval for the capital injection of Rs.2 billion with a condition of simultaneous injection of additional capital by Government of Pakistan (GOP).

In this regard, SBP has been reviewing the progress and performance of the Company and the Company has been following up the matter of additional capital injection with the Ministry of Finance (MOF). Considering the favorable performance of the Company, both Shareholders in the Annual General Meeting (AGM) held on 15 April 2016 revisited the required additional capital and agreed to reduce the capital injection from Rs.4 billion to Rs.2 billion (Rs.1 billion by each shareholder).

The SBP vide its letter no. BPRD/BA&CP/657/134/2017 dated 03 January 2017 had granted further extension in the exemption for meeting the minimum paid-up capital (free of losses) requirement till 30 June 2017 and had advised the Company to pursue the matter of capital injection with Finance Division and provide specific timeline for equity injection by the GOP in the Company by 31 March 2017. The management of the Company proposed shareholders to inject the additional Capital in tranches, for which the timeline has not been decided yet. However, GOP's firm commitment to inject additional capital in the Company has not been received till date. Further, the Company has applied to SBP for further extension in relation to regulatory minimum capital requirement. In this regard during the year, the Company has submitted a 3 year plan to SBP to demonstrate its ability to meet the MCR through organic growth, as advised by the SBP. Subsequently, MOF vide its letter no. F.2(1) Inv-IV/2014 dated 16 January 2018 has stated that in the last quarter of current Financial Year, after a review of fiscal space, injection of equity would be given due consideration. Consequently, SBP vide its letter No. BPRD/BA&CP/657/5114/2018 dated 07 March 2018 granted relaxation in MCR till 30 June 2018.

Subsidiary Company

1.3 Kamoke Powergen (Private) Limited (the Company) (KPL) was incorporated in Pakistan as a private limited company on 07 February 2017. The principal objective of the Company, as per formation documents, is generating, transforming, converting, selling, supplying and dealing in electricity and all other forms of allied products and services and promoting the conservation and efficient use of electricity for generation, sale and supply. The Company is wholly owned subsidiary of Pak Libya Holding Company (Private) Limited. The Company has been established as a Special Purpose Vehicle (SPV) and applied for the power generation license from NEPRA to increase the salability of assets of Kamoki Energy Limited (KEL). Approval from State Bank of Pakistan (SBP) was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016. The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (repealed - note 2.1), the Banking Companies Ordinance 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. The approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). Wherever the requirements of the Ordinance (repealed - note 2.1), the Banking Companies Ordinance, 1962 or the directives issued by SECP and SBP differ with the requirements of these standards, the requirements of the Ordinance or the said directives prevail.

2.1 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 (the Act) on 30 May 2017. However, SECP vide its circular No. 23 dated 04 October 2017 allowed companies whose financial year closes on or before 31 December 2017 to prepare the consolidated financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Act does not impact the financial statements of the Group for the year ended 31 December 2017.

The SBP through its BSD circular No. 11 dated 11 September 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement', and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. The SECP has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the annual audited unconsolidated financial statements for the year ended 31 December 2016 other than those disclosed in note 4.1 below:

4.1 New Standards, Interpretations and Amendments

The Group has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 7 - Disclosure Initiative	01 January 2017
IAS 12 - Recognition of Deferred Tax (Amendments to IAS 12)	01 January 2017
IFRS 12 - Annual Improvements to	01 January 2017

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended 31 December 2017.

Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on 01 January 2017 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

4.2 Basis of consolidation

Subsidiary

The parent consolidated the investees in which it controls the composition of the Board or exercises or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies.

Subsidiary company is consolidated from the date on which more than one-half of the voting securities are transferred to the parent or power to control the entity is established and excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiary company are prepared for the same reporting period as the parent for the purpose of consolidation using consistent accounting policies.

The assets, liabilities, income and expenses of subsidiary have been consolidated on line by line basis and the carrying value of investment in subsidiary held by the parent is eliminated against equity in the financial statements. Inter-company balances have been eliminated.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.4 Revenue recognition

Dividend income is recognised when the Group's right to receive payment is established.

Gain on sale of shares is recognised at the time of sale of relevant shares.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates, sukuks, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis using the effective interest method except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Premium or discount on debt securities is amortised using the effective interest method and taken to consolidated profit and loss account.

The Group 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.

4.5 Advances including net investment in finance leases

Advances are stated as net of provisions for bad and doubtful debts, if any, which are charged to the consolidated profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Group determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to consoldiated profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets are transferred to the lessee, such leases are classified as finance lease.

A receivable is recognised at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

Provisions

Specific

Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the consolidated profit and loss account.

General provision

General provision is maintained on consumer financing portfolio in accordance with the requirements of Prudential Regulations for Consumer Financing issued by SBP and charged to the consolidated profit and loss account.

4.6 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account.

The Group has classified its investments, except for strategic investment in joint venture, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are 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. These are carried at market value, with the related gain / (loss) on revaluation being taken to consolidated profit and loss account.

Intra day trading
The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale

These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost being its fair value which includes transaction costs associated with the investment. These are carried at market value except for unlisted securities where market value is not available, which are carried at lower of cost and break-up value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unlisted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' below equity is included in the consolidated profit and loss account for the period.

The Group amortises the premium / discount on acquisition of government securities using the effective yield method.

Provision for diminution in value of investments for unlisted debt securities is calculated as per the SBP's Prudential Regulations.

The Group follows the 'Settlement date' accounting for investments.

Gains and losses arising on sale of investments are recognised in the consolidated profit and loss account.

4.7 Operating fixed assets

4.7.1 Owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the consolidated profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

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

Assets are derecognised when no future economic benefit is expected from its use or disposal. Profit or loss on sale or retirement of fixed assets is included in the consolidated profit and loss account.

4.7.2 Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.7.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight line method over their estimated useful lives after taking into account the residual value, if any.

Amortisation on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

Amortisation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no amortisation is charged on additions during the second half of the month and disposals in the first half of the month.

4.8 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.

Deferred

The Group accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.9 Staff retirement benefits

Defined benefit plan

- **Gratuity Fund**

The Group operates a funded gratuity scheme for all its permanent employees in accordance with the human resource policy of the Group and terms of employment for managing director and deputy managing director. Contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised).

The last actuarial valuation of the scheme was carried out as at 31 December 2017. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

- **Benevolent Fund**

The Group operates a benevolent fund scheme for its employees where equal fixed contributions are being made by employees and the Group. Employees or their legal heirs are entitled to certain pre-defined benefits on happening of specified events including retirement, incapacitation, marriage and death etc. as per their entitlement. Contributions paid by Group to the fund are included in expenses for the period.

Defined contribution plan

The Group also operates a recognised provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at a rate of 3.5 and 4 (2016: 3.5 and 4) percent respectively and 10 percent of salary for the managing director and deputy managing director, as applicable. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of the future payments is available.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the consolidated statement of financial position date.

The Group recognises provision for compensated absences on the basis of actuarial valuation under Projected Unit Credit Method. The last actuarial valuation was carried out as at 31 December 2017.

4.10 Securities under repurchase / resale agreements

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 investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

4.11 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

4.12 Foreign currencies

Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in the consolidated profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

4.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The provision is charged to the consolidated profit and loss account net of expected recovery and the provision is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.14 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount reported in the statement of financial position if the Group 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.

4.15 Dividend and reserves

Dividend declared and appropriations, except for transfer of statutory reserve, made subsequent to the balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

4.16 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for bad and doubtful advances including net investment in lease (note 4.5)

b) Classification and provisioning of investments (note 4.6)

c) Depreciation of property and equipment and amortisation of intangible assets (note 4.7)

d) Assumptions and estimation in recognition of deferred taxation (note 4.8)

e) Accounting for defined benefit plan and compensated absences (note 4.9)

f) Impairment (note 4.21)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group's primary format of reporting is based on its business segments for which individual business strategies are formulated based on Group's overall business strategy and implementation plan.

Business segments

Following are the main segments of the Group:

Corporate & Investment Banking	Includes loans, advances, lease financing, advisory services, mergers and acquisitions and other such corporate and investment banking transactions.
Treasury	Undertakes Group'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 interbank market and manages the interest rate risk exposure of the Group.
Capital Market	Undertakes trading and investment primarily in listed securities with an aim to earn trading gains from market fluctuation and to hold securities for dividend income and price appreciation in the form of capital gain.
SME & Retail Banking	Undertakes SME and Retail Finance activities via bills discounting, business loans against mortgaged property, auto-lease financing and consumer financing.

Geographical segments

The geographical spread of Group's operations is limited to Pakistan only.

4.18 Borrowing cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.20 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

4.21 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in consolidated profit and loss account.

4.22 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendements to IFRS 2)	01 January 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	01 January 2018
IFRIC 22 - Foreign Currency	01 January 2018
IAS 40 - Transfers of Investment	01 January 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRIC 23 - Uncertainty over Income	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	01 January 2019
Annual Improvements to IFRSs 2015	01 January 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	01 January 2019

The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021
IFRS 16 – Leases	01 January 2019

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2017 (Rupees in '000)
Cash in hand		
Local currency		30
Foreign currency		-
Balances with State Bank of Pakistan (SBP)		-
Local currency current account	5.1	27,749
Balances with National Bank of Pakistan (NBP)		-
Local currency current account		549
		28,328

5.1 This includes a balance required to be maintained with the SBP by the Group in accordance with the SBP's regulations for cash reserve requirements.

6. BALANCES WITH OTHER BANKS

	Note	2017 (Rupees in '000)
In Pakistan		
Current accounts		30,297
Deposit accounts	6.1	58,198
		88,495

6.1 The return on these balances ranges from 3.75 to 4.00 percent per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

7.1 In local currency

	Note	2017 (Rupees in '000)
Placements		33,064
Repurchase agreement lendings (reverse repo)		-
Term deposit receipts	7.2	4,000,000
Less: Provision against placements	7.3	(33,064)
	7.4	4,000,000

7.2 Term deposit receipts carry mark-up at rates ranging from 6.55 to 8.00 percent per annum. These are due to mature between 05 January 2018 and 05 September 2018.

7.3 Provision against lendings

	2017 (Rupees in '000)
Opening balance	35,568
Charge for the year	-
Less: Reversal during the year	(2,504)
Net reversal for the year	(2,504)
Closing balance	33,064

7.4 Particulars of lendings

	2017 (Rupees in '000)
In local currency	4,000,000

8. INVESTMENTS

8.1 Investments by types

	Note	2017 Held by the Group	Given as collateral	Total
		(Rupees in '000)		
Held-for-trading securities				
Market Treasury Bills	8.3.1	862,620	4,123,623	4,986,243
Available-for-sale securities				
Pakistan Investment Bonds	8.3.2	946	1,628,558	1,629,504
Listed ordinary shares	8.4	1,247,542	-	1,247,542
Unlisted ordinary shares	8.5	52,801	-	52,801
Unlisted preference shares	8.6	300,000	-	300,000
Listed Term Finance Certificates	8.7	444,531	-	444,531
Unlisted Term Finance Certificates	8.8	1,421,992	-	1,421,992
Unlisted sukuks	8.9	253,859	-	253,859
		3,721,671	1,628,558	5,350,229
Held-to-maturity securities				
Commercial paper	8.10	457,204	-	457,204
Unlisted Participation Term Certificates (PTCs)	8.11	6,366	-	6,366
		463,570	-	463,570
Strategic investment in joint venture - Kamoki Energy Limited				
Unlisted ordinary shares - net	8.12.2	404,867	-	404,867
Investment at cost		5,452,728	5,752,181	11,204,909
Less: Provision for diminution in the value of investments	8.13	(1,321,926)	-	(1,321,926)
Investments (net of provisions)		4,130,802	5,752,181	9,882,983
Deficit on revaluation of 'held-for-trading' securities		(168)	(800)	(968)
Deficit on revaluation of 'available-for-sale' securities		(182,008)	(4,567)	(186,575)
Total investments		3,948,626	5,746,814	9,695,440

8.2 Investments by segments

	Note	2017 (Rupees in '000)
Federal government securities		
Market treasury bills	8.3.1	4,986,243
Pakistan investment bonds	8.3.2	1,629,504
Fully paid-up ordinary shares		
Listed	8.4	1,247,542
Unlisted	8.5	52,801
Fully paid-up preference shares		
Unlisted	8.6	300,000
Term finance certificates		
Listed	8.7	444,531
Unlisted	8.8	1,421,992
Other investments		
Sukuks - unlisted	8.9	253,859
Commercial Paper	8.10	457,204
Participation term certificates	8.11	6,366
Strategic investment in joint venture - Kamoki Energy Limited		
Unlisted ordinary shares - net	8.12.2	404,867
Total investment at cost		11,204,909
Less: Provision for diminution in value of investments	8.13	(1,321,926)
Investments (net of provisions)		9,882,983
Unrealised loss on revaluation of 'held-for-trading' securities		(968)
Deficit on revaluation of 'available-for-sale' securities		(186,575)
Total investments		9,695,440

8.3 Available-for-sale securities

8.3.1 Market Treasury Bills

The purchase yield on the market treasury bills is 5.99 percent per annum maturing by January 2018. These are held by the SBP and are eligible for rediscounting.

8.3.2 Pakistan Investment Bonds

These Pakistan investment bonds carry interest rate of 9.25 percent per annum maturing by March 2020. These are held by the SBP and are eligible for rediscounting.

8.4 Particulars of investment held in ordinary shares of listed companies - available-for-sale

Name of investee	Note	Number of shares 2017	Cost 2017 (Rupees in '000)
Commercial banks			
Habib Bank Limited		450,000	102,568
National Bank of Pakistan		700,000	44,544
MCB Bank Limited		375,000	85,659
Habib Metropolitan Bank Limited		100,000	3,397
Financial services			
Pakistan Stock Exchange (PSX)	8.4.2	1,602,953	16,060
Chemicals			
Agritech Limited	8.4.3	8,384,283	266,675
Ittehad Chemicals Limited		989,076	39,332
Pharmaceuticals			
GlaxoSmithkline Pakistan Limited		150,000	35,189
Fertilizers			
Fauji Fertilizer Company Limited		1,150,000	141,197
Engro Corporation Limited		325,000	104,161
Engro Fertilizers Limited		450,000	29,419
Non life insurance			
Pakistan Reinsurance Company Limited		1,425,000	63,885
Adamjee Insurance Company Limited		700,000	38,728
IGI Insurance Limited		130,000	48,286
Atlas Insurance Limited		237,000	19,586
Food and personal care products			
Al Shaheer Corporation Limited		650,000	35,552
Textile and composite			
Gul Ahmed Textile Mills Limited		450,000	19,252
Cable and electrical goods			
TPL Trakker Limited		1,300,000	21,953
Tecnology and communication			
TRG Pakistan Limited		200,000	7,912
Power Generation & Distribution			
Lalpir Power Limited		962,500	22,257
Pakgen Power Limited		462,000	11,400
Engineering			
International Steels Limited		100,000	13,470
Oil and gas			
Hi-Tech Lubricants Limited		125,000	11,677
Oil & Gas Development Company Limited		150,000	24,141
Attock Refinery Limited		125,000	41,242
			1,247,542

8.4.1 The nominal value of each share held in a listed company is Rs.10 per share as at 31 December 2017.

8.4.2 The Pakistan Stock Exchange (PSX) divested 40% of the shares, that were allotted pursuant to Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012, to the Chinese Consortium at a price of Rs. 28 per share. These shares were held by the Group in the blocked account; the divestment constituted 40% of the total Group's shareholding. Thereafter, the remaining 20% shares in the blocked account were further divested through book building and retail offering.

8.4.3 Additional 1,008,787 ordinary shares of Agritech Limited (Agritech) at Rs. 35 per share were purchased at a total consideration of Rs. 35.31 million, under a buy-back arrangement, signed by the investors in year 2012, during first quarter of the financial year 2016. The SBP vide its letter No.BPRD/BPD (Policy)/ 2016-14898 dated 14 June 2016 has granted relaxation to the investors for recording impairment on this investment upto 30 June 2017 in phases. Pursuant to the requirement of this letter, impairment equivalent to 100% of the required amount has been recorded by the Group as at 30 June 2017.

8.5 Particulars of investment held in unlisted ordinary shares - available-for-sale

Name of investee	%	Break-up value per share (Rupees)	Based on audited financial statements as at	Number of shares 2017	Cost 2017 (Rupees in '000)
Shareholding upto 10%					
Agro Dairies Limited CEO - Mr. Mukhtar Hussain Rizvi	*	*	*	300,000	2,301
FTC Management Company Limited CEO - Mr. Kalim Sheikh	9.1	10.00	30 June 2017	50,000	500
Pakistan Textile City Limited CEO - Mr. Muhammad Hanif	4.00	3.38	30 June 2015	5,000,000	50,000
					52,801

* Under litigation

8.5.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at 31 December 2017 and 31 December 2016.

8.5.2 During the year, the Group established a wholly owned subsidiary named Kamoke Powergen (Private) Limited with a paid-up capital of Rs. 5,000,000 representing 500,000 shares of Rs. 10 each. The Group appointed an SVP grade executive (Mr. Kashif Shabbir) as Chief Executive Officer (CEO) of KPL. KPL has been established as a Special Purpose Vehicle (SPV) to obtain power generation license from NEPRA to increase the salability of assets of KEL. SBP's approval was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016.

8.6 Particulars of investment held in unlisted preference shares - available-for-sale

Name of investee	Note	Number of shares 2017	Cost 2017 (Rupees in '000)
Electricity			
Kamoki Energy Limited (CEO Dr. Umer Masood) under liquidation	8.12.1	30,000,000	300,000

These are cumulative, convertible, redeemable and non-participatory preference shares carrying dividend at the rate of 17% per annum having face value of Rs.10 each. These are redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon will be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

The Group has made 100% provision against this investment based on the reasons as explained in note 8.12.

8.7 Particulars of investment in listed term finance certificates (TFCs) - available-for-sale

Name of investee	Number of certificates 2017	Cost 2017 (Rupees in '000)
Commercial banks		
Summit Bank Limited	79,955	398,394
Financial services		
Trust Investment Bank Limited	5,000	9,371
Jahangir Siddiqui & Company Limited	10,000	23,750
Personal goods (textile)		
Azgard Nine Limited	8,000	13,015
		444,531

8.7.1 The face value of each term finance certificate was Rs.5,000 as at 31 December 2017.

8.8 Particulars of investment held in unlisted TFCs - available-for-sale

Name of investee	Note	Name of the chief executive officer	Number of certificates 2017	Cost 2017 (Rupees in '000)
Azgard Nine Limited (4th issue)		Mr. Ahmed H. Sheikh	56,000	179,652
Azgard Nine Limited (5th issue)		Mr. Ahmed H. Sheikh	16,080	80,400
Dewan Farooque Spinning Mills Limited		Mr. Dewan Abdul Baqi Farooqui	15,000	18,750
Silk Bank Limited		Mr. Azmat Tarin	20,000	100,000
New Allied Electronics Industries (Private) Limited		Mr. Mian Pervaiz Akhtar	10,000	15,957
Pakistan International Airlines Corporation Limited	8.8.1	Dr. Musharraf Rasool	35,415	110,581
Security Leasing Corporation Limited (3rd issue)		Mr. S. Nauman Akhtar	4,000	3,081
U MicroFinance Bank Limited		Syed Umar Viqar	18,000	90,000
Bank Al-Habib Limited		Mansoor Ali Khan	60,000	300,000
JDW Sugar Mills Limited		Mr. Jahangir Khan Tareen	2	11,111
NRSP Micro Finance Bank Limited		Mr. Zahoor Hussain Khan	50,000	93,750
JS Bank Limited		Mr. Khalid Imran	40,000	199,960
Jahangir Siddiqui & Company Limited		Mr. Suleman Lalani	50,000	218,750
				1,421,992

8.8.1 No provision has been made against the investment on the basis of exposure being guaranteed by the Government as stated in Annexure V "Guidelines in the matter of classification and provisioning of assets" of Prudential Regulations R-8 of Corporate / Commercial Banking.

SBP vide its letter no. BPRD/BPD(Policy)/2015-7848 dated 04 April 2015 has allowed relaxation to the investors for their restructured debt (including this PPTFC issue) from the requirements of Prudential Regulation R-8 of Corporate / Commercial Banking upto 31 December 2015. The investment has been restructured through a TFC Investor Agreement effective from 06 May 2015.

8.9 **Particulars of investment held in unlisted sukuks - available-for-sale**

Name of investee	Name of the chief executive	Number of certificates 2017	Cost 2017 (Rupees in '000)
Security Leasing Corporation Limited (2nd issue)	Ms. Farrah Azeem	8,000	12,323
AGP Limited	Ms. Nusrat Munshi	500	45,000
Pak Elektron Limited	Mr. Murad Saigol	44,600	13,574
Hascol Petroleum Limited	Mr. Saleem Butt	20,000	85,000
TPL Trakker Limited	Mr. Ali Jameel	50	50,000
Liberty Power Technology Limited	Mr. Azam Sakarani	1,000,000	47,962
			253,859

8.10 **Particulars of investment held in unlisted commercial paper - held to maturity**

Name of investee	Name of the chief executive officer	Number of certificates 2017	Cost 2017 (Rupees in '000)
Crescent Steel & Allied Products Limited	Mr. Ahsan Saleem	2,000	191,322
Pak-Elektron Limited	Mr. Murad Saigol	280	265,882
			457,204

8.11 **Particulars of investment held in unlisted Participation Term Certificates (PTCs) - held-to-maturity**

Name of investee	Name of the chief executive officer	Number of certificates 2017	Cost 2017 (Rupees in '000)
Agro Dairies Limited	Mr. Mukhtar Hussain Rizvi	12	1,925
Qureshi Vegetable Ghee Mills Limited	Mr. Tariq Mahmud Qureshi	96	4,441
			6,366

8.12 As at 31 December 2017, the Group has the following investments / exposures in Kamoki Energy Limited (KEL) which was a joint venture project between the Group and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental power generation plant. KEL could not commence its commercial operations.

On 30 March 2012, a decision was announced by the Honorable Supreme Court of Pakistan (SCP) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Honorable SCP taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL had filed a review petition against the decision of the Court which is pending adjudication.

Keeping in view the above, the Board of Directors in their meeting, held on 09 December 2012 and 10 December 2012, had deliberated upon different alternatives in detail with respect to the exposure in KEL and thereafter decided to take exit from KEL. The Board advised the management to explore options, to sell the project to a third party.

Consequent to filing of winding up petition, for KEL, by Ameejee Valejee & Sons (Private) Limited along with certain shareholders of KEL from Tapal Family, Honorable Sindh High Court (SHC) has ordered liquidation of KEL and appointed an Official Assignee.

As per the order of Honorable SHC, M/s. Joseph Lobo (Private) Limited was appointed to carry out fresh valuation of the KEL. Subsequently, the first and second auctions were held on 29 November 2014 and 08 April 2015 respectively under the jurisdiction of Official Assignee, which, however, remained uneventful. Consequently, the Honorable SHC passed an order dated 28 April 2015 to set off the assets of KEL to the extent of forced sale value of Rs. 1,134 million against claim of the Group. Later, the SHC vide its letter dated 27 May 2015 directed that the assets of KEL be handed over to the Group. Subsequent to the said order of SHC certain claimants filed their claims, amounting to Rs.117.371 million before official assignee, the final outcome of which is still pending.

Nature of assets / exposures	Note	31 December 2017 Book value before provision	Provision held	Book value after provision
		---- (Rupees in '000) ----		
Preference shares	8.12.1	300,000	(300,000)	-
Ordinary shares	8.12.2	404,867	(404,867)	-
Total funded exposure		704,867	(704,867)	-

8.12.1 These are unlisted preference shares issued by KEL, the entire issue (100%) of these preference shares was subscribed by the Group during the year 2011. These have been fully provided due to the reasons stated above.

8.12.2 This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above. The book value represents cost of investment amounting to Rs. 500 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment is designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

8.13 Particulars of provision	Note	2017 (Rupees in '000)
Opening balance		1,296,736
Add: Adjustments during the year		-
		-
Charge for the year		45,402
Less: Reversal during the year		-
Net charge for the year		45,402
		-
Less: Reversal on disposal		(20,212)
Net charge		25,190
Closing balance	8.13.1	1,321,926

8.13.1 **Particulars of provision in respect of type and segment**

	Note	
Available-for-sale securities		
Listed shares (ordinary and preference)	8.13.2	225,842
Unlisted shares (ordinary and preference)	8.13.3	352,301
Listed / unlisted Term Finance Certificates	8.13.4	320,227
Unlisted sukuks	8.13.5	12,323
Held-to-maturity securities		
Unlisted Participation Term Certificates	8.13.6	6,366
Strategic investment in joint venture - Kamoki Energy Limited		
Unlisted ordinary shares - net	8.13.7	404,867
		1,321,926

	Note	2017 (Rupees in '000)

8.13.2 Particulars of provision against listed shares (ordinary and preference shares)

Opening balance		200,262
Charge for the year		45,402
Less: Reversal for the year		-
Net charge for the year		45,402
Less: Reversal / adjustment of provision on sale of available-for-sale ordinary and preference shares		(19,822)
Closing balance		225,842

8.13.3 Particulars of provision against unlisted shares (ordinary and preference shares)

Opening balance		352,691
Charge for the year		-
Less: Reversal during the year		-
Net charge for the year		-
Less: Reversal of provision on sale of available-for-sale ordinary shares		(390)
Closing balance		352,301

8.13.4 Particulars of provision against listed / un-listed TFCs

Opening balance		320,227
Charge for the year		-
Less: Reversal during the year		-
Net charge for the year		-
Less: Reversal on settlement		-
Closing balance		320,227

8.13.5 Particulars of provision against unlisted sukuks

Opening balance		12,323
Charge for the year		-
Less: Reversal during the year		-
Net reversal for the year		-
Closing balance		12,323

8.13.6 Particulars of provision against unlisted PTCs

Opening balance		6,366
Charge for the year		-
Less: Reversal during the year		-
Net charge for the year		-
Closing balance		6,366

8.13.7 Particulars of provision against strategic investment in joint venture - Kamoki Energy Limited - unlisted ordinary shares - net

Opening balance		404,867
Charge for the year		-
Less: Reversal during the year		-
Net charge for the year		-
Closing balance		404,867

8.14 Quality of securities / entities

	2017 Market value (Rupees in '000)	2017 Ratings
8.14.1 Held-for-trading securities		
Government securities		
Market treasury bills	4,985,276	Unrated
8.14.2 Available-for-sale securities		
Government securities		
Pakistan investment bonds (PIBs)	1,624,935	Unrated
Listed ordinary shares		
Commercial banks		
Habib Bank Limited	75,191	AAA
National Bank of Pakistan	33,992	AAA
MCB Bank Limited	79,620	AAA
Habib Metropolitan Bank Limited	3,450	AA+
Financial services		
Invest Capital Investment Bank Limited**	-	-
Pakistan Stock Exchange (PSX)	35,906	Unrated
Chemicals		
Agritech Limited	40,831	Unrated
Ittehad Chemicals Limited	25,796	Unrated
Pharmaceuticals		
Glaxosmithkilne Pakistan Limited	25,182	Unrated
Fertilizers		
Fauji Fertilizer Company Limited	90,977	AA
Engro Corporation Limited	89,294	AA
Engro Fertilizers Limited	30,474	AA-
Food and personal care products		
Al Shaheer Corporation Limited	14,443	Unrated
Textile and Composite		
Gul Ahmed Textile Mills Limited	16,686	Unrated
Non-life insurance		
Pakistan Reinsurance Company Limited	60,463	AA
Adamjee Insurance Company Limited	36,379	A+
IGI Insurance Company Limited	38,075	AA
Atlas Insurance Limited	18,116	Unrated
Cable and electrical goods		
TPL Trakker Limited	9,295	A-
Power generation and distribution		
Lalpir Power Limited	21,685	AA
Pakgen Power Limited	10,224	AA
Technology and Communication		
TRG Pakistan	5,920	Unrated
Engineering		
International Steel Limited	10,637	A+
Oil and gas		
Oil & Gas Development Company Limited	24,419	AAA
Attock Refinery Limited	29,265	AA
Hi Tech Lubricants	8,875	Unrated
	835,195	

	2017 Market value (Rupees in '000)	2017 Ratings
Unlisted ordinary shares		
Agro Dairies Limited *	-	-
FTC Management Company Limited	500	Unrated
New - VIS Credit Information Services (Private) Limited *	-	-
Pakistan Textile City Limited *	-	-
	500	
Unlisted preference shares		
Electricity		
Kamoki Energy Limited *	-	Unrated
Listed Term Finance Certificates		
Commercial banks		
Summit Bank Limited	402,892	A-
Financial services		
Trust Investment Bank Limited*	-	-
Jahangir Siddiqui & Company Limited	23,750	AA+
Personal goods (textile)		
Azgard Nine Limited - 3rd issue *	-	-
	426,642	
Unlisted Term Finance Certificates		
Azgard Nine Limited (4th issue) *	-	Unrated
Azgard Nine Limited (5th issue) *	-	Unrated
Dewan Farooque Spinning Mills Limited *	-	Unrated
JDW Sugar Mills Limited	11,111	A
Jahangir Siddiqui & Company Limited	218,750	AA+
Silk Bank Limited	100,000	A-
U MicroFinance Bank Limited	90,000	BB+
Bank Al-Habib Limited	300,000	AA+
JS Bank Limited	199,960	A+
New Allied Electronics Industries (Private) Limited *	-	-
NRSP Micro Finance Bank Limited	93,750	A
Pakistan International Airlines Corporation Limited	110,581	Unrated
Security Leasing Corporation Limited (3rd issue)*	-	Unrated
	1,124,152	
Unlisted sukuks		
Pak Elektron Limited (2nd issue)	13,574	A+
Hascol Petroleum	85,000	AA
AGP Limited	45,000	A
TPL Trakker Limited	50,000	A+
Liberty Power Technology Limited	47,962	A+
	241,536	
8.14.3 Held-to-maturity securities		
Unlisted Participation Term Finance Certificates		
Agro Dairies Limited *	-	Unrated
Qureshi Vegetable Ghee Mills Limited *	-	Unrated
Commercial paper		
Crescent Steel & Allied Products Limited	191,322	A+
Pak-Elektron Limited	265,882	A+
	457,204	

	2017 Market value (Rupees in '000)	2017 Ratings
8.14.4 Investment in joint venture		
Kamoki Energy Limited		
Unlisted ordinary shares - strategic investment - net *	-	Unrated
Total	9,695,440	

* 100% provision has been made against these investments.

Note: In case of investments, where instrument is unrated, entity rating has been stated, if applicable.

8.15 Information relating to TFCs and sukuks required to be disclosed as part of the financial statements under the SBP's BSD circular no. 4 dated 17 February 2006, is given in Annexure "I" to these financial statements.

9. ADVANCES

	Note	2017 (Rupees in '000)
In Pakistan		
Loans		4,493,456
Net investment in finance lease	9.2	212,921
Staff loans	9.5	149,709
Consumer loans and advances		58,270
Long-term financing of export oriented projects - (LTF-EOP)		60,179
Long-term financing facility (LTFF)		162,500
Advances - gross		5,137,036
Less: Provision against		
Non-performing advances - specific provision	9.3	1,543,715
Consumer loans and advances - general provision	9.3.1	237
		1,543,952
Advances - net of provision		3,593,084

9.1 Particulars of advances (gross)

		2017 (Rupees in '000)
9.1.1	In local currency	5,137,036
	In foreign currencies	-
		5,137,036
9.1.2	Short-term (for upto one year)	916,916
	Long-term (for over one year)	4,220,120
		5,137,036

9.2 Net investment in finance lease

The periodic break-up of minimum lease payments due is as follows:

	2017 Not later than one year	Later than one and less than five years	Over five years	Total
	----------	(Rupees in '000)	----------	
Lease rentals receivable	195,637	30,754	-	226,391
Residual value	51,960	9,722	-	61,682
Minimum lease payments	247,597	40,476	-	288,073
Financial charges for future periods	73,321	1,831	-	75,152
Present value of minimum lease payments	174,276	38,645	-	212,921

9.2.1 The Group has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amounts recoverable under these arrangements are receivable by the year 2019 and carry mark-up at rates ranging between 8.09 to 9.97 percent per annum. In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs.61.682 million as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 15).

9.3 Advances include Rs.1,980.90 million which have been placed under non-performing status as detailed below:

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
OAEM	251	-	251	251	-	251	-	-	-
Substandard*	399,456	-	399,456	99,864	-	99,864	21,055	-	21,055
Doubtful	-	-	-	-	-	-	-	-	-
Loss	1,581,193	-	1,581,193	1,522,660	-	1,522,660	1,522,660	-	1,522,660
2017	1,980,900	-	1,980,900	1,622,775	-	1,622,775	1,543,715	-	1,543,715

**Included herein is subjective provision on a certain exposure to the extent of 5%.*

9.3.1 Particulars of provision against non-performing advances

	2017		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	1,516,914	650	1,517,564
Charge for the year	72,763	-	72,763
Less: Reversal during the year	(45,923)	(413)	(46,336)
Net charge for the year	26,840	(413)	26,427
Less: Amounts written off	(39)	-	(39)
Closing balance	1,543,715	237	1,543,952

9.3.2 Particulars of provision against non-performing advances

	2017		
	Specific	General	Total
	(Rupees in '000)		
In local currency	1,543,715	237	1,543,952
In foreign currencies	-	-	-
	1,543,715	237	1,543,952

9.3.3 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. Nil million in respect of consumer financing and Rs.58.532 million being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

9.3.4 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

9.4 Details of loans written off of Rs.500,000 and above (refer Annexure II)

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended 31 December 2017 is given in Annexure II.

	Note	2017 (Rupees in '000)
9.5 Particulars of loans and advances to directors, associated companies etc.	37	
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons		
Balance at beginning of year		150,973
Loans granted during the year		49,454
Repayments during the year		(50,718)
Amount written off		-
Balance at end of the year		149,709

9.5.1 Particulars of loans to key management personnel

Amount due at beginning of year	59,882
Disbursements during the year	27,353
Repayments / adjustments during the year	(35,549)
	(8,196)
Amount due at end of the year	51,686

10. OPERATING FIXED ASSETS

	Note	2017 (Rupees in '000)
Property and equipment	10.1	78,395
Intangible assets	10.3	2,907
		81,302

10.1 Property and equipment

31 December 2017	Cost: As at 01 January 2017	Cost: Additions / (deletions) / adjustments	Cost: As at 31 December 2017	Accumulated depreciation: As at 01 January 2017	Accumulated depreciation: Charge for the year / (o disposal)	Accumulated depreciation: As at 31 December 2017	Net book value as at 31 December 2017	Rate (%)
	(Rupees in '000)							
Leasehold land (note 10.2.1)	1,951	-	1,951	582	22	604	1,348	1.11
Buildings on leasehold land (note 10.2.1)	80,954	872 -	81,826	57,466	1,865 -	59,331	22,495	5
Furniture and fixtures	48,225	2,264 (1,195)	49,294	35,592	4,224 (1,195)	38,622	10,672	10,15 & 25
Electrical appliances	13,202	1,007 (315)	13,894	8,238	1,153 (315)	9,076	4,818	10 & 15
Office equipment	678	- -	678	418	58 -	476	202	10
Computer equipment	28,604	3,169 -	31,773	23,080	2,573 -	25,653	6,120	30
Motor vehicles	60,728	22,216 (41)	82,903	29,710	20,494 (41)	50,163	32,740	25 & 33.3
	234,342	29,528 (1,551)	262,320	155,086	30,390 (1,551)	183,925	78,395	

10.1.1 The transfer of title to leasehold land and building thereon in respect of the Group's premises at the Finance and Trade Centre, Karachi in favour of the Group is pending.

10.1.2 Assets having cost of Rs. 96.38 are fully depreciated.

10.2 The following are operating fixed assets having cost of Rs.1 million or above / net book value of Rs.250,000 or above, or those sold to employees and key management personnel during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Key Management Personnel							
Furniture and fixtures							
House hold furnishing items *	183	183	-	-	-	Policy	Mr. Atif Mehmood**
House hold furnishing items *	177	177	-	-	-	Policy	Mr. Nasim Ahmed Khan**
House hold furnishing items *	475	475	-	-	-	Policy	Mr. Muhammad Ali **
House hold furnishing items *	360	360	-	-	-	Policy	Syed Ghazanfar Ali**

* The house furnishing facility is given to employees (SVP and above) under human resource policy of the Group.

** These are related parties of the Group.

10.3 Intangible assets

		Cost: As at 01 January	Cost: Additions	Cost: As at 31 December	Accumulated Amortisation: As at 01 January	Accumulated Amortisation: For the year	Accumulated Amortisation: As at 31 December	Net book value as at 31 December
		(Rupees in '000)						
Computer software	2017	4,683	1,325	6,008	1,955	1,146	3,101	2,907

11. DEFERRED TAX ASSET - net

	Note	2017 (Rupees in '000)
Deferred credits arising in respect of:		
Net investment in finance leases		(28,782)
Accelerated tax depreciation		1,206
Deferred debits arising in respect of:		
Provision for compensated absences		3,825
Provision for advances, investments and other assets		80,242
		56,491
Deferred tax asset on revaluation of available-for-sale investments - net	18	28,839
	11.1	85,330

11.1 As at 31 December 2017, the Group has available provision for advances, investments and other assets amounting to Rs.1,801.99 million and unused tax losses upto 31 December 2017 amounting to Rs. 2,001.45 million. However, the management has prudently recognised the deferred tax asset only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections approved by the Board of Directors.

12. OTHER ASSETS

	Note	2017 (Rupees in '000)
Income / mark-up / return receivable in local currency		155,758
Security deposits		4,642
Short-term advances		16,540
Prepayments		3,588
Advance taxation		228,616
Non banking assets acquired in satisfaction of claims	12.1	1,179,360
Other receivables		31,601
		1,620,105
Less: Provision held against other assets	12.2	(29,628)
		1,590,477

12.1 This includes non-banking assets acquired under satisfaction of claim in relation to KEL's exposure (refer note 8.12 for further details). These assets comprise of land measuring 14.125 acre, building structure and power plant. The project is situated at Kamoki, District Gujranwala, Punjab, Pakistan.

Considering the strategic importance of KEL, consequent to transfer of the said assets in Group's name the management presented a Management plan, highlighting all aspects, regarding the Power Project Assets to the Board of Directors. In continuation to the efforts made for the disposal, management appointed M/s. Iqbal A. Nanjee for a new valuation as at December 2017. As per the new valuation the market value of these assets were Rs. 1.799 billion whilst forced sale value is Rs.1.286 billion.

The management had also submitted a time-bound action plan to SBP for the disposal of the said non-banking assets in which it was anticipated that the assets will be disposed off before financial year end 2017. However, that could not materialise therefore management revisited its plan and commited to dispose off these assets by May 2018. A wholly owned subsidiary has already been setup during the year to obtain a generation license to increase the salability of these assets.

12.2 Provision against other assets

	Note	2017 (Rupees in '000)
Opening balance		14,091
Charge for the year	26	18,065
Less: Reversal during the year		(2,528)
Net reversal for the year		15,537
Less: Amount written off		-
Closing balance		29,628

13. BORROWINGS

	Note	2017 (Rupees in '000)
In Pakistan	13.1	14,367,132
Outside Pakistan		-
		14,367,132

13.1 Particulars of borrowings with respect to currencies

In local currency		14,367,132
In foreign currencies		-
		14,367,132

13.2 Details of borrowings

	Note	2017 (Rupees in '000)
Secured		
Borrowings from State Bank of Pakistan under:		
Long-term financing facility (LTFF)	13.2.1	162,500
Repurchase agreement borrowings - Repo	13.2.2	5,368,021
Borrowings from financial institutions	13.2.3	7,787,500
Bai Muajjal	13.2.4	299,111
		13,617,132
Unsecured		
Clean borrowings		750,000
		14,367,132

13.2.1 The Group has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the Group at the date of maturity of finances by directly debiting current account maintained by the Group with the SBP. Such financing shall carry interest at the rate of 2.5 percent per annum.

13.2.2 The Group has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by April 2018. The rate of mark-up on these facilities is 5.9 to 6.05 percent per annum.

13.2.3 This includes borrowings from financial institutions as under:

Rs.3,787.5 million representing long term borrowings from certain financial institutions which are secured by way of first pari passu charge over assets of the Group with 25 and 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 0.25 percent to 1.00 percent per annum payable on semi-annual basis. As at 31 December 2017, the applicable interest rates were 6.40 to 7.17 percent per annum. These borrowings are due for maturity latest by August 2022.

13.2.4 Rs. 299.11 million representing financing through Bai Muajjal of Sukuk from financial institution secured against Government Securities due for repayment on 08 November 2018.

14. DEPOSITS AND OTHER ACCOUNTS

	Note	2017 (Rupees in '000)
Customers		
Certificates of investment - (in local currency)		39,000
Financial institutions		
Certificates of investment - (in local currency)		-
		39,000

14.1 Particulars of deposits

In local currency	39,000
In foreign currency	-
	39,000

14.2 The profit rates on these Certificates of Investment (COIs) is 6.10 percent per annum. These COIs are due for maturity on 09 August 2018.

15. OTHER LIABILITIES

	Note	2017 (Rupees in '000)
Mark-up / return / interest payable in local currency		109,948
Accrued liabilities		23,972
Employees' compensated absences	15.1	15,384
Security deposits against investment in finance lease	9.2.1	61,682
Staff retirement gratuity	15.1 & 32.3	(11,117)
Other advances and deposits		2,014
		201,883

15.1 This is based on actuarial valuation carried out as of 31 December 2017 for regular employees.

16. SHARE CAPITAL

16.1 Authorised share capital

Number of shares 2017		2017 (Rupees in '000)
800,000	Ordinary shares of Rs.10,000 each	8,000,000

16.2 Issued, subscribed and paid-up capital

Number of shares 2017		2017 (Rupees in '000)
	Ordinary shares of Rs.10,000 each	
471,836	Fully paid in cash	4,718,360
142,342	Issued as bonus shares	1,423,420
614,178		6,141,780

16.3 SBP on behalf of the GOP and the LAFICO on behalf of the State of Libya each held 307,089 ordinary shares of the Group as at 31 December 2017.

17. RESERVES

	Note	2017 (Rupees in '000)
Capital reserve - statutory reserve		
As at 01 January		302,094
Add: Appropriation of profit	17.1	9,556
		311,650

17.1 The statutory reserve during the year is created equal to 20% of profit after taxation in compliance with the applicable legal requirements.

18. SURPLUS ON REVALUATION OF ASSETS - net of tax

Surplus on revaluation of 'available-for-sale' securities	
Pakistan Investment Bonds	(4,568)
Market Treasury Bills	-
	(4,568)
Related deferred tax	1,371
	(3,197)
Listed companies - fully paid-up ordinary and preference shares	(186,504)
Listed TFCs	4,498
	(182,006)
Related deferred tax	27,468
	(154,538)
	(157,735)

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 In financial year 2014, the Group received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Group in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Group's rectification application, a rectified order was issued which resulted in a refund of Rs.122.777 million. The Tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.

19.1.2 For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Group filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return; however, it did not recognise the said additional refund on a prudent basis. The Group filed an appeal with Commissioner Inland Revenue Appeals CIR (A) on 14 October 2013. The CIR (A) disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIR (A) confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Group. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application.

19.1.3 For the tax year 2013, the Group received a tax demand of Rs.24.3 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Group by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Group filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIR (A) disposed the appeal vides his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Group. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application.

19.1.4 For the tax year 2014, the ACIR passed an order wherein he demanded tax of Rs.57.866 million disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Group filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIR (A) disposed the appeal vides his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Group. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed.

No provision has been made in these financial statements in respect of above mentioned Income tax matters as the management is hopeful of a favourable outcome on these matters, considering the appellate history and tax advisor's opinion.

19.1.5 The Group, through its lawyer, has challenged in the Court of Sindh (SHC) section 2(g)(V), 5(3), 5(4) and 6(1) of the Sindh Workers Welfare Fund Act, 2014 to be unlawful and void ab initio. The Court as an interim measure passed the order that no coercive action shall be taken against the Group till next date of hearing as suit No 610/2017, in which almost 20 Financial Institutions have filed a Composite Suit challenging the same law, requires hearing.

19.1.6 Claims not acknowledged as debt as referred to in note 8.12 to the financial statements.

	Note	2017 (Rupees in '000)
19.2 Commitments		
19.2.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government		-
Others		861,571
		861,571

This represents the guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Group under the same (refer note 8.12).

	Note	2017 (Rupees in '000)
19.2.2 Trade - related contingent liabilities		
Contingent liabilities in respect of letters of credit favouring:		
Government		-
Others		104,666
		104,666
19.3 Commitments to extend credit		1,021,967
19.4 Unsettled investment transactions for:		
Purchase of Pakistan investment bonds		-
Sale / purchase of listed ordinary shares		28,890
		28,890
19.5 Commitments for acquisition of fixed assets		2,550
19.6 Commitments against other services		13,879

19.7 Contingent Assets

There were no contingent assets as at the statement of financial position date.

20. DERIVATIVE INSTRUMENTS

The Group did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year.

	2017 (Rupees in '000)
21. MARK-UP / RETURN / INTEREST EARNED	
On loans and advances to	
customers	219,041
On investments in	
'held-for-trading' securities	65,714
'available-for-sale' securities	653,356
On deposits with customers / financial institutions	70,940
On lendings through reverse repo agreement	844
Income on bank deposits	745
	1,016,924
22. MARK-UP / RETURN / INTEREST EXPENSED	
Deposits and other accounts	16,060
On borrowings through repo agreement	253,134
On other borrowings	
Long-term (includes PPTFC)	235,715
Short-term	247,394
	752,303
23. GAIN ON SALE OF SECURITIES - NET	
Government securities	
Market Treasury Bills	62
Pakistan Investment Bonds	101,583
	101,645
Listed shares	132,906
Listed preference shares	15,365
TFCs, sukuks and mutual fund units	-
	249,916

24. OTHER INCOME

		2017 (Rupees in '000)
Gain on sale of operating fixed assets		15
Rental income		3,317
Bad debts recovered		-
Miscellaneous		6,909
		10,240

25. ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits		184,737
Charge for defined benefit plan	32.6	(11,075)
Contribution to defined contribution plan	33	7,152
Executive directors' remuneration (including remuneration of the Managing Director and Deputy Managing Director)		- 107,273
Non-executive directors' fee and remuneration	34	3,418
Directors orientation and training expense		-
Board meeting expenses		24,701
Incorporation expenses pertaining to KPL		444
Traveling and lodging		1,963
Rent and utilities		6,907
Legal, consultancy and professional services		11,336
Communications		5,723
Repairs and maintenance		11,398
Motor vehicle expenses		2,712
Business development and other expenses		1,386
Insurance		3,965
Software maintenance expenses		2,666
Bank charges		405
Printing and stationery		2,895
Advertisement, periodicals, membership dues and publicity		3,596
Auditors' remuneration	25.1	1,585
Depreciation	10.1	30,390
Amortisation	10.3	1,146
Exchange (gain) / loss		(130)
Others		175
		404,766

25.1 Auditors' remuneration

Audit fee	
Company	740
Consolidation	30
Subsidiary	30
Half yearly review fee	300
Special certifications and sundry advisory services	194
Out of pocket expenses	186
	1,480
Add: Sales tax on services	105
	1,585

26. OTHER PROVISIONS / WRITE OFFS

Reversal of provision against non-banking assets acquired in satisfaction of claims		-
Loss on non-banking assets acquired in satisfaction of claims	26.1	-
		-
Others		15,537
		15,537

26.1 As explained in note 8.12, the Group acquired non-banking assets of KEL in satisfaction of its secured credit of Rs.1,250 million. These assets were acquired under the order of the High Court of Sindh at the forced sale value of Rs.1,134 million, whereas the market value of these assets amounted to Rs.1,417.60 million based on valuation dated 11 October 2014 conducted by M/s. Joseph Lobo (Private) Limited.

27. OTHER CHARGES

	Note	2017 (Rupees in '000)
Arrangement fee and documentation charges		3,667
Brokerage commission		4,515
Expenses for privately placed term finance certificates		470
Expenses pertaining to KEL		20,875
Penalty imposed by SBP		244
		29,771

28. TAXATION

For the year		
- Current	28.1	65,329
- Prior		(30,021)
- Deferred		1,036
		36,344

28.1 Due to current year tax loss, the Group has made provision for applicable minimum tax and income tax at fixed rates. Therefore, relationship between tax expense and accounting profit for the year has not been presented.

29. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings for the year after taxation (Rupees in thousand)		47,306
Weighted average number of ordinary shares in issue		614,178
Earnings per share (Rupees)	29.1	77

29.1 There were no convertible dilutive potential ordinary shares outstanding as at 31 December 2017.

30. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	5	28,328
Balances with other banks	6	88,495
Term deposit receipts (TDRs)	7	3,550,000
		3,666,823

30.1 These term deposit receipts (TDRs) are due for maturity on various dates in January 2018 to March 2018.

31. STAFF STRENGTH

	2017 (Numbers)
Permanent	81
Temporary / on contractual basis	6
Daily wagers	11
Group's own staff strength at the end of the year	98
Outsourced	13
Total staff strength	111

32. DEFINED BENEFIT PLAN

Staff retirement gratuity

	2017 Percent per annum
Discount rate	8.25
Expected rate of increase in salary levels	6.75
Expected rate of return on plan assets	8.25

The disclosures made in notes 32.1 to 32.10 are based on the information included in the actuarial valuation as at 31 December 2017.

32.1 Mortality rate

The rates assumed were based on the State Life Insurance Company 2001-2005 with one year age set back.

32.2 Expected return on plan assets

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

32.3 Reconciliation of amount payable to defined benefit plan

	Note	2017 (Rupees in '000)
Present value of defined benefit obligation	32.4	110,647
Fair value of plan assets	32.5	(121,764)
		(11,117)

32.4 The movement in the defined benefit obligation over the year is as follows:

	Note	2017 (Rupees in '000)
Present value of obligation at the beginning of the year		130,755
Current service cost	32.6	10,408
Interest cost		8,785
Benefit paid		(19,171)
Past service cost		(21,514)
Actuarial loss on obligation		1,384
Present value of obligation at the end of the year		110,647

32.5 The movement in the fair value of plan assets of the year is as follows:

	Note	2017 (Rupees in '000)
Fair value of plan assets at the beginning of the year		125,582
Expected return on plan assets	32.2 & 32.6	8,754
Contributions		9,509
Benefits paid		(19,171)
Actuarial (loss) on assets	32.10	(2,910)
Fair value of plan assets at the end of the year		121,764

32.6 The amount recognised in the profit and loss account is as follows:

	Note	2017 (Rupees in '000)
Current service cost	32.4	10,408
Interest cost (net)	32.4 & 32.5	31
Past service cost		(21,514)
		(11,075)

32.7 Actual return on plan assets during the year was Rs.5.844 million.

32.8 The current year expense / net favourable balance of Rs. 11.075 million includes a past service cost of Rs. 21.514 million. As per the decision taken by the Board, an amount of Rs. 12.978 million pertaining to the MD / CEO for his entitlement till November 18, 2012 based on the salary as at that time as SEVP has been paid. Now he will be entitled for gratuity from his settlement date till his date of retirement as MD on last drawn salary will be payable to him.

32.9 Plan assets comprise the following:

The following information is based on the latest un-audited financial statements of the Fund:

Particulars	2017 Rupees in '000	2017 Percent
Cash and bank balances	3,170	2.6%
Market treasury bills	85,693	70.4%
Pakistan investment bonds	-	0.0%
Units of mutual funds	1,025	0.8%
Certificates of Investment	31,875	26.2%
	121,763	100%

32.10 Amounts for the current year of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	Note	2017 (Rupees in '000)
Present value of defined benefit obligation		110,647
Fair value of plan assets		121,764
Net defined benefit obligation		232,410
Liability recognised in the balance sheet		(11,117)
Experience adjustments on plan assets	32.5	2,910

32.11 Staff benevolent fund

Contribution from the Group	125
Contribution from the employees	125

33. DEFINED CONTRIBUTION PLAN

Contribution from the Group	7,152
Contribution from the employees	7,152
	14,304

33.1 Provident Fund Disclosures

The following information is based on the latest financial statements of the Fund:

	Unaudited 2017 (Rupees in '000)
Size of the Fund - total assets	95,520
Cost of investment made	92,588
Fair value of investments	94,475
Percentage of investment made	99%

33.2 The break-up of fair value of investments is:

	Unaudited 2017 Rupees in '000	Percent
Bank balances	1,887	2.0%
Market treasury bills	61,590	65.2%
Pakistan investment bonds	-	0.0%
Certificate of Investment (COIs) - at ammortised cost	20,300	21.5%
Units of mutual funds	10,698	11.3%
	94,475	100%

33.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Act, 2017 and the rules formulated for this purpose.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Executive Directors: Managing Director	Executive Directors: Deputy Managing	Non-executive Directors: Directors	Executives *
	2017	2017	2017	2017
	(Rupees in '000)			
Fees and remuneration	-	-	3,418	-
Managerial remuneration	44,009	54,440	-	154,851
Charged for defined benefit plan	107	1,174	-	8,027
Contribution to defined contribution plan	1,304	1,480	-	3,785
Employee compensated absences	783	1,154	-	2,811
Rent and house maintenance	905	1,467	-	-
Utilities	1,525	1,510	-	-
Medical	309	211	-	5,912
Others	1,563	220	-	1,083
	50,505	61,656	3,418	176,469
Number of persons	1	1	4	64

The Managing Director and Deputy Managing Director (Executive Committee) are also entitled to usage of certain Group maintained assets as per their terms of employment.

Out of total Rs.61.656 million, Rs. 27.161 million is related to compensation during the period to former Deputy Managing Director of the Group. His directorship had been concluded at 31 March 2017 and a new Deputy Managing Director resumed the office.

Executive Committee members and executives are entitled to certain employment benefits referred to in note 4.9 as may be applicable under the terms of the employment and Human Resource policy.

* Executive means employees other than the Managing Director, Deputy Managing Director and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Also included herein is compensation to 23 employees which are not involved in managerial activities; however their total compensation during the year exceeds Rs.500,000. Total compensation to these employees amounts to Rs. 23.636 million.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Level 1 **valuation technique using quoted market price:** financial instruments with quoted prices (unadjusted) for identical instruments in active markets that the Group can access at the measurement date.

Level 2 **valuation technique using observable inputs:** financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 **valuation technique with significant unobservable inputs:** financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The following table sets out the financial instruments by fair value hierarchy.

Financial instruments carried at fair value and basis of valuation

	2017			
	Quoted market price (unadjusted) Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	(Rupees in '000)			
Recurring Fair Value Measurements				
Financial Assets - Investments				
- Fully paid up ordinary shares	794,364	40,831	5,500	840,695
- Government securities	-	6,610,211	-	6,610,211
- Debentures and corporate debt instruments	-	426,642	-	426,642
Non Financial Assets				
Non-Banking Assets acquired in satisfaction of claims	-	1,798,923	-	1,798,923
	794,364	8,876,607	5,500	9,676,471

36. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2017					
	Corporate finance	Treasury	Capital Markets	SME & Retail Banking	Others	Total
	(Rupees in '000)					
Total income	273,423	794,924	171,503	39,175	(8,534)	1,270,491
Total expenses	(205,466)	(596,206)	(25,563)	(41,082)	(318,525)	(1,186,842)
Net income / (loss)	67,957	198,718	145,940	(1,907)	(327,059)	83,649
Segment assets (gross)	8,193,912	10,956,019	796,312	390,477	1,724,679	22,061,398
Segment non-performing loans	1,938,451	-	-	42,449	-	1,980,900
Segment non-performing investments	1,356,392	39,430	-	-	-	1,395,822
Segment provision required & held on loans	1,505,572	-	-	38,380	-	1,543,952
Segment provision required & held investments	1,315,560	39,430	-	-	-	1,354,990
Segment liabilities	3,163,359	11,019,126	130	389,544	35,856	14,608,015
Net assets						4,554,441
Return on net assets						1.84%
Cost of funds (%)						6.27%

37. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Group enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnel are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Group Secretary and Head of Departments.

Contribution to approved defined benefit plan and defined contribution plan, post employment benefit, are disclosed in **note 32** and **note 33** respectively to these consolidated financial statements. Employees' compensated absences, other long – term benefit, are disclosed in **note 15** to the consolidated financial statements.

Transactions with Owners have been disclosed in 'Statement of Changes in Equity'.

Remuneration, short term employee benefit, to the Executives is disclosed in **note 34** to the consolidated financial statements.

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

	31 December 2017				
	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
	(Rupees in '000)				
37.1 Balances outstanding					
Bank balance	-	-	-	28,298	-
Lendings to financial institutions					
Opening balance	-	-	-	-	-
Placements / reverse repo made during the year	-	-	-	350,000	-
Placements / reverse repo matured during the year	-	-	-	(350,000)	-
Closing balance	-	-	-	-	-
Investments					
Opening balance	-	-	704,867	11,201,958	500
Investment made during the year	-	-	-	-	-
Investment redeemed / disposed off / adjusted during the year	-	-	-	(22,829,037)	-
Closing balance	-	-	704,867	(11,627,079)	500
Provision for diminution in value of investments	-	-	704,867	50,000	-
Surplus on revaluation of investments	-	-	-	(18,265)	-
Advances					
Opening balance (3)	-	59,882	-	-	-
Additions during the year	-	27,353	-	-	-
Settled / (repaid) during the year (3)	-	(35,549)	-	-	-
Closing balance	-	51,686	-	-	-
Provision held against advances	-	-	-	-	-
Other assets					
Mark-up receivable					
- Gross	-	742	-	41,420	-
- Suspended / provided	-	-	-	(3,002)	-
Closing balance	-	742	-	38,418	-
Amount receivable from defined contribution plan	-	-	-	-	-
Other receivables (5)	-	26,110	-	-	-
Advance taxation	-	-	-	228,616	-
Other advances					
Opening balance	-	25,548	-	-	-
Additions during the year (4)	-	897	-	-	-
Settled / repaid during the year (4)	-	(25,907)	-	-	-
Closing balance	-	538	-	-	-
Provision against other assets	-	-	-	-	-

	Directors	Key management personnel (1)	Joint venture (2)	State controlled entities	Other related parties
Borrowings from financial institutions					
Opening balance	-	-	-	2,260,256	-
Borrowings during the year	-	-	-	201,916,445	-
Settled during the year	-	-	-	(200,275,778)	-
Closing balance	-	-	-	3,900,923	-
Deposits and other accounts					
Opening balance	-	-	-	200,000	-
Additions during the year	-	-	-	439,000	-
Repayments during the year	-	-	-	(600,000)	-
Closing balance	-	-	-	39,000	-
Other liabilities					
Mark-up payable	-	-	-	15,275	-
Amount payable to retirement benefit funds	-	-	-	-	(11,117)
Others (3)	-	-	1,008	1,132	-
	-	-	1,008	16,407	(11,117)
Contingencies and commitments					
Letter of guarantee	-	-	861,571	-	-
Commitment to extend credit	-	14,712	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	2,284	-
	-	14,712	861,571	2,284	-
37.2 Transactions, income and expenses					
Mark-up / return / interest earned - net	-	518	-	620,016	-
Mark-up / return / interest expensed	-	-	-	129,087	-
Gain on sale of securities - net	-	-	-	124,761	-
Dividend income	-	-	-	7,095	
Contribution paid to defined contribution plan	-	-	-	-	7,152
Contribution paid to defined benefit plan	-	-	-	-	10,091
Non-executive directors' fee and remuneration	3,418	-	-	-	-
Remunerations	-	188,597	-	-	13,804

(1) Key management personnel are also entitled to the usage of certain Group assets as per their terms of employment.

(2) Fee based income to be recorded on cash receipt basis.

(3) The opening balance include Rs. 25 million, grandfathered, loan obtained by the then Senior Executive Vice President (SEVP) during FY 2009-2010 before becoming the managing director (executive director) of the Group in FY 2012. As per the terms approved by the board, the SEVP was given relaxation in certain employee loan related terms; including to pay the entire Rs. 25 million (principal) upon completion of his employment term. However, he has been paying interest on the said loan. The loan was due for repayment on 21 February 2017 which has been settled during the year.

(4) During the year 2016, the former deputy managing director obtained an advance amounting to Rs. 25 million. As per employment terms of the managing director and deputy managing director (the executive directors), the managing director/deputy managing director is entitled to 3 months salary as advance, without interest, repayable in 12 months; however, the deputy managing director requested for Rs. 25 million. Considering this being a related party transaction, the board of directors approved the transaction as an interest free advance repayable within 12 months against his end of service benefits. The Group marked a lien on end of service benefit against this advance as security. The advance was due for repayment on 06 April 2017 however has been settled at 31 March 2017 consequent to conclusion of his directorship.

(5) This includes an amount of Rs. 26.11 million paid to former deputy managing director (DMD) of the Company, who was relocated to Libya on 31 March 2017, on account of depreciation benefit, transportation cost and tax paid by the Company. The Board subsequently resolved that the said benefits will be recovered from former DMD partly from sale proceeds of the car surrendered by former DMD to the Company and partly from actual payment. The car was disposed off subsequent to year end at the price of Rs. 9.11 million. The management has started recovery proceedings against the remaining amount.

38. CAPITAL ASSESSMENT AND ADEQUACY

38.1 Capital adequacy

SBP's regulatory capital guidelines under Basel III allow for three tiers of capital. Common Equity Tier I capital includes common shares and retained earnings. Pak Libya currently does not hold any instruments in Additional Tier 1 or Tier 2 capital. The authorised share capital of the Group is Rs.8,000 million and the paid-up capital is Rs.6,141.780 million consisting of 614,178 shares with a par value of Rs.10,000 per share.

Group's regulatory capital is divided into three tiers.

* Common Equity Tier 1 capital (CET1), which includes fully paid up capital and statutory reserves as per the financial statements and unappropriated loss after all regulatory adjustments applicable on CET1.
* There is no amount for Additional Tier 1 Capital (AT1) of the Group.
* Tier 2 capital includes revaluation reserves on account of unrealised gain on available-for-sale investments and general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets).

The table below illustrates the following approaches that are adopted at Pak Libya for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

Minimum capital requirement

SBP has prescribed that the minimum paid-up capital (free of losses) for DFI is required to be maintained at Rs.6 billion and ratio of total regulatory capital to risk weighted asset is to be maintained at or above 10% alongwith Capital Conservation Buffer (CCB) of 1.275%. The paid-up capital (free of losses) of the Group as of 31 December 2017 amounted to Rs.4.401 billion, which is below the minimum capital requirement of Rs.6 billion. However, the SBP has granted further exemption to the Group in meeting the MCR till 30 June 2018.The Board of Directors of the Group has approved the financial projections for the next 5 years, envisaging a capital injection which is aimed to comply with minimum capital requirement, enhance the risk absorption capacity and future growth and expansion in business prospects of the Group.

Capital management

A strong capital position is essential to the Group's business strategy and competitive position. The Group's capital strategy focuses on long-term stability, which aims to build and invest in core business activities. The Group seeks to maintain adequate levels of capital in order to:

- comply with the capital requirement set by the regulators of the Group;
- safeguard Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- acquire, develop and maintain a strong capital base to support the development of its business activities;
- support the underlying risks inherited in the core business activities; and
- be able to withstand capital demands under market shocks and stress conditions.

The Group carries out Capital Planning annually to ensure the sufficiency of capital keeping in view the business strategy, expected growth, regulatory requirements, Basel III guidelines and risks associated with the business operations. The capital planning is normally undertaken for the horizon of next three to five years. The plan takes the following into account:

- current capital requirement
- growth of core financing and investment business based on activities plans of the various business units (Corporate & Investment Banking, Treasury and Capital Market)
- the funding structure and sources of funding, liabilities and equity to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III guidelines
- maintenance of regulatory capital requirements and capital adequacy ratios

The Group has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Group's ICAAP covers the capital management, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of three to five years. The ICAAP report is produced on an annual basis and is approved by the Board of Directors.

Under the ICAAP methodology, the following risk types are identified and measured:

- risks covered under Pillar 1 (credit risk, market risk and operational risk)
- risks not fully covered under Pillar 1 (Residual Risk)
- risks covered under Pillar 2 (concentration risk, interest rate risk, liquidity risk, reputational risk, strategic/business risk)

The Group has also implemented StressTesting Framework as per the SBP guidelines. This involves the use of various techniques to assess the Group's susceptibility to plausible yet extreme stress scenarios. The stress tests cover shocks related to credit risk, interest rate risk, exchange rate risk, equity price risk and liquidity risk. The stress tests are performed quarterly and results are reported to Management and Board of Directors through respective Risk Management Committees.

Scope of applications

The Basel III Capital Regulations (Basel III) are applicable to Pak Libya Holding Company (Private) Limited (Pak Libya) in line with the guidelines issued by State Bank of Pakistan (SBP).

SBP has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 31 December 2013. Accordingly, the Group's Risk Weighted Assets (RWA), total capital and related ratios are calculated under the Basel II and III framework.

Basel-III framework enables a more risk-sensitive regulatory capital calculation along with tightening of capital requirements, raising the quality, consistency and transparency of capital base to promote long term viability of the Group. As the Group carry on the business, it is critical that the Group is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to a particular segment of business.

Significant subsidiary

Pak Libya (the Parent Company) has wholly owned subsidiary named Kamoki Powergen (Private) Limited (KPL), however, as per the requirement of Basel III 1.3 (ii) the capital adequacy ratio is measured without consolidating the assets and liabilities of KPL as it is a commercial entity. Furthermore, the Group does not have significant investment in any insurance entity.

38.2 CAPITAL ADEQUACY RETURN AS OF 31 December 2017

Rows #		Source based on reference number from Step 2 Table 38.3.2	31 December 2017 (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully paid-up capital / capital deposited with SBP	(t)	6,141,780
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General / statutory reserves	(w)	311,650
6	Gain / (losses) on derivatives held as cash flow hedge		
7	Unappropriated / unremitted profits / (losses)	(y)	(1,740,780)
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)	(z)	-
9	**CET 1 before Regulatory Adjustments**		4,712,650
10	Total regulatory adjustments applied to CET1 (note 38.2.1)		(980,481)
11	**Common Equity Tier 1**		3,732,169
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity	(u)	-
14	of which: Classified as liabilities	(n)	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	(aa)	-
16	of which: instrument issued by subsidiaries subject to phase out		-
17	**AT1 before regulatory adjustments**		-
18	Total regulatory adjustment applied to AT1 capital (note 38.2.2)		(605,058)
19	Additional Tier 1 capital after regulatory adjustments		-
20	**Additional Tier 1 capital recognized for capital adequacy**		-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		3,732,169
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	(o)	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	(ab)	-
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	(g)	237
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		-
29	of which: Unrealized gains/losses on AFS	portion of (ac)	-
30	Foreign exchange translation reserves	(v)	-
31	Undisclosed / other reserves (if any)		-
32	**T2 before regulatory adjustments**		237
33	Total regulatory adjustment applied to T2 capital (note 38.2.3)		(438,910)
34	Tier 2 capital (T2) after regulatory adjustments		(438,673)
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) (21+37)**		3,732,169
39	**Total Risk Weighted Assets (RWA) {for details refer note 38.5}**		11,848,688

		31 December 2017 - (%) -
	Capital Ratios and buffers (in percentage of risk weighted assets)	
40	**CET1 to total RWA**	31.50%
41	**Tier-1 capital to total RWA**	31.50%
42	**Total capital to total RWA**	31.50%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-
44	of which: capital conservation buffer requirement	-
45	of which: countercyclical buffer requirement	-
46	of which: D-SIB or G-SIB buffer requirement	
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	25.50%
	National minimum capital requirements prescribed by SBP	
48	CET1 minimum ratio	6.00%
49	Tier 1 minimum ratio	7.50%
50	Total capital minimum ratio	10.00%
51	Total capital minimum ratio plus CCB	11.28%
52	Leverage ratio	3.00%

Regulatory Adjustments and Additional Information

		Source based on reference number from Step 2 Table 38.3.2	31 December 2017 (Rupees in '000)	Subject to Pre- Basel III treatment* (Rupees in '000)
38.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	(k) - (p)	-	-
2	All other intangibles (net of any associated deferred tax liability)	(h)+(l)-(q)	(2,907)	-
3	Shortfall in provisions against classified assets	(f)	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(i) - (s)} * x%	-	-
5	Defined-benefit pension fund net assets	{(m) - (r)} * x%	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(d)	-	-
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	ad	(157,735)	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Group does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ae)-(ag)	(210,781)	(52,696)
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)	(b)-(af)-(ah)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(j)	-	-
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)		(4,000)	(5,000)
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		(605,058)	(150,074)
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)		(980,481)	(207,770)

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

		Source based on reference number from Step 2 Table 39.3.2	31 December 2017	Subject to Pre- Basel III treatment*
			(Rupees in '000)	
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	(c)	-	-
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)	(ae)	(165,886)	(41,471)
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-	-
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		(500)	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		(438,672)	(109,103)
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)		(605,058)	(150,574)

38.2.3 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		(500)	-
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)	(ag)	(438,410)	(109,602)
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ah)	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)		(438,910)	(109,602)

38.2.4 Additional Information

		31 December 2017 (Rupees in '000)
	Risk Weighted Assets subject to pre-Basel III treatment	
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	
(i)	of which: deferred tax assets	-
(ii)	of which: Defined-benefit pension fund net assets	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	52,696
(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	109,602
	Amounts below the thresholds for deduction (before risk weighting)	
38	Non-significant investments in the capital of other financial entities	455,201
39	Significant investments in the common stock of financial entities	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	85,330
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	237
42	Cap on inclusion of provisions in Tier 2 under standardized approach	118,990
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-

38.3 Capital Structure Reconciliation

38.3.1 Step 1: Under Step 1, the Group is required to use balance sheet of the published financial statements based on the accounting scope of consolidation as a starting point and report the numbers for each item in the published financial statements based on regulatory scope of consolidation.

	31 December 2017 Statement of financial position of the published consolidated financial statements	31 December 2017 Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	28,328	28,328
Balanced with other banks	88,495	83,494
Lending to financial institutions	4,000,000	4,000,000
Investments	9,695,440	9,700,440
Advances	3,593,084	3,593,084
Operating fixed assets	81,302	80,458
Deferred tax assets	85,330	85,330
Other assets	1,590,477	1,591,796
Total assets	19,162,456	19,162,930
Liabilities		
Bills payable	-	-
Borrowings	14,367,132	14,367,132
Deposits and other accounts	39,000	39,000
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	201,883	201,883
Total liabilities	14,608,015	14,608,015
Net Assets	4,554,441	4,554,915
Represented by		
Share capital	6,141,780	6,141,780
Reserves	311,650	311,650
Accumulated loss	(1,741,254)	(1,740,780)
	4,712,176	4,712,650
Surplus on revaluation of assets	(157,735)	(157,735)
Total equity	4,554,441	4,554,915
Total liabilities & equity	19,162,456	19,162,930

38.3.2 Step 2: Under Step 2 the Group is required to expand the balance sheet under the regulatory scope of consolidation to identify all the elements that are used in the capital adequacy disclosure template set out in Note 38.2. Each element must be given a reference number / letter in the 2nd column that will be used as a cross reference for note 38.2.

Step 2	Reference	31 December 2017 Statement of financial position as in published consolidated financial statements	Under regulatory scope of consolidation
		------- (Rupees in '000) -------	
Assets			
Cash and balances with treasury banks		28,328	28,328
Balances with other banks		88,495	83,494
Lendings to financial institutions		4,000,000	4,000,000
Investments		9,695,440	9,700,440
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	1,018,845	1,018,845
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	b		
of which: Mutual Funds exceeding regulatory threshold	c		
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	d		
of which: others (mention details)	e		
Advances	f	3,593,084	3,593,084
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	237	237
Fixed assets		81,302	80,458
of which: intangible	h	2,907	2,907
Deferred tax assets		85,330	85,330
of which: DTAs that rely on future profitability excluding those arising from temporary differences	i	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	j	85,330	85,330
Other assets		1,590,477	1,591,796
of which: Goodwill	k		
of which: Intangibles	l	-	-
of which: Defined-benefit pension fund net assets	m		
Total assets		19,162,456	19,162,930
Liabilities and equity			
Bills payable		-	-
Borrowings		14,367,132	14,367,132
Deposits and other accounts		39,000	39,000
Sub-ordinated loans		-	-
of which: eligible for inclusion in AT1	n	-	-
of which: eligible for inclusion in Tier 2	o	-	-
Liabilities against assets subject to finance lease			
Deferred tax liabilities			
of which: DTLs related to goodwill	p	-	-
of which: DTLs related to intangible assets	q	-	-
of which: DTLs related to defined pension fund net assets	r	-	-
of which: other deferred tax liabilities	s	-	-
Other liabilities		201,883	201,883
Total liabilities		14,608,015	14,608,015
Share capital		6,141,780	6,141,780
of which: amount eligible for CET1	t	6,141,780	6,141,780
of which: amount eligible for AT1	u	-	-
Reserves		311,650	311,650
of which: portion eligible for inclusion in CET1: Share premium	v	-	-
of which: portion eligible for inclusion in CET1: General / statutory reserves	w	311,650	311,650
of which: portion eligible for inclusion in Tier 2	x	-	-
Unappropriated profit / (losses)	y	(1,741,254)	(1,740,780)
Minority Interest			
of which: portion eligible for inclusion in CET1	z	-	-
of which: portion eligible for inclusion in AT1	aa	-	-
of which: portion eligible for inclusion in Tier 2	ab	-	-
Surplus on revaluation of assets			
of which: Revaluation reserves on fixed assets	ac		
of which: Unrealized gains / (losses) on AFS		(157,735)	(157,735)
In case of Deficit on revaluation (deduction from CET1)	ad		
Total liabilities and equity		19,162,456	19,162,930

38.4 Main features template of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares
1	Issuer	Pak Libya
2	Unique identifier (e.g. 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)	6,141,780
9	Par value of instrument	10,000 per share
10	Accounting classification	Share Holders' equity
11	Original date of issuance	28-11-1981
12	Perpetual or dated	No maturity
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	No
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	No
20	Fully discretionary, partially discretionary or mandatory	fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
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	No
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	No
37	If yes, specify non-compliant features	NA

38.5 Risk weighted exposures

The risk-weighted assets are measured by means of hierarchy different risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

	Capital requirements	Risk weighted assets
	2017	2017
	------ (Rupees in '000) ------	
Credit risk		
PSE	5,529	55,291
Banks	131,357	1,313,574
Corporates	309,895	3,098,950
Retail portfolio	2,333	23,329
Secured by residential mortgage	4,705	47,049
Past due loans	56,380	563,797
Significant investment and DTAs	21,333	213,325
Listed equity investment	48,856	488,558
Unlisted equity investment	75	750
Investment in fixed assets	7,755	77,551
Other assets	159,180	1,591,796
	747,397	7,473,970
Credit risk on off-balance sheet		
Non-market related	203,745	2,037,451
Market related	777	7,769
Market risk		
Interest rate risk	36,139	361,392
Equity position risk	124,883	1,248,825
Foreign exchange risk	8	79
Operational risk		
Capital requirement for operational risks	71,920	719,201
Total	1,184,869	11,848,688

Capital adequacy ratios	2017 Required	2017 Actual
CET1 to total RWA	6.00%	31.50%
Tier-1 capital to total RWA	7.50%	31.50%
Total capital to total RWA	10.00%	31.50%
Total capital plus CCB to total RWA	11.28%	31.50%
Leverage Ratio	3.00%	14.37%

39. RISK MANAGEMENT

The Group has an independent risk management division and developed risk management framework to continuously manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the Group. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits prescribed by the Board of Directors; and
- Risk taking decisions are in line with the policy guidelines, business strategy and objectives set by the Board.

The Group is exposed to a number of risks, which it manages at different levels.

The main categories of risk associated to / with the Group are as follows:

Credit risk

The risk of losses resulting from counterparties' failure to meet all or part of their obligations towards the Group.

The Group has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk management structure facilitates the Credit approval function by its Internal Credit Risk Rating model through which an appropriate risk level of the borrower / counterparty is assessed for credit sanctioning and disbursement.

The Group manages credit risk through:

- Establishment of acceptable risk appetite and tolerance levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence; and
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses resulting from the variance in the market value of the Group's assets and liabilities owing to changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in respect to the Group's assets and liability management is primarily associated with the capital market exposure and the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensures that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses resulting from deficient or erroneous internal procedures, human or system errors, or external events.

The Group has in place a duly approved operational risk policy, manual disaster recovery system (DRS) and a business continuity plan (BCP). These are continuously reviewed to strengthen operational controls prevailing in the Group.

Operational risk policy and manual set minimum standards and require all business units to identify and assess risks through loss data collection, Risk Control Self Assessment (RCSA) and key risk indicators (KRIs). The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit is responsible to report any potential deviation giving rise to operational risk events in the Group.

The Group is in the process of continuously improving its internal controls which aids in strengthening the Operational Risk Management of the Group. In this regards, the Group maintains a detailed internal control over financial reporting (ICFR) documentation.

Liquidity risk

The risk arising due to failure in raising funds at reasonable cost within the required time duration to finance the Group's operations and meet its liabilities when these become due is categorised as liquidity risk.

The Group's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Group has also formulated Liquidity Risk Management policy as per SBP's guidelines. The risk management division uses different tools for identifying, assessing, measuring and controlling liquidity risk and periodically reports to senior management and risk management committees. The Group is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The management is responsible for managing liquidity profile of the Group although strategic management of liquidity has been delegated to Asset & Liability Committee (ALCO). The ALCO of the Group deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Group has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

39.1 Credit risk

Credit risk management objectives and policies

Credit risk refers to the risk of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the Group arises primarily from the lending and investment activities.

Credit exposures include both individual borrowers, corporates and groups of connected counterparties and portfolios in the Group's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board and management respectively. The procedures and policy guidelines spell out relevant process flow, approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in compliance with the Prudential Regulations and Risk Management Guidelines of the State Bank of Pakistan.

Appropriate levels of facilities are approved by the Board of Directors. The Executive Committee (EC) approves facilities of upto Rs.100 million while facilities exceeding this limit require approval from the Board of Directors on recommendation of the EC. ALCO / Credit Committee (CC) considers and recommends the said facilities to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower / counterparty.

The Group currently uses Standardised Approach for computing capital charge on credit risk weighted assets. Currently, the Group does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to identify changes in risk profiles at early stages, credits with deteriorating ratings are subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower / guarantor / counterparty. Risk ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower / guarantor / counterparty. The Credit scoring in the ICRRS is being conducted by Corporate and Investment Banking Division which is reviewed by the Risk Management Division on periodic basis and from time to time upon receiving the required information and documents of the credit proposal/obligor for its credit approval.

Objective of Internal Credit Risk Rating (ICRR)

Credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management; and
- Setting of credit risk concentration limits.

The Group constantly updates and improves upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the Group.

The Group also uses and give due weightage to external rating while evaluating the risk. The Group considers external ratings assigned by external credit rating agencies including PACRA and / or JCR-VIS.

Exposures	JCR-VIS	PACRA	Other
Corporate	Yes	Yes	x
Banks	Yes	Yes	x

Credit exposures subject to standardised approach

		2017		
Exposures	Rating Category	Amount outstanding	Deduction CRM*	Net amount
		(Rupees in '000)		
Corporate	0	-	-	-
	1	1,016,802	-	1,016,802
	2	693,572	-	693,572
	3-4	532,353	-	532,353
	5-6	-	-	-
	Unrated	1,735,012	-	1,735,012
		3,977,739	-	3,977,739
Banks	0	-	-	-
	1	2,583,494	-	2,583,494
	2-3	1,593,750	-	1,593,750
	4-5	-	-	-
	6	-	-	-
	Unrated	-	-	-
		4,177,244	-	4,177,244
Sovereigns		-	-	-
Total Credit Exposure		8,154,983	-	8,154,983

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Group are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.3 of these financial statements.

39.1.1 Segment information

39.1.1.1 Segment by class of business

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	27,354	0.53%	-	-	-	-
Textile	768,100	14.95%	-	-	100,000	4.92%
Chemicals and pharmaceuticals	741,253	14.43%	-	-	89,206	4.39%
Cement	200,000	3.89%	-	-	-	-
Sugar	389,506	7.58%	-	-	12,500	0.61%
Automobile and transportation equipment	138,781	2.70%	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	53,897	1.05%	-	-	-	-
Power (electricity), gas, water, sanitary	957,590	18.64%	-	-	1,589,668	78.17%
Transport, storage and communication	684,002	13.32%	-	-	-	-
Financial institutions	226,103	4.40%	-	-	-	-
Insurance	-	-	-	-	9,684	0.48%
Services	20,582	0.40%	-	-	216,429	10.64%
Industrial transportation	-	-	-	-	-	-
Individuals	207,978	4.05%	-	-	14,712	0.72%
Others	721,890	14.05%	39,000	100%	1,324	0.07%
	5,137,036	100%	39,000	100%	2,033,522	100%

39.1.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	-	-	39,000	100%	-	-
Private	5,137,036	100%	-	-	2,033,522	100%
	5,137,036	100%	39,000	100%	2,033,522	100%

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

	2017	
	Classified advances	Specific provisions held
	-------- (Rupees in '000) --------	
Agriculture, forestry, hunting and fishing	7,354	7,354
Textile	229,340	220,808
Chemicals and pharmaceuticals	500,000	500,000
Cement	200,000	200,000
Sugar	60,000	60,000
Automobile and transportation equipment	138,781	138,781
Transport, storage and communication	447,944	73,599
Electronics and electrical appliances	-	-
Construction	53,897	3,897
Power (electricity), gas, water, sanitary	301,135	301,135
Individuals	42,449	38,141
	1,980,900	1,543,715

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

Public / Government	-	-
Private	1,980,900	1,543,715
	1,980,900	1,543,715

39.1.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	---------------------- (Rupees in '000) ----------------------			
Pakistan	83,649	19,162,456	4,554,441	2,033,522

39.2 Market risk

Market risk refers to the impact on the Group's financial condition resulting from future price volatility or adverse movements in the value of assets contained in its trading book and / or investment portfolio. The principal market risk in respect of the Group's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities and equity price risk. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely.

Transaction undertaken by the financial institution for the banking book means any position or financial instrument held by Group in the normal course of business, not for trading purpose, or financial instrument that the financial institution intends to hold until maturity. All investment excluding trading book are considered as part of banking book which includes Available-for-Sale, Held-to-Maturity and Strategic Investments. Due to diversified nature of investments in banking book, it shall be subject to interest rate and equity price risk.

The Group has a sound framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies duly approved by the Board.

The Market Risk Management framework of the Group comprises of exposure limits, a series of stop loss limits and potential loss limits recommended by Asset and Liability Committee (ALCO) of the Group to ensure that front line risk-takers do not exceed or breach the defined boundaries set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis is conducted on regular basis in order to assess the quantum of market risk and liquidity position of the Group. The limits are set and reviewed regularly taking into account number of factors, including market trading, liquidity of the instruments, returns and Group's business strategy.

Management of interest rate risk of the banking and / or trading book is primarily focused on interest cum fair value through Re-pricing Gap Analysis and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice. On quarterly basis, the Stress Test reports are being prepared for senior management, risk management committees and regulator to have an accurate understanding of Group's risk tolerance levels.

39.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Group's exposure to this risk is negligible as its assets and liabilities are primarily denominated in Pakistan rupees.

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan rupee	19,162,377	14,608,015	1,908,405	6,462,768
United States dollar	79	-	125,117	125,196
Euro	-	-	-	-
31 December 2017	19,162,456	14,608,015	2,033,522	6,587,963

39.2.2 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. Equity price risk is managed within the statutory limits and as defined in the policy framework by applying trading limit, scrip-wise and portfolio wise limits. Value at Risk (VaR) and stress testing of the equity portfolio are also performed and reported to ALCO, senior management and risk management committees.

39.2.3 Mismatch of interest rate sensitive assets and liabilities

Yield and interest rate sensitivity position for on-balance sheet instruments is based on the earlier contractual re-pricing or maturity date and for off-balance sheet instruments is based on the settlement date.

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate repricing that may be undertaken, which is complied by the Group's Treasury & Fund Management Division.

39.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Total	2017 Exposed to yield / interest rate risk									
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	28,328	-	-	-	-	-	-	-	-	-	28,328
Balances with other banks	3.75%- 4.00%	88,495	53,197	-	-	-	-	-	-	-	-	35,298
Investments	5.99% - 9.71%	9,695,440	5,120,275	421,979	1,235,353	457,204	-	1,624,935	-	-	-	835,694
Lendings to financial institutions	6.55% - 8.00%	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-	-
Advances	5.00% - 10.95%	3,593,084	310,063	2,250,503	661,003	32,674	83,307	74,308	91,376	-	-	89,850
Other assets	-	1,590,477	-	-	-	-	-	-	-	-	-	1,590,477
		18,995,824	7,483,535	4,222,482	2,146,356	689,878	83,307	1,699,243	91,376	-	-	2,579,648
Liabilities												
Borrowings	2.5%-7.17%	14,367,132	5,118,022	1,612,500	3,212,500	50,000	75,000	-	-	-	-	4,299,110
Deposits and other accounts	6.10%	39,000	-	-	-	39,000	-	-	-	-	-	-
Other liabilities	-	201,883	-	-	-	-	-	-	-	-	-	201,883
		14,608,015	5,118,022	1,612,500	3,212,500	89,000	75,000	-	-	-	-	4,500,993
On-balance sheet gap		4,387,809	2,365,513	2,609,982	(1,066,144)	600,878	8,307	1,699,243	91,376	-	-	(1,921,345)
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			2,365,513	2,609,982	(1,066,144)	600,878	8,307	1,699,243	91,376	-	-	
Cumulative yield / interest rate risk sensitivity gap			2,365,513	4,975,495	3,909,351	4,510,229	4,518,536	6,217,779	6,309,155	6,309,155	6,309,155	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets		18,995,824
Non financial instruments		
Operating fixed assets	81,302	
Deferred taxation	85,330	
	19,162,456	

39.3 Liquidity risk

The risk arising due to failure in raising funds at reasonable cost within the required time duration to finance the Group's operations and meet its liabilities when these become due.

Pak-Libya's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Group has also formulated liquidity risk management policy as per SBP's guidelines. The risk management division uses different tools for measuring liquidity risk and periodically reports to senior management and risk management committees. The Group is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The management is responsible for managing liquidity profile of the Group although strategic management of liquidity has been delegated to ALCO. The ALCO of the Group executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Group has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. ALCO has approved basis for computing maturities of assets and liabilities which take in to account the contractual maturity for assets and liabilities and/or expectation and estimation for realisation of underlying assets and liabilities by the respective business or operational units to arrive at the appropriate maturity buckets.

The Group seeks to ensure that it has ability to raise funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and by taking advantage of any potential lending and investment opportunities as they arise.

39.3.1 Maturities of assets and liabilities - On the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Group

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	28,328	28,328	-	-	-	-	-	-	-	-
Balances with other banks	88,495	88,495	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-
Investments	9,695,440	5,096,482	155,849	346,993	1,194,787	355,173	1,772,246	106,491	667,419	-
Advances	3,593,084	97,659	341,873	548,192	559,772	612,795	469,449	448,108	514,476	760
Operating fixed assets	81,302	2,789	5,567	7,460	12,848	19,572	10,225	8,099	10,009	4,733
Deferred tax asset - net	85,330	-	4,012	4,012	8,023	16,979	18,350	16,977	16,977	-
Other assets	1,590,477	32,121	94,667	40,138	1,240,189	89,361	89,361	-	4,640	-
	19,162,456	7,345,874	2,151,968	1,196,795	3,215,619	1,093,880	2,359,631	579,675	1,213,521	5,493
Liabilities										
Borrowings	14,367,132	4,668,021	5,112,500	775,000	874,111	1,125,000	825,000	762,500	225,000	-
Deposits and other accounts	39,000	-	-	-	39,000	-	-	-	-	-
Other liabilities	201,883	81,070	34,550	78,237	-	-	2,650	-	5,376	-
	14,608,015	4,749,091	5,147,050	853,237	913,111	1,125,000	827,650	762,500	230,376	-
	4,554,441	2,596,783	(2,995,082)	343,558	2,302,508	(31,120)	1,531,981	(182,825)	983,145	5,493

Share capital	6,141,780
Reserves	311,650
Accumulated loss	(1,741,254)
Surplus on revaluation of assets - net of tax	(157,735)
	4,554,441

39.4 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	28,328	28,328	-	-	-	-	-	-	-	-
Balances with other banks	88,495	88,495	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,000,000	2,000,000	1,550,000	250,000	200,000	-	-	-	-	-
Investments	9,695,440	5,096,482	155,849	346,993	1,194,787	355,173	1,772,246	106,491	667,419	-
Advances	3,593,084	97,659	341,873	548,192	559,772	612,795	469,449	448,108	514,476	760
Operating fixed assets	81,302	2,789	5,567	7,460	12,848	19,572	10,225	8,099	10,009	4,733
Deferred tax asset - net	85,330	-	4,012	4,012	8,023	16,979	18,350	16,977	16,977	-
Other assets	1,590,477	32,121	94,667	40,138	1,240,189	89,361	89,361	-	4,640	-
	19,162,456	7,345,874	2,151,968	1,196,795	3,215,619	1,093,880	2,359,631	579,675	1,213,521	5,493
Liabilities										
Borrowings	14,367,132	4,668,021	5,112,500	775,000	874,111	1,125,000	825,000	762,500	225,000	-
Deposits and other accounts	39,000	-	-	-	39,000	-	-	-	-	-
Other liabilities	201,883	81,070	34,550	78,237	-	-	2,650	-	5,376	-
	14,608,015	4,749,091	5,147,050	853,237	913,111	1,125,000	827,650	762,500	230,376	-
	4,554,441	2,596,783	(2,995,082)	343,558	2,302,508	(31,120)	1,531,981	(182,825)	983,145	5,493

Share capital	6,141,780
Reserves	311,650
Accumulated loss	(1,741,254)
Surplus on revaluation of assets - net of tax	(157,735)
	4,554,441

40. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these financial statements.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 March 2018 by the Board of Directors of the Group.

42. GENERAL

42.1 In its latest rating announcement (June 2017), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with negative outlook assigned to ratings).

42.2 Amounts in these financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

42.3 This is the first set of financial statements for the Group prepared for the year ended 31 December 2017. Therefore, comparative figures have not been presented.

Muhammad Masood Ebrahim Chief Financial Officer	**Abid Aziz** Managing Director & CEO
Abid Aziz Director	**Khaled Joma Ezarzor** Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
Annexure I
As referred in note 8.15 of the financial statements.

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES (TFCs)

S. No.	Name of TFCs	Cost 2017 (Rupees in '000)
	Particulars of investments held in listed Term Finance Certificates (TFCs)	
1	Summit Bank Limited - TFC (27-10-2011) Certificate of Rs.5,000 each Mark-up: 9.42% (6 - Months Kibor + 3.25%) Redemption: Half yearly from April 2012 Maturity: October 2018	398,394
2	Trust Investment Bank Limited - TFC - IV (04-07-2008) Certificate of Rs.5,000 each Mark-up: 11.22% (6 - Months Kibor + 1.85%) Redemption: Half yearly from July 2008 Maturity: July 2013 Installment status: Overdue	9,371
3	Jahangir Siddiqui & Co. Limited - TFC - (31-03-2014) Certificate of Rs.5,000 each Mark-up: 7.92% (6 - Months Kibor + 1.75%) Redemption: Half yearly from October 2014 Maturity: April 2019	23,750
4	Azgard Nine Limited - TFC - II (20-09-2005) Certificate of Rs.5,000 each Mark-up: 11.43% (6 - Months Kibor + 1.25%) Redemption: Half yearly from Mar 2006 Maturity: September 2017 Installment status: Overdue	13,015
		444,530

S. No.	Name of TFCs	Cost 2017 (Rupees in '000)
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)	
1	Azgard Nine Limited - TFC - V (19-12-2010) Certificate of Rs.5,000 each Mark-up: 10.83% (3 - Months Kibor + 1.25%) Redemption : Quarterly from May 2011 Maturity: November 2015 Installment status: Overdue	179,652
2	Azgard Nine Limited - TFC - VI (31-08-2012) Certificate of Rs.5,000 each Mark-up: 0% Redemption: Half yearly from March 2014 Maturity: March 2017	80,400
3	Dewan Farooq Spinning Mills Limited - TFC (04-12-2004) Certificate of Rs.5,000 each Mark-up: 11.15% (6 - Months Kibor + 3.75%) Redemption: Half yearly from June 2006 Maturity: June 2010 Installment status: Overdue	18,750
4	Jahangir Siddiqui & Co. Limited - TFC - (24-05-2016) Certificate of Rs.5,000 each Mark-up: 7.86% (6 - Months Kibor + 1.65%) Redemption: Half yearly from December 2017 Maturity: June 2021	218,750
5	NRSP MicroFinance Bank Limited - TFC - (24-06-2016) Certificate of Rs. 5,000 each Mark-up: 8.51% (6 - Months Kibor + 2.35%) Redemption: Half yearly from September 2016 Maturity: June 2018	93,750
6	Silk Bank Limited- TFC- (30.06.2017) Certificate of Rs.5,000 each Mark-up: 8.00% (6 - Months Kibor + 1.85%) Redemption: Half yearly from February 2018 Maturity: August 2025	100,000
7	U MicroFinance Bank Limited-TFC- (29.06.2017) Certificate of Rs.5,000 each Mark-up: 9.65% (6 - Months Kibor + 3.5%) Redemption: Half yearly from December 2022 Maturity: June 2024	90,000
	Balance c/f.	781,302

S. No.	Name of TFCs	Cost 2017 (Rupees in '000)
	Balance b/f.	781,302
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)	
8	New Allied Electronics Industries (Pvt.) Limited - TFC (05-09-2007) Certificate of Rs.5,000 each Mark-up: 12.36% (3 - Months Kibor + 2.75%) Redemption: Quarterly from August 2008 Maturity: May 2011 Installment status: Overdue	15,957
9	Pakistan International Airlines Corporation Limited - TFC - II (20-02-2009) Certificate of Rs.5,000 each Mark-up: 7.39% (6 - Months Kibor + 1.25%) Redemption: Quarterly from May 2016 Maturity: February 2020	110,581
10	Security Leasing Corporation Limited - TFC - III (28-03-2006) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	3,081
11	Bank Al-Habib Limited Certificate of Rs.100,000 each Mark-up: 8.58% (3 - Months Kibor + 2.00%) Redemption: Quarterly from July 2012 Maturity: April 2016	300,000
12	JDW Sugar Mills Limited-TFC- (06.08.2013) Certificate of Rs.50 million each Mark-up: 7.15% (3 - Months Kibor + 2.50%) Redemption: Quarterly from December 2013 Maturity: March 2018	11,111
13	JS Bank Limited - TFC- (14-12-2016) Certificate of Rs. 5,000 each Mark-up: 7.57% (6-Months Kibor + 1.40%) Redemption: Half yearly from June 2017 Maturity: December 2023	199,960
		1,421,992

S. No.	Name of Sukuks	Cost 2017 (Rupees in '000)
	Particulars of investments held in unlisted sukuks	
1	Security Leasing Corporation Limited (21-09-2008) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	12,323
2	AGP Limited Certificate of Rs.5,000 each Mark-up: 10.00% (3 - Months Kibor + 1.75%) (Cap 25% Floor 10%) Redemption: Quarterly from June 2015 Maturity: September 2016	45,000
3	Pak-Elektron Limited - II (31-03-2008) Certificate of Rs.5,000 each Mark-up: 8.00% (3 - Months Kibor + 1.00%) (Cap 25% Floor 8%) Redemption: Quarterly from June 2015 Maturity: March 2019	13,574
4	Liberty Power Technology Limited (18-03-2009) Certificate of Rs.5,000 each Mark-up: 9.60% (3 - Months Kibor + 3.00%) Redemption: Quarterly from March 2011 Maturity: December 2020	47,962
5	TPL Trakker Limited (13-04-2016) Certificate of Rs. 100,000 each Mark-up: 6.02% (3-Months Kibor + 3.00%) Redemption: Quarterly from October 2019 Maturity: April 2021	50,000
6	Hascol Petroleum Limited (07-01-2016) Certificate of Rs. 5,000 each Mark-up: 6.03% (3 - Months Kibor + 1.5%) Redemption: Quarterly from April 2017 Maturity: January 2022	85,000
		253,859

Annexure II

As referred in note 9.4 of the financial statements.

STATEMENT SHOWING WRITTEN- OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDERED THOUSAND RS. OR ABOVE, PROVIDED DURING THE YEAR ENDED

31 December 2017

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	NIC NUMBER	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF / WAIVED			
					Principal	Mark-up*	Others **	Total	Principal	Mark-up*	Others	Total
1	Samin Textile Mills Limited / 50-C Main Gulberg, Lahore	Mr. Sarmad Amin	35202-2542463-3	Muhammad Amin			1,250,414	1,250,414			1,250,414	1,250,414
		Mr. Jehanzeb Amin	35202-0678117-5	Sarmad Amin								
		Mr. Safder Hussain Tariq	35202-7560182-5	Jaffar Hussain								
		Mr. Qamber Hamid	35202-2796208-1	Sheikh Akhtar								
		Mr. Shehryar Amin	35202-3737616-9	Sarmad Amin								
		Mr. Jamil Masood	611011-1880963-1	Iqbal Masood								
		Mr. Tariq Jillani	35201-2601114-9	Mian Ghulam Jillani								
2	Khawaja Abdul Aziz Ghori / H.No. D-138, BL-7, Gulshan-e-Iqbal, Karachi.	-	42201-3359001-9	Khawaja Mubzool-ur-Rehman Ghori	17,819	10,350*	9,354**	37,523	-	-	12,893**	12,893
3	Ali Murtaza Obaid / C-4,PHASE 3, F # 502, Haroon Royal City, Block 17, Gulistan-e-Johar, Karachi	-	42201-7553927-7	Muhammad Ali Naved	8,514	3,089*	2,658**	14,261	-	-	3,461**	3,461

* Markup -These amounts represent suspended markup

** Other - These amounts include late payment charges and other fee and charges that were kept out of books of accounts.

Note: Serial no. 2 and 3

- Both these cases have been rescheduled / restructured to recover outstanding liabilities and in case of any breach of terms / default in payment, all amounts waived shall become liable.
- Waiver amounts have been worked out on the basis of total receivable as per the initial terms of the loans net-off the amout worked out as per Court Decree.

ناظمین کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2017 کو اختتام پذیر سال پر ہم پاک لیبیا ہولڈنگ کمپنی لمیٹڈ ("پاک لیبیا") کی ڈائریکٹرز رپورٹ بمع تصدیق شدہ سالانہ اکھٹے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں

مالیاتی نتائج اور مالیاتی صورتحال کا مختصر خلاصہ درج ذیل ہے؛

	2017
اختتام سال کے بقایا جات	**پاکستانی روپے 000 میں**
کل اثاثہ جات	19,162, 456
کل مالیاتی ذمہ داریاں	14,608,015
خالص اثاثہ جات	4,554,441
حصص کنندگان کا ملکیتی سرمایہ (خالص)	
حصص سرمایہ	6,141,780
ذخائر	311,650
جمع شدہ مجموعی نقصان	(1,741,254)
ذیلی مجموعہ	4,712,650
اثاثہ جات دوبارہ قدر پیمائی پر اضافہ / کمی - محصول کا خالص	(157,735)
مجموعہ	4,554,441
برائے سال	
منافع قبل از محصول	83,649
منافع بعد از محصول	47,306
آمدنی فی حصص (پاکستانی روپے)	77

آڈیٹرز کا اپنی آڈٹ رپورٹ پر تبصرہ

کمپنی کے محتسب مذکورہ پیراگراف کے اضافہ کے ساتھ اپنی آڈٹ رپورٹ دی ہے۔ انہوں نے منسلک مالیاتی دستاویزات میں نوٹ 1.2 توجہ دلائی ہے اور بیان کیا ہے کہ بینک دولت پاکستان نے مطلوبہ 6 بلین روپے کے کم سے کم ادا شدہ سرمایہ (نقصان سے پاک) کی شرط کو پورا کرنے کے لیے 30 جون 2018 تک استثنٰی کی منظوری دے چکی ہے۔

آدیٹر کی رائے مطلوبہ معاملے پر مخفی (qualified) نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان (گرانٹ تھورنٹن انٹرنیشنل کا رکن ادارہ) چارٹرڈ اکاؤنٹینٹس، کی مدت معاہدہ ختم ہوگئی ہے اور وہ اہل ہونے کی وجہ سے اپنی خدمات دوبارہ پیش کیا ہے۔ آڈٹ کمیٹی نے بورڈ کی توثیق کے ساتھ ان کی بطور کمپنی کے آڈیٹرز کی 31 دسمبر 2018 تک کے لیے انتخاب (منتخب) کرنے کی تجویز دی ہے۔

اعتراف

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے گاہکوں اور پاک۔لیبیا کے تمام شرکاء کا کمپنی پر مخلصانہ اعتماد کرتے رہنے پر اظہار ممنونیت کرتے ہیں۔ ہم اپنے حصص یافتگان: LAFICO اور SBP بشمول MoF کی مسلسل حمائت اور رہنمائی اور کمپنی کے ملازمین کی ان کی مسلسل اعتماد اور وفاداری کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

خالد جمعہ الزرزور
ڈپٹی مینجنگ ڈائریکٹر

عابد عزیز
مینجنگ ڈائریکٹر اور CEO

23 مارچ 2018

PakLibya

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