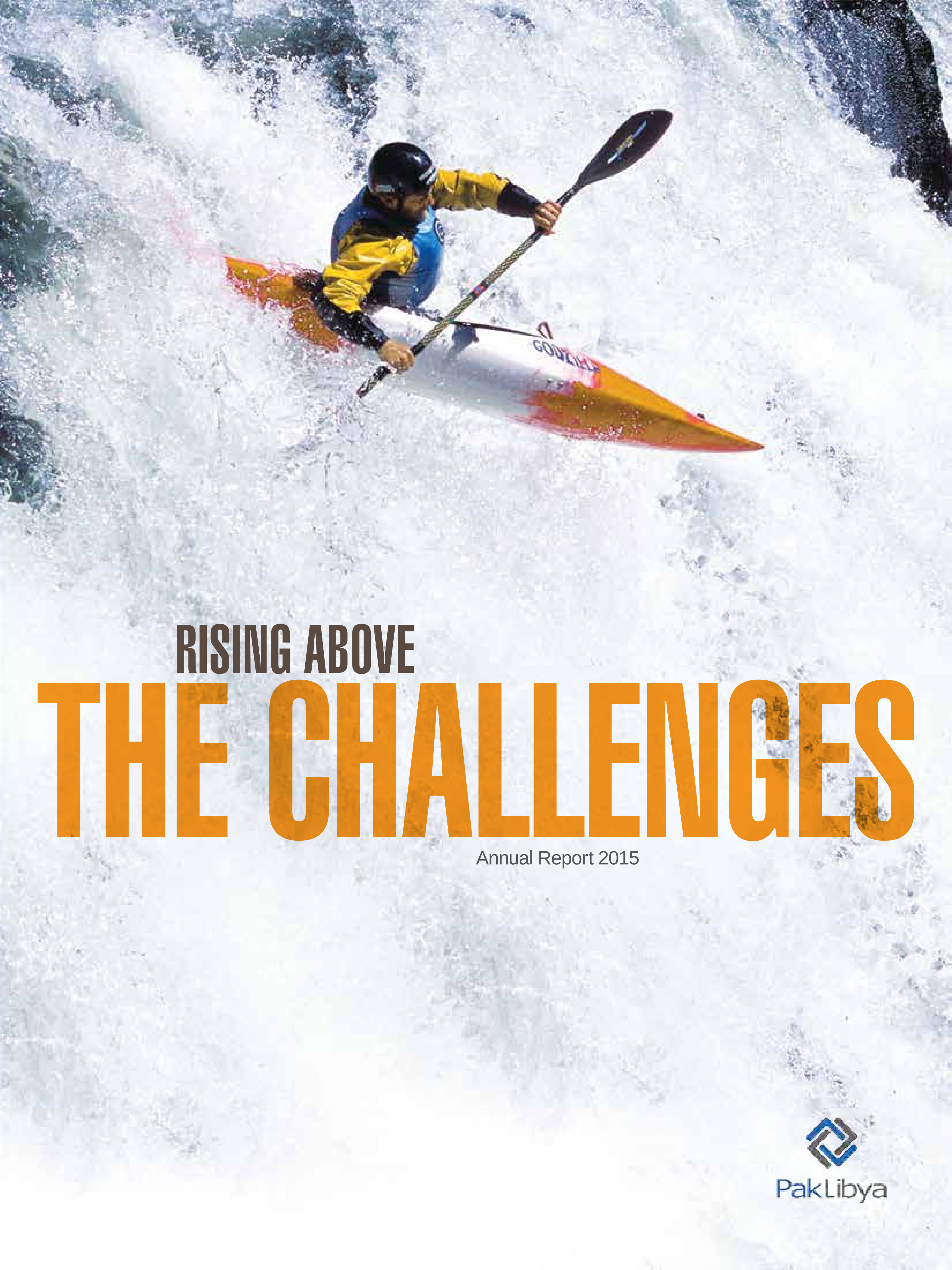

RISING ABOVE THE CHALLENGES

Annual Report 2015

PakLibya


PakLibya

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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**.

RATINGS

Entity Rating Maintained by PACRA

Long Term:
AA-
(Double A Minus)

Short Term:
A1+
(A One Plus)

Instrument Rating

AA
(Double A)

Privately Placed Secured TFC	Privately Placed Secured TFC
Rs. 750 million	Rs. 1,000 million
Issue Date: February 07, 2011	**Issue Date:** February 24, 2015
Maturity Date: February 07, 2016	**Maturity Date:** February 24, 2020

BOARD OF DIRECTORS

Mr. Bashir B. Omer
Chairman

Mr. Haque Nawaz
Director

Mr. Fazal-ur-Rehman
Director

Mr. Ramadan A. Haggiagi
Director

Mr. Abid Aziz
Managing Director / Director

Mr. Khalid S.T. Benrjoba
Deputy Managing Director / Director

CORPORATE INFORMATION

BOARD COMMITTEES

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Fazal-ur-Rehman	Chairman
Mr. Ramadan A. Haggiagi	Member
Mr. Khalid S.T. Benrjoba	Member
Mr. Abdul Latif Memon	Secretary

CREDIT/ INVESTMENT COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Haque Nawaz	Member
Mr. Abid Aziz	Member
Mr. Merajuddin	Secretary

RECRUITMENT AND COMPENSATION COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Fazal-ur-Rehman	Member
Mr. Abid Aziz	Member
Ms. Bushra Nauman	Secretary

COMPANY SECRETARY

Mr. Merajuddin

AUDITORS

M/s. Ernst & Young Ford Rhodes Sidat Hyder
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

EXECUTIVE COMMITTEE

Mr. Abid Aziz
Managing Director & CEO

Mr. Khalid S.T. Benrjoba
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 Ahmed Faruqi
Head of Treasury & Fund Management Division

Ms. Tasneem Lotia
Head of Liability Management

Mr. Muhammad Sabihuddin
Head of Compliance Division

Mr. Abdul Latif Memon
Head of Risk Management Division

Mr. Saadat Muzaffar
Head of North Region, Lahore

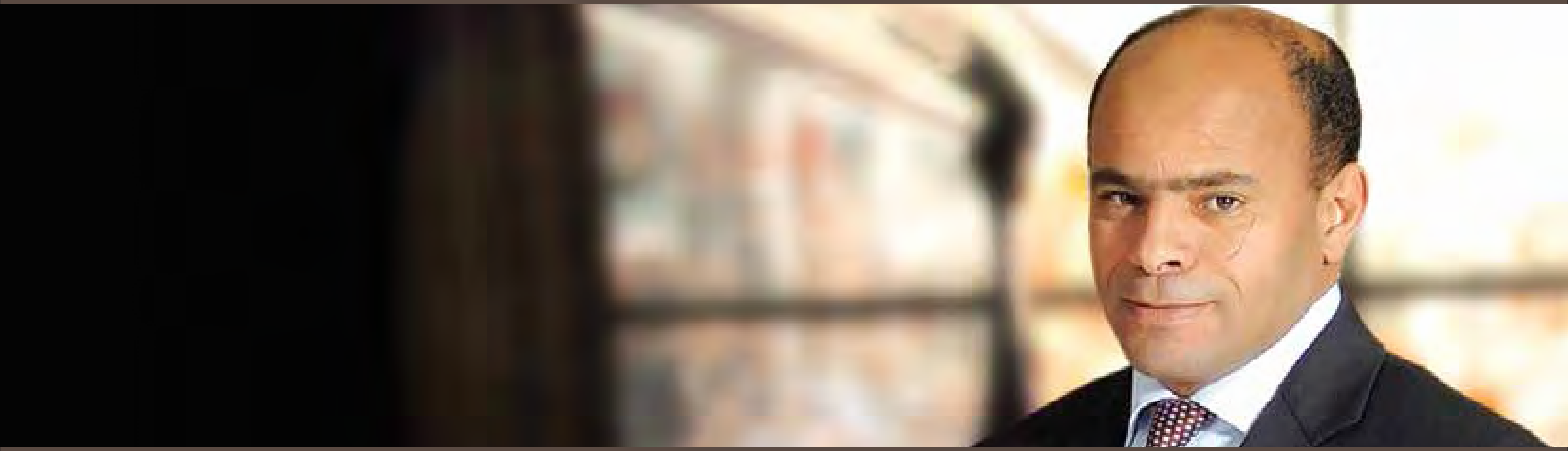
Mr. Mukhtar ul Haque
Head of Operations (Back Office)

Mr. Shakiluddin
Head of Internal Audit Division

Mr. Minhaj-ul-Islam Farooqi
Head of Law 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 2015 **with pride of what we have achieved and optimism for the future.**

Looking back in year 2012, the immense problems that confronted Pak-Libya seemed almost insuperable as the Company was at the verge of collapse primarily due to heavy losses incurred in the past but ***fortune favours the bold!*** Certain bold decisions had to be taken; as a result the Company maintained its objective stance towards altering the asset mix to take advantage of the prevalent business environment which yielded positive results. The unflagging commitment and determination, extraordinary teamwork and perseverance to overcome all odds by the staff and management uplifted profit before tax 48.75% higher from the year 2014 to PKR 472.4 million.

While the shortfall of minimum regulatory capital continues to pose certain operational limitations, I believe that the shareholders' in-principle agreement of necessary capital injection in the ensuing year and capitalising on opportunities commensurate with our business model would provide building blocks for our business strategy to solidify, successfully uproot and also scale our Company towards growth and successful realisation of our business objectives.

I see a bright future for this Company considering the macro-economic development in the Country specially China-Pakistan Economic Corridor (CPEC) in the forthcoming five years. The distinguished project would serve as a multi-sector framework covering infrastructure, energy and industrial development. The host of employment and business opportunities the CPEC is bound to create would not only attract foreign direct investment but also provide a spurt of investment avenues for the local private sector. The special economic zones alongside CPEC and the renewable energy sector are those areas where plethora of opportunities lay for investors and financiers alike. ***A new era of prosperity and economic wellbeing!***

Pak-Libya is ready to embrace the change; hence, as part of our five-year business plan, we aim to strategically focus and capitalise on these largely untapped and unexplored potential business opportunities which would not only enhance our geographical spread but also diversify our business risk.

With absolute confidence in the dedication and hard work of the management team, employees and the undeterred support of all other stakeholders, I am confident that Pak-Libya would not only prosper but would certainly emerge as a leading development financial institution (DFI) in the years to come.

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, MoF and SBP for their continued support and guidance.

Bashir B. Omer
Chairman

Date: 11 March 2016

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 2015 – ***another year in a row that proved our resilience, vigour and incessant efforts to keep our Company on the path of long-term growth and profitability.***

ECONOMIC OVERVIEW

The Year 2015 gave Pakistan's Economy a fair share of positives to underscore. Standard & Poor rated Pakistan as B- (minus) with a positive outlook. The real GDP growth increased to 4.24% in 2015, and key macroeconomic indicators including inflation, fiscal and current account balances recorded improvements. The average Consumer Price Index (CPI) inflation steadily declined by around 5% and reached to 3.2% (December 2015), its lowest level in a decade and well below its previous level of 8.6% in FY14. This decline was mainly the outcome of fall in global oil prices. Overseas remittances surged the foreign exchange reserves to a record high of US$ 20.8 billion in December 2015, not only supporting stability in foreign exchange market but also positively considered sufficient to finance around five months of the Country's import bill.

Improvement in macro-economic indicators provided an environment conducive to adopt pro-growth strategies, thus State Bank of Pakistan (SBP) cut its policy rate by a cumulative 350 bps during the year to boost investment. The investment front however remained sluggish primarily due to reduced demand for working capital and trade financing loans. Furthermore, power shortages, law & order and weak external demand also played their role in restricting overall private sector credit.

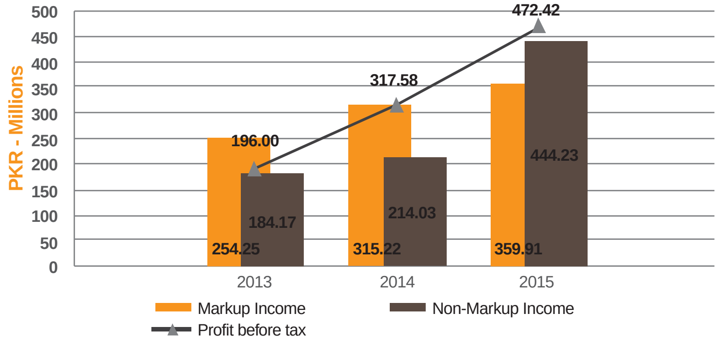
As we enter the third elected year of the present leadership, all eyes are on the Federal Government for all possible measures required to spur investment by the private sector though complimentary much needed investments in the public sector, revamping trade and industrial policies, taxation reforms, improvement in law and order situation and corruption, as this menace is marked as the most abysmal factor for doing business in Pakistan despite improving by three notches, ranking 126th (among 140 countries) in the Global Competitiveness Report 2015.

CORPORATE PERFORMANCE

Upon successful completion of three years of the existing management, we are pleased to present the results for the year 2015 with profit before tax hitting almost half a billion mark as we successfully enter our fourth year of commitment and undeterred determination, post 2012, to put the Company on the path of profitability and long term growth. The results of the management's business strategy were more pronounced as not only the profits continue to updive but we also successfully cured the infected asset portfolio to improve its quality.

Investments in and eventual capital gains from government securities continue to be a prominent contributor to the underlying profitability.

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 government securities which constituted approximately 58% of total assets as volatility in the stock market and lacklustre performance of the KSE 100 Index particularly in the second half of the year restricted returns for investors from the bourse.



Active monitoring of provisions from the year 2013 to date continues to bear fruits in the form of recoveries. Furthermore, restructuring of certain troubled exposures during the year have paved way for further provision reversals in the years to come including assets of Kamoki Energy Limited (KEL).

In order to support the management strategy of maximising the core business operations, another PPTFC issue of PKR 1 billion was made during the year. Additionally, new credit lines were also negotiated to fill in the liquidity gaps and to ensure contingency fund planning.

As a testimony to our commitment and efforts to strengthen our Compliance, Risk Management and Internal Control structure, we obtained exemption from submission of External Auditor's Long Form Report on internal controls over financial reporting (ICFR) consequent to successfully implementing SBP guidelines and framework on ICFR.

Moreover, the Pakistan Credit Rating Agency (PACRA) maintained its credit ratings from the previous year for Pak Libya in the year 2015 as follows;

Short term: A1+ (A one plus)
Long term: AA- (Double A minus)

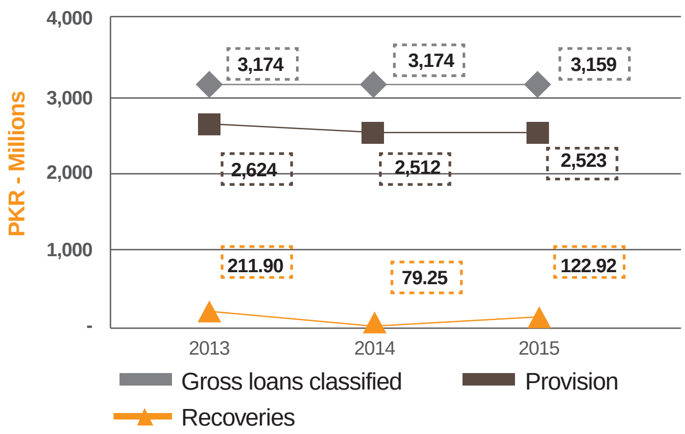
These ratings denote a low expectation of credit risk emanating from a very strong capacity of timely payment of financial commitments.

Additionally, the PPTFC issue was also rated as AA (Double A).

Team Efforts

Each of our business units strove to support the management business strategy and hence played its fair share in the successful implementation over the years. Highlights on our business units' performance over the course of three years from 2013 to 2015 is presented hereunder;

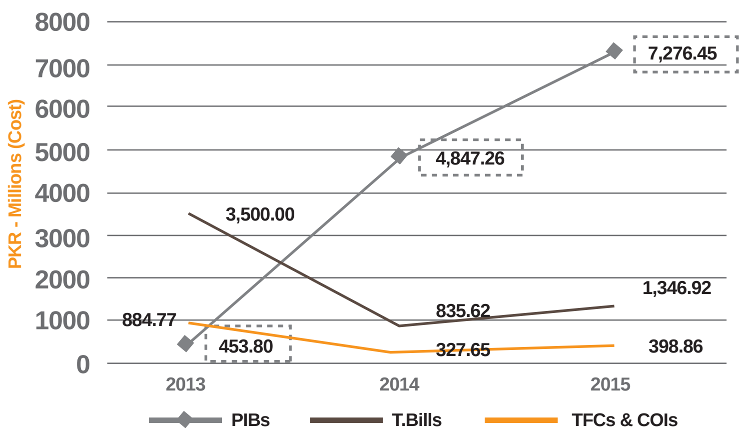
Corporate & Investment Banking (CIB)



After having a substantial portfolio infected with non-performing exposures and the strategic investment–KEL turning bad in 2012, the business strategy for CIB merited a major overhaul. Therefore, the management exercised extra caution in selecting clients through stringent risk assessment and pressed hard on rigorous post disbursement monitoring. Another critical dimension to success of business strategy for CIB was recoveries from delinquent clients. Hence, the business teams in coordination with special asset management (SAM) and legal department materialised notable recoveries. All these efforts, along with timely repayments from advances' portfolio, translated into noteworthy positive results in terms of departmental performance over three years from 2013 to 2015 and the sole provision that was required in the year 2015 was from a pre-2012 client financing.

Treasury & Fund Management (TFM)

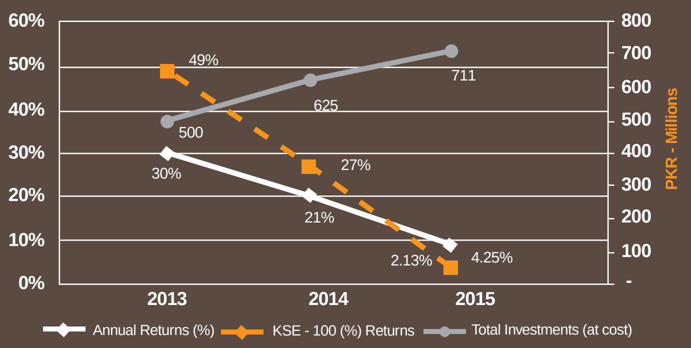
Our TFM department in addition to mobilizing resources at competitive rates for business units continued to supplement our core business income through secondary market investments and selected investments in debt instruments. In the year 2013, the investments remained concentrated in short term Market Treasury Bills (MTBs). The overall macroeconomic stability and declining inflation trend led to monetary easing by SBP from the second half of year 2014 thereby creating incentives for investments in Pakistan Investment Bonds (PIB), therefore PIBs constituted a substantial proportion of total assets in both 2014 and 2015. This new asset mix played its due role in lifting the overall profitability of the Company both via interest income as well as affording substantial capital gains.



Securities Portfolio Management (SPM)

The Karachi Stock Exchange witnessed phenomenal growth both in the years 2013 and 2014. The benchmark 100-Index exhibited stellar performance both in terms of volume and value. Ranking top at all Asian Market Indices in 2013 and third amongst the top ten best performing markets in the World in 2014, the KSE-100 index posted a return of 49% and 27% in the year 2013 and 2014 respectively. Our SPM department on the basis of our overall risk appetite and resources available posted returns of 30% and 21% in years 2013 and 2014 respectively despite curtailment of prudential limits due to minimum capital requirement (MCR) shortfall. As the Global Crude Oil prices started to decline from the second half of the year 2014 so did the oil and gas stocks at the Karachi Stock Exchange. Resultantly in the year 2015, the KSE–100 Index maintained a volatile declining trend. Furthermore, despite lasting for a short period but the impact of currency devaluation by China also had the bourse tumble.

The SPM department maintained a conservative and risk-averse approach to investments, trying to ward off the volatility and distress in the bourse from affecting the portfolio returns. Thus, where the KSE–100 Index posted merely 2.13% returns as at 31 December 2015, the equity investments' portfolio of Pak-Libya, despite averaging the prices in the oil sector, managed to bag returns to the tune of 4.25% as at the year end there by contributing to the bottom line profitability primarily through dividend income



Financial highlights 2015 – 2014

Statement of Financial Position – Year end balances

	2015	2014
	(PKR in thousands)	
Total Assets	15,274,279	12,436,185
Total Liabilities	11,379,536	8,849,498
Net Assets	3,894,743	3,586,687
Represented by:		
Share Capital	6,141,780	6,141,780
Reserves	143,860	82,855
Accumulated loss	(2,411,691)	(2,655,790)
	3,873,949	3,568,845
Surplus / (deficit) on revaluation of assets – net of tax	20,794	17,842
	3,894,743	3,586,687

Profit and Loss Account - For the year

Profit before taxation	472,415	317,579
Profit after taxation	305,026	232,681
Earnings per share (PKR)	497	379

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, even in tranches, started, the Company will be MCR compliant and based on the existing performance trend will be able to distribute dividend to its shareholders.

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 practice of corporate governance.
- Training programmes are being arranged for the directors in compliance with the Code. To comply with the requirement of the Code, two of the directors during the year have obtained certification under DTP, whilst remaining directors will complete the certification in financial year 2016. Further as per the requirement of the Code, the roles and responsibilities of the Chairman of the Board and the Chief Executive Officer of the Company have been approved by the Board of Directors.
- Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan (SECP) were not applicable to the Company as the same have been exempted by SECP subject to the conditions that training of directors, performance evaluation of the board and audit of financial statements through QCR rated firms shall be ensured. The Company intends to ensure compliance with these conditions of exemption in letter and spirit.
- 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 SBP prudential regulations. Therefore we have requested SBP to approve us a limit for certain charitable institution so that we could give back something in return to the society.

Board Composition

During the year no vacancy existed on the Board.

Risk Management Framework

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 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.

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, we shifted our BCP site to one of our peer DFIs under a reciprocal arrangement. Moreover, an operational risk database is now 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 are also in a process to formalize a Company-wide documented business continuity plan.

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 market risk policy was revised to elaborate the interest rate risk. Also, the guidelines on monitoring and reporting of interest rate risks were elaborated to enhance the overall market risk management framework.

The Company has also formulated a Liquidity Risk Management Policy in addition to the Liquidity Management Policy. The Liquidity Risk Management Manual is also revised to include 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 has allowed exemption to the Company from meeting the required MCR till 30 June 2016.

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 2016 and has advised the Company to provide equity injection timeline by the Government of Pakistan by 31 March 2016.

Further, auditors have also drawn attention to note 11 to the accompanying financial statements relating to deferred tax asset amounting to Rs. 193.663 million. The auditors have stated that management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions including the injection of capital by shareholders in the future. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

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

Comments of Auditors in their Review Report of Code of Corporate Governance (Code)

Auditors have highlighted the instance of non-compliance in their review report on the statement of compliance with the Code in which they have disclosed the status of directors training under the directors training programme as required by the Code.

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

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 2014 are PKR 66.342 million and PKR 91.087 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 four 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	4	4
Mr. Fazal-ur-Rehman	Director	4	4
Mr. Ramadan A. Haggiagi	Director	4	3
Mr. Haque Nawaz	Director	4	3
Mr. Abid Aziz	Managing Director	4	4
Mr. Khalid S.T. Benrjoba	Deputy Managing Director	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	4	3
Mr. Fazal-ur-Rehman	Member	4	4
Mr. Haque Nawaz	Member	4	3
Mr. Abid Aziz	As alternate member	4	1

Details of Risk Management Committee Meetings

During the year one meeting of the risk management committee (RMC) were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Fazal-ur-Rehman	Chairman	1	1
Mr. Ramadan A. Haggiagi	Member	1	1
Mr. Khalid S.T. Benrjoba	Member	1	1

Details of Recruitment & Compensation Committee Meetings

During the year two meetings of the recruitment and compensation 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	2	2

Details of Credit/Investment Committee Meeting of the Board

During the year no credit/investment committee meeting was held.

Auditors

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder and Co. Chartered Accountants (A member firm of Ernst and Young Global Limited) 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 2016 which has been endorsed by the Board of Directors in compliance with the Code of Corporate Governance.

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

After successfully implementing the business strategy for three consecutive years and remaining steadfast in overcoming the challenges from 2012, Pak-Libya holds a firm stance towards its future business strategy and outlook.

Aimed at increasing the advances portfolio size to almost double in the next five 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 optimization.

Additionally, our other business units would continue to contribute to the overall performance through individual business strategies in line with the prevailing business environment to augment the core business objective i.e economic development of the Country through industrial development.

The shortfall in statutory minimum regulatory capital is an impediment we need to overcome in the year 2016. 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 transfer of assets from Kamoki Energy Limited (KEL), which is in due to materialize shortly, will enable us overcome this challenge thus providing us a level playing field with other prominent peer DFIs to prove our mark in the industry.

In view of the overall efforts being made by the management and the consistent positive results that we have managed to achieve in the three years period until December 2015, we are much optimistic about our Company's future growth, profitability and attainment of competitive edge.

It is important to highlight that consistent macro-economic policies including effective handling of major challenges like energy crises, law and order situation, complying with the terms of International Monetary Fund (IMF) bailout package and taxation reforms etc., by the Government of Pakistan will play a significant role in determining the future path of the economic activity in the Country. This will resultantly impact the businesses operating in the Country including the Company.

We are committed to our Vision and uphold our Core Values to accomplish our Mission.

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, MoF and SBP for their continued support and guidance and to the employees of the Company for their steadfast trust and loyalty.

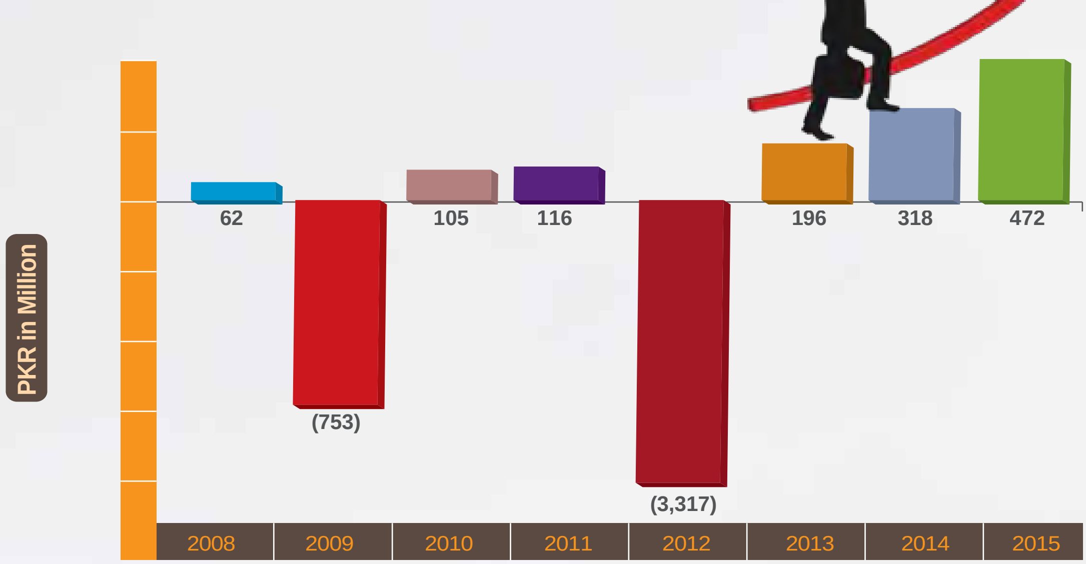
On behalf of the Board of Directors

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 11 March 2016
Istanbul, Turkey

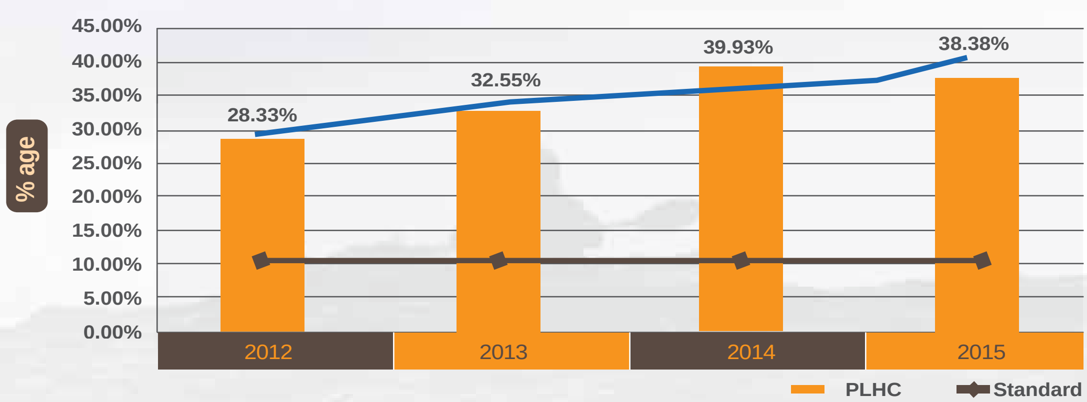
NET PROFIT BEFORE TAX



RETURN ON EQUITY

	2008	2009	2010	2011	2012	2013	2014	2015
ROE	1.0%	-12.6	1.6%	1.8%	-69.8	6.1%	9.2%	12.6%

CAPITAL ADEQUACY RATIO

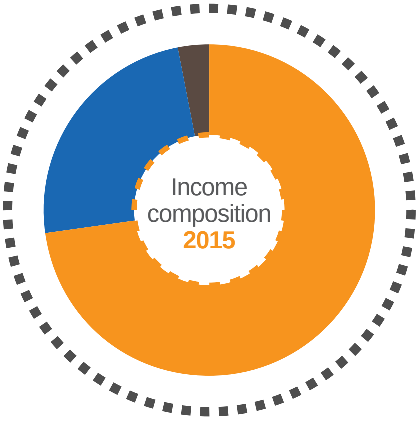


SUMMARY OF KEY OPERATIONAL AND FINANCIAL DATA

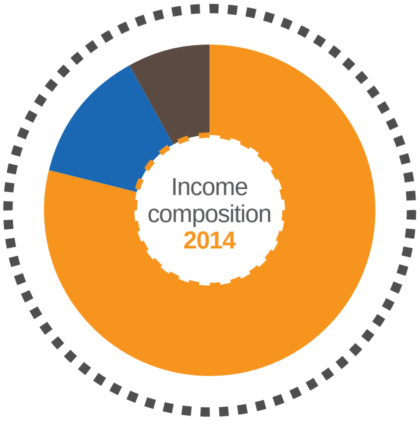
(Rs. In Million)

	2015	2014	2013	2012	2011	2010	2009
Gross Approvals*	1,082	965	2,255	1,405	2,011	2,001	6,266
Disbursements*	479	967	1,392	1,295	1,731	2,373	4,813
Recoveries*	1,795	2,644	2,587	2,755	2,865	3,046	2,976
Gross Income	1,830	1,532	1,331	1,349	1,799	1,860	1,127
Net interest income	360	315	254	245	628	550	466
Net Profit/(Loss) before Tax	472	318	196	(3,317)	116	105	(753)
Taxation-net	167	85	14	111	179	(26)	(25)
Net Profit/(Loss) after Tax	305	233	182	(3,429)	(64)	131	(728)
Dividends(year of approval)**	-	-	-	-	-	-	
Shareholders' Equity (net)	3,895	3,586	3,320	3,144	6,357	6,460	6,311
Total assets	15,274	12,436	12,121	13,466	14,884	16,375	16,411
Staff Strength (number)***	105	110	111	104	109	104	103

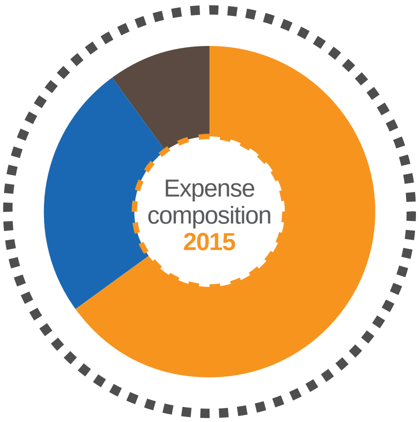
* Includes rollover
** Stock Dividend
*** Including outsourced staff
Note: Figures of respective years include impacts of restatements (as applicable)



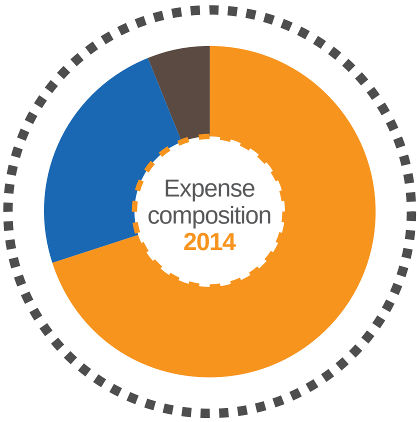
- **73%** Mark-up earned
- **24%** Non mark-up income
- **3%** Provision reversal



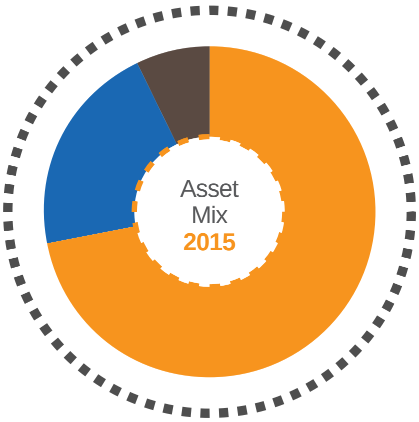
- **79%** Mark-up earned
- **13%** Non mark-up income
- **8%** Provision reversal



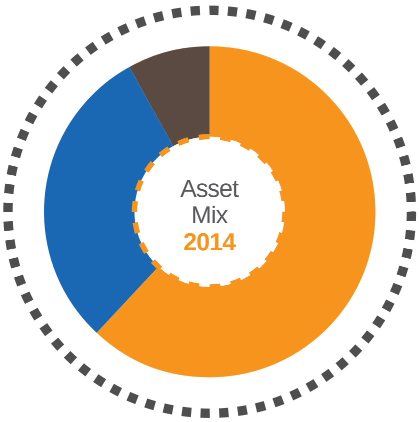
- **65%** Mark up expenses
- **25%** Non mark up expenses
- **10%** Taxation



- **70%** Mark up expenses
- **24%** Non mark up expenses
- **6%** Taxation



- **72%** Investments
- **21%** Advances
- **7%** Others



- **62%** Investments
- **30%** Advances
- **8%** Others

STATEMENT OF INTERNAL CONTROLS

For The Year Ended 31 December 2015

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) has been updated in FY-2015 to incorporate the updated status of processes and controls. 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 complied/being complied at earliest possible timelines.
- The Company has obtained the exemption from the requirement of Statutory Auditors' Long Form Report on ICFR from the SBP and will submit 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 FY-2015 to bring further improvements in the internal control systems. 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.

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 11 March 2016
Istanbul, Turkey

Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pak Libya Holding Company (Private) Limited** (the Company) for the year ended **31 December 2015** to comply with Regulation G-1 of the Prudential Regulation for Corporate / Commercial Banking issued by State Bank of Pakistan.

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

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

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

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

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the note references where these are stated in the Statement of Compliance:

Note Reference	Description
9	The directors are in the process of completing the required training to obtain certification under director training program as required by the Code.

Chartered Accountants
Date: 11 March 2016
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For The Year Ended 31 December 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) as framed by the Securities and Exchange Commission of Pakistan, which are applicable to Pak-Libya Holding Company (Private) Limited ("the Company" or "Pak-Libya" or "PLHC") through regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan (SBP).

The Company has applied the principles contained in the Code 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
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 no vacancy existed on the Board.

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 Code.

9. Training programmes are being arranged for the directors in compliance with the Code. To comply with the requirement of the Code, two of the directors during the year have obtained certification under DTP, whilst remaining directors will complete the certification in financial year 2016.

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 the Code 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 Code.

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 and as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has also constituted a 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.

21. We confirm that all material principles enshrined in the Code, as applicable to the Company have been complied with the exception of the requirement of the Directors Training Programme, toward which progress is being made by Company to seek compliance by the end of next accounting year.

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: 11 March 2016
Istanbul, Turkey

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion:

   (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit, comprehensive income, 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).

EY
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Chartered Accountants
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ey.com/pk

We draw attention to the following matters:

(i) as more fully explained in note 1.2 to the accompanying financial statements, 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 2016 and has advised the Company to provide specific timeline for equity injection by the Government of Pakistan in the Company by 31 March 2016; and

(ii) note 11 to the accompanying financial statements relating to deferred tax asset amounting to Rs.193.663 million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions including the injection of capital by shareholders in the future. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

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

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: 11 March 2016
Karachi

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015	2014
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	5	**65,712**	68,845
Balances with other banks	6	**30,481**	64,144
Lendings to financial institutions	7	**320,000**	-
Investments	8	**10,922,328**	7,703,305
Advances	9	**3,238,411**	3,707,914
Operating fixed assets	10	**69,960**	87,907
Deferred tax asset - net	11	**193,663**	205,513
Other assets	12	**433,724**	598,557
		15,274,279	12,436,185
LIABILITIES			
Bills payable		**-**	-
Borrowings	14	**9,441,099**	6,097,465
Deposits and other accounts	15	**1,737,389**	2,470,607
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	16	**201,048**	281,426
		11,379,536	8,849,498
NET ASSETS		**3,894,743**	3,586,687
REPRESENTED BY			
Share capital	17	**6,141,780**	6,141,780
Reserves	18	**143,860**	82,855
Accumulated loss		**(2,411,691)**	(2,655,790)
		3,873,949	3,568,845
Surplus on revaluation of assets - net of tax	19	**20,794**	17,842
		3,894,743	3,586,687
CONTINGENCIES AND COMMITMENTS	20		

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

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 2015

	Note	2015	2014
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	22	**1,385,571**	1,317,502
Mark-up / return / interest expensed	23	**1,025,661**	1,002,284
Net mark-up / interest income		**359,910**	315,218
Provision / (Reversal of provision) against non-performing advances - net	9.3.1	**10,733**	(114,150)
Reversal of provision against lendings to financial institutions	7.5	**(11,500)**	-
Reversal of provision for diminution in the value of investments - net / Impairment	8.15	**(59,838)**	(22,495)
Bad debts written-off directly		**-**	-
		(60,605)	(136,645)
Net mark-up / interest income after provisions		**420,515**	451,863
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**9,407**	23,094
Dividend income		**33,738**	30,470
Income from dealing in foreign currencies		**-**	-
Gain on sale of securities - net	24	**398,473**	156,018
Unrealised loss on revaluation of investments classified as 'held-for-trading'		**(929)**	-
Other income	25	**3,544**	4,447
Total non mark-up / interest income		**444,233**	214,029
		864,748	665,892
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	**367,407**	378,461
Other provisions / write offs	27	**13,601**	(37,232)
Other charges	28	**11,325**	7,084
Total non mark-up / interest expenses		**392,333**	348,313
		472,415	317,579
Extraordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**472,415**	317,579
Taxation			
- current		**150,975**	58,632
- prior years		**-**	-
- deferred		**16,414**	26,266
	29	**167,389**	84,898
PROFIT AFTER TAXATION		**305,026**	232,681
		------------ (Rupees) ------------	
Earnings per share - basic and diluted	30	**497**	379

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

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	2015	2014
	------- (Rupees in '000) -------	
Profit after taxation	**305,026**	232,681
Other comprehensive income - net		
Items not to be reclassified in profit and loss account in subsequent periods		
Actuarial gain on defined benefit plan	**78**	3,496
Total comprehensive income for the year	**305,104**	236,177

The surplus / (deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

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

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

CASH FLOW STATEMENT

For the Year Ended 31 December 2015

	Note	2015	2014
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**472,415**	317,579
Less: Dividend income		**(33,738)**	(30,470)
		438,677	287,109
Adjustments:			
Depreciation	10.2	**22,511**	22,768
Amortisation	10.4	**561**	562
Reversal of provision against non-performing loans and advances - net	9.3.1	**10,733**	(114,150)
Unrealised loss on revaluation of investments classified as 'held-for trading'		**929**	-
Reversal of provision against lendings to financial institutions	7.5	**(11,500)**	-
Other reversal of provisions	12.3	**(3,051)**	(62,568)
Reversal of provision for diminution in the value of investments - net	8.15	**(59,838)**	(22,495)
Gain on sale of operating fixed assets	25	**(2,760)**	(75)
		(42,415)	(175,958)
		396,262	111,151
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(308,500)**	-
Investments classified as 'held-for-trading'		**(1,103,195)**	496,626
Advances		**458,770**	759,217
Other assets (excluding advance taxation)		**115,742**	(97,702)
		(837,183)	1,158,141
Increase / (decrease) in operating liabilities			
Borrowings		**3,343,634**	481,718
Deposits and other accounts		**(733,218)**	(338,816)
Other liabilities		**(80,300)**	(90,727)
		2,530,116	52,175
		2,089,195	1,321,467
Income tax paid		**(98,957)**	(51,156)
Net cash generated from operating activities		**1,990,238**	1,270,311
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in 'available-for-sale' securities		**(2,058,530)**	(1,777,250)
Net investments in 'held to maturity' securities		**-**	38,183
Dividend received		**33,863**	30,845
Investments in operating fixed assets - net		**(7,630)**	(25,023)
Proceeds on sale of operating fixed assets		**5,263**	816
Net cash used in investing activities		**(2,027,034)**	(1,732,429)
Decrese in cash and cash equivalents		**(36,796)**	(462,118)
Cash and cash equivalents at beginning of the year		**132,989**	595,106
Cash and cash equivalents at end of the year	31	**96,193**	132,989

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

Muhammad Masood Ebrahim	**Abid Aziz**
Chief Financial Officer	Managing Director & CEO
Abid Aziz	**Khalid S.T. Benrjoba**
Director	Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

	Issued, subscribed and paid-up capital	Reserves: Capital reserve — Statutory reserve (refer note 18)	Reserves: Revenue reserve — Accumulated loss	Reserves: Total Reserve	Total
	(Rupees in '000)				
Balance as at 01 January 2014	6,141,780	36,319	(2,845,431)	(2,809,112)	3,332,668
Total comprehensive income for the year					
Profit after taxation for the year ended 31 December 2014	-	-	232,681	232,681	232,681
Other comprehensive income	-	-	3,496	3,496	3,496
	-	-	236,177	236,177	236,177
Transfer to statutory reserve	-	46,536	(46,536)	-	-
Balance as at 31 December 2014	6,141,780	82,855	(2,655,790)	(2,572,935)	3,568,845
Total comprehensive income for the year					
Profit after taxation for the year ended 31 December 2015	-	-	305,026	305,026	305,026
Other comprehensive income	-	-	78	78	78
	-	-	305,104	305,104	305,104
Transfer to statutory reserve	-	61,005	(61,005)	-	-
Balance as at 31 December 2015	**6,141,780**	**143,860**	**(2,411,691)**	**(2,267,831)**	**3,873,949**

Surplus / (deficit) 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 June 26, 2014.

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

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

1. STATUS AND NATURE OF BUSINESS

1.1 Pak Libya Holding Company (Private) Limited (the Company or PLHC) 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, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has two sales and service centers located in Lahore and Islamabad. Effective 05 August 2012, activities of Islamabad sales and service centre 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 2015 amounted to Rs 3.730 billion (2014: Rs.3.486 billion).

The Board of Directors (BOD) of the Company in its meetings 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). Moreover, SBP has been reviewing the progress and performance of the Company and the Ministry of Finance (MOF) in its letter dated 24 June 2014 has stated that the matter of capital injection is under consideration with the Finance Division of GOP.

The SBP vide its letter no. BPRD/BA&CP/657/29498/2015 dated 31 December 2015 granted further extension in the exemption for meeting the minimum paid-up capital (free of losses) requirement till 30 June 2016 and has advised the Company to provide specific timeline for equity injection by the Government of Pakistan in the Company by 31 March 2016.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance), the Banking Companies Ordinance 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). The approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. Wherever the requirements of the Ordinance, 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.

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 Securities and Exchange Commission of Pakistan (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 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 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 financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2014 other than those disclosed in note 4.1 below:

4.1 New Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments’ assets to the entity’s assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements except for certain additional disclosures (see note 36).

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 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 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 net of provisions for bad and doubtful debts, if any, which are charged to the 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 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.

General provision

The Company maintains a general provision reserve in accordance with the applicable requirement of the 'Prudential Regulations for Consumer Financing' issued by the SBP.

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 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 profit and loss account.

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 profit and loss account for the period.

The Company amortises the premium 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 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 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 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 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 2015. 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 (2014: 3.5 and 4) percent 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 2015.

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 financial statements are measured using the currency of the primary economic environment in which the Company operates. These 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 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 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 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

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 & Invesment 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.
Consumer Financing	Includes secured consumer financing activities through corporates vis-à-vis housing finance, personal loan and auto loans.

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 wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.21 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan 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	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not 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 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

	Note	2015	2014
		------ (Rupees in '000) ------	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2015	2014
Cash in hand			
Local currency		8	8
Foreign currency		3,033	-
Balances with State Bank of Pakistan (SBP)			
Local currency current account	5.1	62,152	68,315
Balances with National Bank of Pakistan			
Local currency current account		519	522
		65,712	68,845

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	2015	2014
In Pakistan			
Current accounts		1,700	2,411
Deposit accounts	6.1	28,781	61,733
		30,481	64,144

6.1 The return on these balances ranges from 4.00 to 7.50 (2014: 6.50 to 7.50) percent per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

7.1 In local currency

	Note	2015	2014
Placements	7.2	35,568	47,068
Repurchase agreement lending (reverse repo)	7.3	320,000	-
Less: Provision against lendings	7.5	(35,568)	(47,068)
		320,000	-

7.2 The placements carry mark-up at rate of Nil (2014: Nil) percent per annum.

7.3 Security held as collateral against repurchase agreement lendings:

		31 December 2015			31 December 2014		
	Note	Held by the Company	Further given Collateral	Total	Held by the Company	Further given Collateral	Total
Pakistan Investment Bonds	7.3.1	320,000	-	320,000	-	-	-

7.3.1 The Company has made lendings to financial institutions under Reverse Repo arrangements against government securities. Market value of these securities as at 31 December 2015 amounted to Rs.330 million (2014: Rs.Nil). The average return on the Reverse Repo arrangements was 6.5 (2014: Nil) percent per annum and these had an overnight maturity.

7.4 Particulars of lendings

	2015	2014
In local currency	320,000	47,068
	320,000	47,068

7.5 Provision against lendings

	2015	2014
Opening balance	47,068	47,068
Charge for the year	-	-
Less: Reversal during the year	(11,500)	-
Net reversal for the year	(11,500)	-
Closing balance	35,568	47,068

8. INVESTMENTS

8.1 Investments by types

	Note	2015 Held by the Company	2015 Given as collateral	2015 Total	2014 Held by the Company	2014 Given as collateral	2014 Total
		(Rupees in '000)					
Held-for-trading securities							
Market Treasury Bills	8.3.1	**199,794**	**799,172**	**998,966**	-	-	-
Pakistan Investment Bonds	8.3.2	**104,229**	**-**	**104,229**	-	-	-
		304,023	**799,172**	**1,103,195**	-	-	-
Available-for-sale securities							
Market Treasury Bills	8.4.1	**347,952**	**-**	**347,952**	537,282	298,333	835,615
Pakistan Investment Bonds	8.4.2	**406,934**	**6,765,287**	**7,172,221**	185,322	4,661,940	4,847,262
Listed ordinary shares	8.5	**1,174,373**	**-**	**1,174,373**	854,310	-	854,310
Unlisted ordinary shares	8.6	**93,341**	**-**	**93,341**	93,341	-	93,341
Listed preference shares	8.7	**25,000**	**-**	**25,000**	40,000	-	40,000
Unlisted preference shares	8.8	**300,000**	**-**	**300,000**	300,000	-	300,000
Listed Term Finance Certificates	8.9	**466,631**	**-**	**466,631**	323,552	-	323,552
Unlisted Term Finance Certificates	8.10	**1,025,317**	**-**	**1,025,317**	1,196,552	-	1,196,552
Listed mutual fund units	8.11	**-**	**-**	**-**	16,895	-	16,895
Unlisted sukuks	8.12	**179,990**	**-**	**179,990**	218,768	-	218,768
		4,019,538	**6,765,287**	**10,784,825**	3,766,022	4,960,273	8,726,295
Held to maturity securities							
Unlisted Participation Term Certificates (PTCs)	8.13	**6,366**	**-**	**6,366**	6,366	-	6,366
		6,366	**-**	**6,366**	6,366	-	6,366
Strategic investment in joint venture - Kamoki Energy Limited							
Unlisted ordinary shares - net	8.14.2	**404,867**	**-**	**404,867**	404,867	-	404,867
Investment at cost		**4,734,794**	**7,564,459**	**12,299,253**	4,177,255	4,960,273	9,137,528
Less: Provision for diminution in the value of investments	8.15	**1,437,217**	**-**	**1,437,217**	1,497,055	-	1,497,055
Investments (net of provisions)		**3,297,577**	**7,564,459**	**10,862,036**	2,680,200	4,960,273	7,640,473
Deficit on revaluation of 'held-for-trading' securities		**(801)**	**(128)**	**(929)**	-	-	-
Surplus / (deficit) on revaluation of 'available-for-sale' securities		**(100,289)**	**161,510**	**61,221**	(86,371)	149,203	62,832
Total investments		**3,196,487**	**7,725,841**	**10,922,328**	2,593,829	5,109,476	7,703,305

	Note	2015	2014
		---- (Rupees in '000) ----	
8.2 Investments by segments			
Federal government securities			
Market treasury bills	8.3.1 & 8.4.1	**1,346,918**	835,615
Pakistan investment bonds	8.3.2 & 8.4.2	**7,276,450**	4,847,262
Fully paid-up ordinary shares			
Listed	8.5	**1,174,373**	854,310
Unlisted	8.6	**93,341**	93,341
Fully paid-up preference shares			
Listed	8.7	**25,000**	40,000
Unlisted	8.8	**300,000**	300,000
Term finance certificates			
Listed	8.9	**466,631**	323,552
Unlisted	8.10	**1,025,317**	1,196,552
Other investments			
Mutual fund units - listed	8.11	**-**	16,895
Sukuks - unlisted	8.12	**179,990**	218,768
Participation term certificates	8.13	**6,366**	6,366
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.14.2	**404,867**	404,867
Total investment at cost		**12,299,253**	9,137,528
Less: Provision for diminution in value of investments	8.15	**(1,437,217)**	(1,497,055)
Investments (net of provisions)		**10,862,036**	7,640,473
Unrealised loss on revaluation of 'held-for-trading' securities		**(929)**	-
Surplus on revaluation of 'available-for-sale' securities		**61,221**	62,832
Total investments		**10,922,328**	7,703,305

8.3 Held-for-trading securities

8.3.1 Market treasury bills

	Note	Maturity value 2015	Maturity value 2014	Cost 2015	Cost 2014
		-------------------- (Rupees in '000) --------------------			
Market treasury bills	8.3.1.1	**1,000,000**	-	**998,966**	-

8.3.1.1 The purchase yield on the market treasury bills was 6.3 (2014: Nil) percent per annum maturing in January 2016 (2014: Nil).

	Note	Maturity value 2015	Maturity value 2014	Cost 2015	Cost 2014
8.3.2 Pakistan investment bonds	8.3.2.1	**100,000**	-	**104,229**	-

8.3.2.1 The Pakistan Investment Bonds carry interest rate of 9.25 (2014: Nil) percent per annum and will mature latest by March 2020 (2014: Nil)

8.4 Available for sale securities

8.4.1 Market Treasury Bills

The purchase yield on the market treasury bills is 6.47 (2014: 9.75 to 10) percent per annum which will mature latest by February 2016 (2014: May 2015). These are held by the SBP and are eligible for rediscounting.

8.4.2 Pakistan Investment Bonds

These Pakistan investment bonds carry interest rate ranging from 8.75 to 11.25 (2014: 11.25 to 12.00) percent per annum and have maturity ranging between July 2016 and March 2018 (2014: August 2016 and July 2024). These are held by the SBP and are eligible for rediscounting.

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

		Number of shares		Cost	
		2015	2014	2015	2014
	Note			--- (Rupees in '000) ---	
Name of investee					
Commercial banks					
Habib Bank Limited		**200,000**	-	**42,855**	-
National Bank of Pakistan		**1,182,500**	-	**72,792**	-
United Bank Limited		**434,000**	434,000	**81,486**	81,486
Allied Bank Limited		**100,000**	100,000	**10,682**	11,110
Financial services					
Invest Capital Investment Bank Limited		**2,600,000**	2,600,000	**10,000**	10,000
Chemicals					
Agritech Limited	8.5.2 & 8.5.3	**14,375,496**	14,381,996	**453,164**	453,370
Fauji Fertilizer Company Limited		**900,000**	46,700	**116,637**	5,480
Food producers					
Quice Food Industries Limited		**-**	439,000	**-**	4,112
Non life insurance					
Pakistan Reinsurance Company Limited		**1,100,000**	-	**37,112**	-
Adamjee Insurance Company Limited		**551,000**	601,500	**31,268**	30,219
IGI Insurance Limited		**152,600**	3,200	**37,245**	802
Personal Goods					
Nishat (Chunian) Limited		**466,000**	-	**20,677**	-
Oil and gas					
Pakistan State Oil Company Limited		**25,000**	30,000	**9,642**	12,179
Oil & Gas Development Company Limited		**150,000**	50,000	**23,406**	12,267
National Refinery Limited		**-**	132,000	**-**	27,184
Pakistan Oilfields Limited		**325,000**	200,000	**121,441**	94,109
Pakistan Petroleum Limited		**650,000**	500,000	**105,966**	111,992
				1,174,373	854,310

8.5.1 The nominal value of each share held in a listed company is Rs.10 per share as at 31 December 2015 and 31 December 2014.

8.5.2 The benefit of exemption for provisioning granted by the SBP vide letter No. BPRD/BRD-(Policy)/2014-11546 dated 27 June 2014, to the investors in ordinary shares of Agritech Limited has been expired. Consequently, additional provision of Rs.13.37 million against deficit on revaluation of ordinary shares has been made during the year and, accordingly, this investment is fully provided as at the year end.

8.5.3 The Company is party to the agreement whereby put option was available to another bank (option holder) giving it the right to sell 1,008,787 ordinary shares of Agritech Limited (Agritech) at Rs.35 per share to the Company. Subsequent to the year-end, the Company received a letter from the option holder requesting the Company to purchase the shares. However, the Company, based on the opinion of its legal advisor, is of the view that there is no immediate liability on the Company to acquire these shares of Agritech pursuant to the aforementioned letter of option holder.

8.6 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 2015	Number of shares 2014	Cost 2015	Cost 2014
						--- (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 - Engr. Fateh Sultan	9.1	10.00	30 June 2015	**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**	39,000	**390**	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	10.17	30 June 2015	**4,007,383**	4,007,383	**40,150**	40,150
						93,341	93,341

* Under litigation

8.6.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at 31 December 2015 and 31 December 2014.

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

Name of investee	Number of shares 2015	Number of shares 2014	Cost 2015	Cost 2014
			--- (Rupees in '000) ---	
Personal goods				
Chenab Limited	**-**	1,500,000	**-**	15,000
Household goods				
Pak-Elektron Limited	**2,500,000**	2,500,000	**25,000**	25,000
			25,000	40,000

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

Name of investee	Note	Number of shares 2015	Number of shares 2014	Cost 2015	Cost 2014
				--- (Rupees in '000) ---	
Electricity					
Kamoki Energy Limited (CEO Dr. Umer Masood) under liquidation	8.16	**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 8.14.

8.9 Particulars of investment in listed term finance certificates - available-for-sale

Name of investee	Number of certificates 2015	Number of certificates 2014	Cost 2015	Cost 2014
			--- (Rupees in '000) ---	
Commercial banks				
Summit Bank Limited	**79,955**	59,955	**398,120**	298,166
Financial services				
Invest Capital Investment Bank Limited	**600**	600	**3,000**	3,000
Trust Investment Bank Limited	**5,000**	5,000	**9,371**	9,371
Jahangir Siddiqui & Company Limited	**10,000**	-	**43,125**	-
Personal goods (textile)				
Azgard Nine Limited	**8,000**	8,000	**13,015**	13,015
			466,631	323,552

8.9.1 The face value of each term finance certificate was Rs.5,000 as at 31 December 2015 and 31 December 2014.

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

Name of investee	Note	Name of the chief executive officer	Number of certificates 2015	Number of certificates 2014	Cost 2015	Cost 2014
					--- (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
Engro Fertilizers Limited		Mr. Ruhail Muhammad	**93,600**	93,600	**466,525**	465,804
New Allied Electronics Industries (Private) Limited		Mr. Mian Pervaiz Akhtar	**10,000**	10,000	**15,957**	18,357
Pakistan International Airlines Corporation Limited	8.10.1	Mr. Mohammad Junaid Younus	**35,415**	35,415	**176,930**	176,933
Security Leasing Corporation Limited (3rd issue)		Mr. Mohammad Khalid Ali	**4,000**	4,000	**3,081**	3,081
Pakistan Mobile Communications Limited (PMTFC-7)		Mr. Jeffery A. Hedberg	**500**	500	**10,016**	27,671
JDW Sugar Mills Limited		Mr. Jahangir Khan Tareen	**2**	2	**55,556**	77,778
Hascol Petroleum Limited		Mr. Mumtaz Hasan Khan	**-**	20,000	**-**	100,000
Jahangir Siddiqui & Company Limited		Mr. Suleman Lalani	**-**	10,000	**-**	48,126
Jahangir Siddiqui & Company Limited		Mr. Suleman Lalani	**15,000**	-	**18,450**	-
					1,025,317	1,196,552

8.10.1 No provision has been made against the investment as 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.

8.11 Particulars of investment held in listed mutual fund units - available-for-sale

Name of investee	Fund Type	Face value per unit (Rupees)	Number of units 2015	Number of units 2014	Cost 2015	Cost 2014
					--- (Rupees in '000) ---	
Pak Oman Advantage Fund	Income	10	**-**	1,689,500	**-**	16,895

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

Name of investee	Name of the chief executive officer	Number of certificates 2015	Number of certificates 2014	Cost 2015	Cost 2014
				--- (Rupees in '000) ---	
Security Leasing Corporation Limited (2nd issue)	Mr. Mohammad Khalid Ali	**8,000**	8,000	**12,323**	12,323
Kohat Cement Limited *	Mr. Aizaz Manzoor Sheikh	**30,000**	30,000	**-**	-
Pak Elektron Limited	Mr. Murad Saigol	**44,600**	44,600	**62,941**	88,611
Pak Elektron Limited (2nd issue)	Mr. Murad Saigol	**9,000**	9,000	**33,846**	38,522
Liberty Power Technology Limited	Mr. Ashraf S. Mukaty	**1,000,000**	1,000,000	**70,880**	79,312
				179,990	218,768

* Outstanding principal on these sukuk certificates amounts to Rs.Nil (2014: Rs.Nil) and mark-up accrued amounts to Rs.11.64 million (2014: Rs.31.986 million) which will be paid in remaining two quarterly installments ending June 2016.

8.13 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 2015	Number of certificates 2014	Cost 2015	Cost 2014
				--- (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

8.14 As at 31 December 31 2015, the Company has the following investment / exposure in 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 electric power generation plant. KEL could not commence its commercial operations to date.

On 30 March 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Court 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 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, deliberated upon different alternatives in detail in respect of the above exposure and thereafter decided to take exit from KEL. The Board advised the management to explore option to sell the project to a third party.

The Company also carried out impairment test in respect of equity investments (including preference shares) held by the Company in accordance with the requirement of International Accounting Standard (IAS) 36 - "Impairment of Assets" and full provision was made for equity investments in the year 2012 which continues to be held as of 31 December 2015. Further, the provisioning against the term loans and mark-up accrued thereon had also been determined in accordance with the requirements of Prudential Regulations issued by the SBP. Accordingly, as at 31 December 2015, the Company holds provisions against diminution in the value of equity investments (ordinary and preference shares), non-performing term loans and against other receivables as detailed below.

Consequent to filing of winding up petition, for KEL, by Ameejee Valejee & Sons (Private) Limited along with certain shareholders on KEL from Tapal Family, Honorable Sindh High Court (HCS) has ordered liquidation of KEL and appointed an Official Assignee. In this regard an advertisement was published in newspapers on 18 July 2014 requesting all the concerned parties to submit their claims against KEL by 18 August 2014. Therefore, PLHC filed a claim for recovery.

As per the order of Honorable Sindh High Court, M/s. Joseph Lobo (Private) Limited was appointed to carry out fresh valuation of the KEL. Subsequently, the first and second auction were held on 29 November 2014 and 08 April 2015 respectively under the jurisdiction of official assignee, which, however, remained uneventful. Consequently, the HCS 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 billion against claim of the Company. Later, the HCS 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 HCS two claimants filed their claims before official assignee, the final outcome of which is still pending. The Company is in the process of completing legal formalities for transfer of title of land and other assets in its name.

Nature of assets / exposures	Note	2015 Book value before provision	2015 Provision held	2015 Book value after provision	2014 Book value before provision	2014 Provision held	2014 Book value after provision
		----------- (Rupees in '000) -----------			----------- (Rupees in '000) -----------		
Preference shares	8.14.1	**300,000**	**(300,000)**	**-**	300,000	(300,000)	-
Ordinary shares	8.14.2	**404,867**	**(404,867)**	**-**	404,867	(404,867)	-
Long-term loan	8.14.3	**1,250,000**	**(983,812)**	**266,188**	1,250,000	(983,812)	266,188
Short-term loan	8.14.4	**34,690**	**(34,690)**	**-**	34,690	(34,690)	-
Other assets - accrued income	8.14.5	**205,690**	**(205,690)**	**-**	205,690	(205,690)	-
Other assets - other receivables	8.14.6	**30,412**	**(30,412)**	**-**	16,507	(16,507)	-
		2,225,659	**(1,959,471)**	**266,188**	2,211,754	(1,945,566)	266,188

8.14.1 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.

8.14.2 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.

8.14.3 This represents term loan extended to KEL against which 100% provision has been held after taking the Forced Sale Value (FSV) benefit of Rs.266.188 million as of 31 December 2015 (2014: Rs.266.188 million). SBP granted an exemption to the Company from Prudential Regulations R-8 (2) and allowed the existing FSV benefit of Rs.266.188 million till 31 January 2016 through letter No. BPRD/BRD/PRs/2016/4462 dated 22 February 2016.

8.14.4 This represents amount of other receivables in KEL which has been converted to a short term loan to KEL. 100% provisioning is held as of 31 December 2015 against this loan as earlier held against the other receivables of KEL. Further, suspended mark-up up to 31 December 2015 amounting to Rs. 6.296 million (2014: Rs.4.586 million) has not been recognised by the Company.

8.14.5 An amount of Rs. 205.69 million represents mark-up receivable upto 31 December 2011 on long-term loan extended to KEL. 100% provision has been made against the same. Further, remaining suspended mark-up up to 31 December 2015 amounting to Rs.356.150 million (2014: Rs.499.8 million) has not been recognised by the Company.

8.14.6 This represents the balance amount of other receivables from KEL on account of certain payments made by the Company on behalf of KEL. 100% provision has been made against this receivable.

8.15 Particulars of provision

	Note	2015	2014
		---- (Rupees in '000) ----	
Opening balance		**1,497,055**	1,519,550
Charge for the year		**21,129**	18,552
Less: Reversal during the year		**(65,967)**	(19,682)
Net reversal for the year		**(44,838)**	(1,130)
Less: Reversal on disposal		**(15,000)**	(21,365)
Net reversal		**(59,838)**	(22,495)
Closing balance	8.15.1	**1,437,217**	1,497,055

8.15.1 Particulars of provision in respect of type and segment

	Note	2015	2014
Available-for-sale securities			
Listed shares (ordinary and preference)	8.15.2	**337,743**	339,317
Unlisted shares (ordinary and preference)	8.15.3	**352,691**	352,691
Listed / unlisted Term Finance Certificates	8.15.4	**323,227**	324,086
Unlisted sukuks	8.15.5	**12,323**	69,728
Held to maturity securities			
Unlisted Participation Term Certificates	8.15.6	**6,366**	6,366
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.15.7	**404,867**	404,867
		1,437,217	1,497,055

	Note	2015	2014
		---- (Rupees in '000) ----	

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

Opening balance		**339,317**	352,130
Charge for the year		**13,426**	18,552
Less: Reversal for the year		**-**	(10,000)
Net charge for the year		**13,426**	8,552
Less: Reversal of provision on sale of available-for-sale ordinary and preference shares		**(15,000)**	(21,365)
Closing balance		**337,743**	339,317

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

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		**-**	-
Closing balance		**352,691**	352,691

8.15.4 Particulars of provision against listed / un-listed TFCs

Opening balance		**324,086**	331,815
Charge for the year		**1,541**	-
Less: Reversal during the year		**(2,400)**	(7,729)
Net reversal for the year		**(859)**	(7,729)
Transfer in		**-**	-
Closing balance		**323,227**	324,086

8.15.5 Particulars of provision against unlisted sukuks

Opening balance		**69,728**	70,134
Charge for the year		**6,162**	-
Less: Reversal during the year		**(63,567)**	(406)
Net reversal for the year		**(57,405)**	(406)
Closing balance		**12,323**	69,728

8.15.6 Particulars of provision against unlisted PTCs

Opening balance		**6,366**	7,913
Charge for the year		**-**	-
Less: Reversal during the year		**-**	(1,547)
Net reversal for the year		**-**	(1,547)
Closing balance		**6,366**	6,366

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

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

	2015 Market value (Rupees in '000)	2015 Ratings	2014 Market value (Rupees in '000)	2014 Ratings
8.16 Quality of securities / entities				
8.16.1 Held-for-trading securities				
Government securities				
Market treasury bills	998,805	Unrated	-	Unrated
Pakistan investment bonds (PIBs)	104,613	Unrated	-	
	1,103,418		-	
8.16.2 Available-for-sale securities				
Government securities				
Pakistan investment bonds (PIBs)	7,343,447	Unrated	5,004,210	Unrated
Market treasury bills	347,878	Unrated	835,352	Unrated
	7,691,325		5,839,562	
Listed ordinary shares				
Commercial banks				
Habib Bank Limited	40,024	AAA	-	-
National Bank of Pakistan	63,902	AAA	-	-
Allied Bank Limited	9,426	AA+	11,358	AA+
United Bank Limited	67,248	AA+	76,692	AA+
Financial services				
Invest Capital Investment Bank Limited	3,588	Unrated	4,368	Unrated
Chemicals				
Agritech Limited	134,411	Unrated	111,460	Unrated
Fauji Fertilizer Company Limited	106,182	Unrated	5,469	Unrated
Food producers				
Quice Food Industries Limited	-	-	3,323	Unrated
Non - life insurance				
Pakistan Reinsurance Company Limited	37,235	AA	-	-
Adamjee Insurance Company Limited	31,137	AA	29,750	AA
IGI Insurance Company Limited	36,101	AA	866	AA
Personal Goods				
Nishat (Chunian) Limited	15,844	A-	-	-
Oil and gas				
Oil & Gas Development Company Limited	17,601	Unrated	10,295	AAA
Pakistan State Oil Company Limited	8,144	AA	10,738	AA+
National Refinery Limited	-	-	24,400	AA+
Pakistan Oilfields Limited	87,107	Unrated	75,873	Unrated
Pakistan Petroleum Limited	79,177	Unrated	88,260	Unrated
	737,127		452,852	
Unlisted ordinary shares				
Agro Dairies Limited *	-	-	-	Unrated
FTC Management Company Limited	500	Unrated	500	Unrated
New - VIS Credit Information Services (Private) Limited *	-	-	-	Unrated
Pakistan Textile City Limited *	-	-	-	-
Pakistan Stock Exchange (Karachi Stock Exchange Limited)	40,150	Unrated	40,150	Unrated
	40,650		40,650	

	2015		2014	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
Listed preference shares				
Household goods				
Pak-Elektron Limited	12,500	A-	12,500	A-
Unlisted preference shares				
Electricity				
Kamoki Energy Limited *	-	Unrated	-	Unrated
Listed Term Finance Certificates				
Commercial banks				
Summit Bank Limited	399,039	A	294,123	A
Financial services				
Invest Capital Investment Bank Limited *	-	-	-	-
Trust Investment Bank Limited *	-	-	-	-
Jahangir Siddiqui & Company Limited	43,125	A+	-	-
Personal goods (textile)				
Azgard Nine Limited - 3rd issue *	-	Unrated	-	Unrated
	442,164		294,123	
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
Engro Fertilizers Limited	466,525	AA-	465,803	AA-
JDW Sugar Mills Limited	55,556	A+	77,778	Unrated
Jahangir Siddiqui & Company Limited	-	-	48,125	AA+
Jahangir Siddiqui & Company Limited	18,450	A+	-	-
Hascol Petroleum Limited	-	-	100,000	AA-
Pakistan Mobile Communications Limited (PMTFC-5th issue)	10,016	AA-	27,670	AA
New Allied Electronics Industries (Private) Limited *	-	-	-	-
Pakistan International Airlines Corporation Limited	176,930	Unrated	176,933	Unrated
Security Leasing Corporation Limited (3rd issue)	-	Unrated	1,543	Unrated
	727,477		897,852	

	2015		2014	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
Listed mutual fund units / certificates				
Pak Oman Advantage Fund	-	-	16,726	A+(f)
Unlisted sukuks				
Security Leasing Corporation Limited (2nd issue) *	-	Unrated	6,161	Unrated
Kohat Cement Limited	-	Unrated	-	Unrated
Pak Elektron Limited	62,941	Unrated	44,306	Unrated
Pak Elektron Limited (2nd issue)	33,846	Unrated	19,261	Unrated
Liberty Power Technology Limited	70,880	A+	79,312	A+
	167,667		149,040	
8.16.3 Held to maturity securities				
Unlisted Participation Term Finance Certificates				
Agro Dairies Limited *	-	Unrated	-	Unrated
Qureshi Vegetable Ghee Mills Limited *	-	Unrated	-	Unrated
	-		-	
8.16.4 Investment in joint venture				
Kamoki Energy Limited				
Unlisted ordinary shares - strategic investment - net *	-	Unrated	-	Unrated
Total	10,922,328		7,703,305	

* 100% provision has been made against these investments.

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

8.17 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	2015	2014
		---- (Rupees in '000) ----	
In Pakistan			
Loans		5,219,192	5,636,409
Net investment in finance lease	9.2	247,442	225,907
Staff loans	9.5	116,636	118,814
Consumer loans and advances		131,409	162,604
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility (LTFF)		35,676	65,391
Advances - gross		5,810,534	6,269,304
Less: Provision against			
Non-performing advances - specific provision	9.3	2,571,231	2,560,241
Consumer loans and advances - general provision	9.3.1	892	1,149
		2,572,123	2,561,390
Advances - net of provision		3,238,411	3,707,914

	2015	2014
	---- (Rupees in '000) ----	

9.1 Particulars of advances (gross)

		2015	2014
9.1.1	In local currency	**5,810,534**	6,269,304
	In foreign currencies	**-**	-
		5,810,534	6,269,304
9.1.2	Short-term (for upto one year)	**376,606**	536,606
	Long-term (for over one year)	**5,433,928**	5,732,698
		5,810,534	6,269,304

9.2 Net investment in finance lease

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

	2015			
	Not later than one year	Later than one and less than five years	Over five years	Total
	---------------------- (Rupees in '000) ----------------------			
Lease rentals receivable	**208,696**	**39,537**	**-**	**248,233**
Residual value	**51,960**	**26,004**	**-**	**77,964**
Minimum lease payments	**260,656**	**65,541**	**-**	**326,197**
Financial charges for future perio	**74,573**	**4,182**	**-**	**78,755**
Present value of minimum lease payments	**186,083**	**61,359**	**-**	**247,442**

	2014			
	Not later than one year	Later than one and less than five years	Over five years	Total
	---------------------- (Rupees in '000) ----------------------			
Lease rentals receivable	184,471	44,252	-	228,723
Residual value	51,960	23,354	-	75,314
Minimum lease payments	236,431	67,606	-	304,037
Financial charges for future perio	74,758	3,372	-	78,130
Present value of minimum lease payments	161,673	64,234	-	225,907

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 2017 and carry mark-up at rates ranging between 9.93 to 13.65 (2014: 13.14 to 13.68) percent per annum. In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs.77.964 million (2014: Rs.75.314 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 16).

9.3 Advances include Rs.3,229,136 million (2014: Rs.3,244.836 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)								
OEAM	**3,735**	**-**	**3,735**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**375,000**	**-**	**375,000**	**93,750**	**-**	**93,750**	**93,750**	**-**	**93,750**
Doubtful	**61,718**	**-**	**61,718**	**30,859**	**-**	**30,859**	**30,859**	**-**	**30,859**
Loss	**2,788,683**	**-**	**2,788,683**	**2,446,622**	**-**	**2,446,622**	**2,446,622**	**-**	**2,446,622**
2015	**3,229,136**	**-**	**3,229,136**	**2,571,231**	**-**	**2,571,231**	**2,571,231**	**-**	**2,571,231**
Substandard	454,896	-	454,896	112,674	-	112,674	112,674	-	112,674
Doubtful	854	-	854	-	-	-	-	-	-
Loss	2,789,086	-	2,789,086	2,447,567	-	2,447,567	2,447,567	-	2,447,567
2014	3,244,836	-	3,244,836	2,560,241	-	2,560,241	2,560,241	-	2,560,241

9.3.1 Particulars of provision against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**2,560,241**	**1,149**	**2,561,390**	2,674,018	1,522	2,675,540
Charge for the year	**30,859**	**-**	**30,859**	300	-	300
Less: Reversal during the year	**(19,869)**	**(257)**	**(20,126)**	(114,077)	(373)	(114,450)
Net charge / (reversal) for the year	**10,990**	**(257)**	**10,733**	(113,777)	(373)	(114,150)
Add: Transfer of provision from other receivable to short term loan - KEL	**-**	**-**	**-**	-	-	-
Less: Amounts written off	**-**	**-**	**-**	-	-	-
Closing balance	**2,571,231**	**892**	**2,572,123**	2,560,241	1,149	2,561,390

9.3.2 Particulars of provision against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	**2,571,231**	**892**	**2,572,123**	2,560,241	1,149	2,561,390
In foreign currencies	**-**	**-**	**-**	-	-	-
	2,571,231	**892**	**2,572,123**	2,560,241	1,149	2,561,390

9.3.3 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.19.712 million (2014: Rs.21.854 million) in respect of consumer financing, and Rs.324.720 million (2014: Rs.324.720 million) in respect of corporate financing which includes Rs.266.188 million (December 31 2014: Rs.266.188 million) being the FSV benefit availed by the Company against the term loan of Kamoki Energy Limited (classified as loss) and security deposit amounting to Rs.58.532 million (2014: Rs.58.532 million) in respect of lease financing. The term of FSV benefit against term loan of Kamoki Energy Limited will expire on 31 January 2016. 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 2015 is given in Annexure II.

	Note	2015	2014
		---- (Rupees in '000) ----	
9.5 Particulars of loans and advances to directors, associated companies etc.			
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		**118,814**	97,789
Loans granted during the year		**29,443**	42,933
Repayments during the year		**(31,621)**	(21,908)
Amount written off		**-**	-
Balance at end of the year		**116,636**	118,814
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		**266,188**	266,188
Loans granted during the year		**-**	-
Other receivable		**13,905**	11,273
Transfer from other receivable to short term loan		**-**	-
Repayments during the year		**-**	-
Less: Provision during the year		**(13,905)**	(11,273)
Less: Transfer of provision from other receivable to short-term loan		**-**	-
Balance at end of the year		**266,188**	266,188
9.5.1 Particulars of loans to key management personnel			
Amount due at beginning of year		**40,919**	41,066
Disbursements during the year		**17,597**	19,748
Repayments / adjustments during the year		**(14,398)**	(19,895)
		3,199	(147)
Amount due at end of the year	38	**44,118**	40,919

10. OPERATING FIXED ASSETS

	Note	2015	2014
		---- (Rupees in '000) ----	
Capital work-in-progress	10.1	2,341	19,685
Property and equipment	10.2	66,050	66,092
Intangible assets	10.4	1,569	2,130
		69,960	87,907

10.1 Capital work-in progress

	2015	2014
Advances to suppliers	2,341	19,685

10.2 Property and equipment

31 December 2015	Cost: As at 01 January 2015	Cost: Additions / (deletions) / adjustments	Cost: As at 31 December 2015	Accumulated depreciation: As at 01 January 2015	Accumulated depreciation: Charge for the year / (on disposal)	Accumulated depreciation: As at 31 December 2015	Net book value as at 31 December 2015	Rate (%)
	---- (Rupees in '000) ----							
Leasehold land (note 10.2.1)	1,951	- -	1,951	539	22 -	561	1,390	1.11
Buildings on leasehold land (note 10.2.1)	80,954	- -	80,954	53,794	1,836 -	55,630	25,324	5
Furniture and fixtures	47,040	1,644 (1,858)	46,826	33,449	4,138 (1,317)	36,270	10,556	10,15 & 25
Electrical appliances	11,765	466 (335)	11,896	7,923	940 (334)	8,529	3,367	10 & 15
Office equipment	584	25 (9)	600	323	50 (9)	364	236	10
Computer equipment	25,392	2,422 (2,936)	24,878	22,782	1,480 (2,937)	21,325	3,553	30
Motor vehicles	51,520	20,417 (18,380)	53,557	34,302	14,045 (16,414)	31,933	21,624	25 & 33.3
	219,206	24,974 (23,518)	220,662	153,112	22,511 (21,011)	154,612	66,050	

31 December 2014	Cost			Accumulated depreciation			Net book value as at 31 December 2014	Rate (%)
	As at 01 January 2014	Additions / (deletions) / adjustments	As at 31 December 2014	As at 01 January 2014	Charge for the year / (on disposal)	As at 31 December 2014		
	(Rupees in '000)							
Leasehold land (note 10.2.1)	1,951	- -	1,951	517	22 -	539	1,412	1.11
Buildings on leasehold land (note 10.2.1)	80,954	- -	80,954	51,954	1,840 -	53,794	27,160	5
Furniture and fixtures	45,393	3,077 (1,430)	47,040	30,121	4,017 (689)	33,449	13,591	10,15 & 25
Electrical appliances	11,024	972 (231)	11,765	7,165	990 (231)	7,923	3,842	10 & 15
	668	40 (124)	584	399	48 (124)	323	261	10
Computer equipment	25,034	1,852 (1,494)	25,392	23,046	1,230 (1,494)	22,782	2,610	30
Motor vehicles	51,528	- (8)	51,520	19,689	14,621 (8)	34,302	17,218	25 & 33.3
	216,552	5,941 (3,287)	219,206	132,891	22,768 (2,546)	153,112	66,092	

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.95.4 million (2014: Rs.97.933 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 *	481	40	441	441	-	Company policy	Mr. Arshad I. Khan (Ex) SEVP (Special Projects)
House hold furnishing items *	340	340	-	-	-	Company policy	Mr. Arshad I. Khan (Ex) SEVP (Special Projects)
House hold furnishing items *	117	117	-	-	-	Company policy	Mr. Merajuddin Company Secretary
House hold furnishing items *	175	175	-	-	-	Company policy	Ms. Tasneem Lotia SVP(Head of Liability Management)
House hold furnishing items *	177	173	4	4	-	Company policy	Mr. Najam Iqbal Mirza (Ex) SVP (T&FM)
House hold furnishing items *	381	286	95	95	-	Company policy	Mr. Manzoor Saber (Ex) SEVP (Operations)
Motor Vehicle							
Toyota Land Cruiser Prado	17,686	15,721	1,965	4,603	2,638	Company policy	Mr. Khalid S.T. Benrjoba Deputy Managing Director
Suzuki Cultus	694	694	-	103	103	Company policy	Mr. Salman Farhatullah Khan (Ex) VP (IT)

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

10.4 Intangible assets

		Cost			Accumulated Amortisation				
		As at 01 January	Additions	As at 31 December	As at 01 January	For the year	As at 31 December	Net book value as at 31 December	Rate (%)
		--------------------- (Rupees in '000) ---------------------							
Computer software	**2015**	**2,807**	**-**	**2,807**	**677**	**561**	**1,238**	**1,569**	**20%**
Computer software	2014	2,807	-	2,807	115	562	677	2,130	20%

11. DEFERRED TAX ASSET - net

	Note	2015	2014
		------- (Rupees in '000) -------	
Deferred credit arising in respect of:			
Net investment in finance leases		**(37,297)**	(36,851)
Accelerated tax depreciation		**(252)**	(925)
Deferred debits arising in respect of:			
Provision for compensated absences		**3,827**	3,618
Provision for advances, investments and other assets		**86,701**	97,796
Unused tax losses		**150,666**	155,470
Share of loss in joint venture		**30,443**	31,394
Unrealised loss on investments - held-for-trading		**-**	-
		234,088	250,502
Deferred tax asset on revaluation of available-for-sale investments - net	19	**(40,425)**	(44,989)
	11.1 & 11.2	**193,663**	205,513

11.1 As at 31 December 2015, the Company has available provisions for advances, investments and other assets (including provision against investment in KEL) amounting to Rs.1,782.028 million (2014: Rs.1,822.826 million) and has accumulated tax losses of Rs.1,931.011 million (2014: Rs.1,932.226 million). The deferred tax on such losses and provisions works out to Rs.1,188.172 million, however, the Company has recognised deferred tax asset on such losses and provisions to the extent of Rs.237.367 million in line with the financial projections as referred to in note 11.2 below.

11.2 The management of the Company has prepared five years' financial projections which have been approved by the Board of Directors of the Company. The said projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future profits is most sensitive to certain key assumptions such as the timing for injection of further capital, growth of business, revenue and expenses, return on assets, projected reversals / recovery from non-performing assets and outcome of pending tax matters etc. Any significant change in the key assumptions may have an impact on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the financial projections and, consequently, the recorded deferred tax asset will be realised in the future.

	Note	2015	2014
		------- (Rupees in '000) -------	

12. OTHER ASSETS

	Note	2015	2014
Income / mark-up / return receivable in local currency		**519,182**	544,607
Security deposits		**4,664**	4,694
Short-term advances	12.1	**2,752**	3,924
Prepayments		**5,254**	4,633
Advance taxation		**84,618**	136,635
Non banking assets acquired in satisfaction of claims		**34,020**	137,256
Other receivables	12.2	**31,129**	17,754
		681,619	849,503
Less: Provision held against other assets	12.3	**247,895**	250,946
		433,724	598,557

12.1 This also includes amounts relating to executives (including key management personnel) amounting to Rs.2.170 million (2014: Rs.2.884 million).

12.2 This includes balance of other receivable from Kamoki Energy Limited amounting to Rs.30.412 million (2014: Rs.16.507 million). 100% provision has been made against this receivable due to the reasons stated in note 8.14. The movement for the year is as follows:

	2015	2014
Opening balance	**16,507**	5,233
Additions during the year	**13,905**	11,274
Less: Transfer to short-term loan	**-**	-
Net increase / (decrease)	**13,905**	11,274
Closing balance	**30,412**	16,507

12.3 Provision against other assets

	Note	2015	2014
Opening balance		**250,946**	313,514
Charge for the year		**13,905**	21,273
Less: Reversal during the year		**(16,956)**	(73,841)
Net reversal for the year	27	**(3,051)**	(52,568)
Less: Amount written off		**-**	(10,000)
Closing balance		**247,895**	250,946

13. CONTINGENT ASSETS

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

14. BORROWINGS

	Note	2015	2014
In Pakistan	14.1	**9,441,099**	6,097,465
Outside Pakistan		**-**	-
		9,441,099	6,097,465

14.1 Particulars of borrowings with respect to currencies

	2015	2014
In local currency	**9,441,099**	6,097,465
In foreign currencies	**-**	-
	9,441,099	6,097,465

	Note	2015	2014
		------- (Rupees in '000) -------	
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing of export oriented projects (LTF-EOP)	14.2.1	**7,531**	15,071
Long-term financing facility (LTFF)	14.2.1	**35,676**	59,448
Repurchase agreement borrowings - Repo	14.2.2	**3,799,044**	2,963,251
Privately Placed Term Finance Certificates	14.2.3	**1,118,848**	374,695
Borrowings from financial institutions	14.2.4	**4,480,000**	2,685,000
		9,441,099	6,097,465
Unsecured			
Clean borrowings		**-**	-
		9,441,099	6,097,465

14.2.1 The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long-term finance for export oriented projects (LTF-EOP) and 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 5 (2014: 5) and 8.40 to 10.10 (2014: 8.40 to 10.10) percent per annum for LTF-EOP and LTFF respectively.

14.2.2 The Company has arranged borrowings under repurchase agreements from various financial institutions against government securities. The outstanding facilities as at statement of financial position date were due for maturity latest by January 2016 (2014: April 2015). The rate of mark-up on these facilities was 6.5 (2014: 9.50 to 10.50) percent per annum.

14.2.3 This includes an amount of Rs.124 million being the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.750 million raised by the Company in February 2011. The issue is secured by first fixed charge by way of hypothecation on all the present and future loans and lease receivables of the Company ranking pari passu with prior charges. This issue is rated AA and carries a mark-up rate of six months' KIBOR plus 1.6 percent per annum payable on semi-annual basis. The PPTFC issue is repayable in installments by February 2016.

14.2.3.1 Also included herein is an amount of Rs.994 million (31 December 2014: Rs.Nil) being the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.1,000 million raised by the Company in February 2015. The issue is secured by first pari passu hypothecation charge over all present and future current assets and fixed assets (excluding land and building) of the Company. This issue is rated AA and carries a mark-up rate of three months' KIBOR plus 1.5 percent per annum payable on quarterly basis. The PPTFC issue is repayable in installments by February 2020 and is held by the financial institutions.

14.2.4 This includes borrowings from financial institutions as under:

(a) Rs.1,000 million (2014: Rs.690 million) representing long term borrowings from certain financial institutions which are secured by way of first hypothecation charge over assets of the Company with 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 1 percent to 1.25 percent per annum payable on semi-annual basis (2014: six months KIBOR plus 1.00 percent to 1.25 percent per annum payable on semi-annual basis). As at 31 December 2015, the applicable interest rates were 7.57 and 7.77 (2014: 10.89 and 11.43) percent per annum. These borrowings are due for maturity latest by December 2020 (2014: May 2016).

(b) This represents short term borrowings (running finance and money market line) from certain financial institutions for period ranging from 1 month to 11 months. They carry mark-up rate between 1 month to 3 months KIBOR plus 0.20 percent per annum to 1.25 percent per annum and are secured by way of hypothecation on all present and future loans and lease receivables and pledge of government securities.

15. DEPOSITS AND OTHER ACCOUNTS

	Note	2015	2014
		------- (Rupees in '000) -------	
Customers			
Certificates of investment - (in local currency)		**937,389**	2,470,607
Financial institutions			
Certificates of investment - (in local currency)		**800,000**	-
		1,737,389	2,470,607

15.1 Particulars of deposits

		2015	2014
In local currency		**1,737,389**	2,470,607
In foreign currency		**-**	-
		1,737,389	2,470,607

15.2 The profit rates on these Certificates of Investment (COIs) range from 6.25 to 8.90 (2014: 9.20 to 10.95) percent per annum. These COIs are due for maturity on various dates latest by July 2018 (2014: December 2015).

16. OTHER LIABILITIES

	Note	2015	2014
Mark-up / return / interest payable in local currency		**80,464**	100,784
Accrued liabilities		**19,363**	27,416
Advance payment		**-**	58,068
Employees' compensated absences	16.1	**11,960**	10,963
Security deposits against investment in finance lease	9.2.1	**77,964**	75,314
Staff retirement gratuity	33.3	**11,297**	8,881
		201,048	281,426

16.1 This is based on actuarial valuation carried out as of 31 December 2015 for regular employees.

17. SHARE CAPITAL

17.1 Authorised share capital

Number of shares 2015	Number of shares 2014		2015	2014
			------- (Rupees in '000) -------	
800,000	800,000	Ordinary shares of Rs.10,000 each	**8,000,000**	8,000,000

17.2 Issued, subscribed and paid-up capital

2015	2014		2015	2014
		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

17.3 The State Bank of Pakistan (SBP) on behalf of the Government of Pakistan and the Libyan Foreign Investment Company (LAFICO) on behalf of the Government of Libya (State of Libya) each held 307,089 (2014: 307,089) ordinary shares of the Company as at 31 December 2015.

	Note	2015	2014
		------- (Rupees in '000) -------	

18. RESERVES

Capital reserve - statutory reserve			
As at 01 January		**82,855**	36,319
Add: Appropriation of profit	18.1	**61,005**	46,536
		143,860	82,855

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

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

	2015	2014
Surplus / (deficit) on revaluation of 'available-for-sale' securities		
Pakistan Investment Bonds	**171,226**	156,948
Market Treasury Bills	**(74)**	(263)
	171,152	156,685
Less: Related deferred tax	**(54,769)**	(51,706)
	116,383	104,979
Listed companies - fully paid-up ordinary and preference shares	**(110,851)**	(89,641)
Listed TFCs	**920**	(4,043)
Mutual fund units	**-**	(169)
	(109,931)	(93,853)
Add: Related deferred tax	**14,342**	6,716
	(95,589)	(87,137)
	20,794	17,842

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 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 has filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 14 October 2013 against the order of DCIR which is still pending. Further, no provision has been made for the demand for tax year 2011 as favourable outcome is expected considering the judgement of the Appellate Tribunal Inland Revenue (ATIR) in the preceding years on the addition / disallowances for the year under reference.

20.1.2 In FY 2014, the Company received the appeal effect orders with respect to the 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 and 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. No new demand was raised under these amended orders, however the Company, through its tax consultant, is in the process of filing an application highlighting the incorrect treatment adopted in amended orders in relation to apportionment of expenditures which reduced the refundable balances. The Tax department has filed the references before Honourable High Court of Sindh against the order of ATIR.

20.1.3 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, through its tax consultant, is in a process of filing an application of rectification for this order as it did not consider the correct treatment of appointment of expenditure. In addition to this, the Company had filed an appeal before the CIRA against the order, which is pending adjudication.

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

	Note	2015	2014
		------- (Rupees in '000) -------	
20.2 Commitments			
20.2.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		-	-
Others		860,487	859,711
		860,487	859,711

This represents the guarantees issued on behalf of Kamoki Energy Limited (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 Company under the same (refer note 8.15).

	2015	2014
20.2.2 Trade - related contingent liabilities		
Contingent liabilities in respect of letters of credit favouring:		
Government	-	-
Others	108,692	13,698
	108,692	13,698
20.3 Commitments to extend credit	500,000	258,265
20.4 Unsettled investment transactions for:		
Sale of market treasury bills	-	-
Sale / purchase of listed ordinary shares	11,300	129,488
	11,300	129,488
20.5 Commitments for acquisition of fixed assets	-	-

21. DERIVATIVE INSTRUMENTS

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

	2015	2014
	------- (Rupees in '000) -------	

22. MARK-UP / RETURN / INTEREST EARNED

	2015	2014
On loans and advances to		
customers	265,490	403,674
financial institutions	-	-
On investments in		
'held-for-trading' securities	9,947	395
'available-for-sale' securities	1,104,329	894,497
'held to maturity' securities	-	864
On deposits with financial institutions	3,129	11,953
On lendings through reverse repo agreement	1,079	4,104
Income on bank deposits	1,597	2,015
	1,385,571	1,317,502

23. MARK-UP / RETURN / INTEREST EXPENSED

	2015	2014
Deposits and other accounts	215,043	215,400
On borrowings through repo agreement	447,525	513,648
On other borrowings		
Long-term (includes PPTFC)	159,767	101,682
Short-term	203,326	171,554
	1,025,661	1,002,284

24. GAIN / (LOSS) ON SALE OF SECURITIES

	2015	2014
Government securities		
Market Treasury Bills	135	(240)
Pakistan Investment Bonds	413,919	87,692
	414,054	87,452
Listed shares	(3,657)	70,375
Listed preference shares	(11,924)	-
TFCs, sukuks and mutual fund units	-	(1,809)
	398,473	156,018

25. OTHER INCOME

	2015	2014
Gain on sale of operating fixed assets	2,760	75
Recovery of charges	534	945
SBP penalty (refund)	-	3,377
Miscellaneous	250	50
	3,544	4,447

	Note	2015	2014
		------- (Rupees in '000) -------	

26. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries, allowances and benefits		**169,429**	168,756
Charge for defined benefit plan	33.6	**9,773**	9,753
Contribution to defined contribution plan	34	**5,474**	5,006
Executive directors' remuneration (including remuneration of the Managing Director and Deputy Managing Director)		**88,082**	90,959
Non-executive directors' fee and remuneration	35	**2,406**	4,975
Board meeting expenses		**15,499**	22,547
Traveling and lodging		**3,302**	1,691
Rent and utilities		**6,672**	5,901
Legal, consultancy and professional services		**11,393**	13,787
Communications		**5,320**	5,168
Repairs and maintenance		**10,576**	9,092
Motor vehicle expenses		**2,326**	2,660
Business development and other expenses		**2,903**	3,149
Insurance		**2,972**	3,187
Software maintenance expenses		**1,245**	1,718
Bank charges		**505**	405
Printing and stationery		**2,178**	2,632
Advertisement, periodicals, membership dues and publicity		**1,844**	1,501
Auditors' remuneration	26.1	**1,504**	1,829
Depreciation	10.2	**22,511**	22,768
Amortisation	10.4	**561**	562
Exchange loss		**69**	50
Others		**863**	365
		367,407	378,461

26.1 Auditors' remuneration

	2015	2014
Audit fee	**660**	660
Half yearly review fee	**265**	265
Code of corporate governance fee	**125**	125
Special certifications and sundry advisory services	**190**	425
Out of pocket expenses	**192**	261
	1,432	1,736
Add: Sales tax on services	**72**	93
	1,504	1,829

27. OTHER PROVISIONS / WRITE OFFS

	Note	2015	2014
Reversal of provision against mark-up accrued - net		**-**	(20,209)
Write off against Karachi Stock Exchange-Trading Right Entitlement Certificate		**-**	10,000
Reversal of provision against non-banking assets acquired in satisfaction of claims		**(16,956)**	(53,632)
Loss on sale of non-banking assets acquired in satisfaction of claims		**16,652**	15,336
		(304)	(38,296)
Provision against other receivables - Kamoki Energy Limited	12.2	**13,905**	11,273
		13,601	(37,232)

28. OTHER CHARGES

	2015	2014
Arrangement fee and documentation charges	**422**	1,698
Brokerage commission	**5,530**	3,124
Expenses for privately placed term finance certificates	**4,021**	2,071
Penalty imposed by SBP	**1,352**	191
	11,325	7,084

	Note	2015	2014
		------- (Rupees in '000) -------	

29. TAXATION

	Note	2015	2014
Current	29.1	**150,975**	58,632
Prior		**-**	-
Deferred		**16,414**	26,266
		167,389	84,898

29.1 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.

30. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2015	2014
Earnings for the year after taxation (Rupees in thousand)		**305,026**	232,681
Weighted average number of ordinary shares in issue		**614,178**	614,178
Earnings per share (Rupees)	30.1	**497**	379

30.1 There were no convertible dilutive potential ordinary shares outstanding as at 31 December 2015 and 2014.

31. CASH AND CASH EQUIVALENTS

	Note	2015	2014
Cash and balances with treasury banks	5	**65,712**	68,845
Balances with other banks	6	**30,481**	64,144
		96,193	132,989

32. STAFF STRENGTH

	2015	2014
	---------- (Numbers) ----------	
Permanent	**66**	64
Temporary / on contractual basis	**14**	23
Daily wagers	**10**	8
Company's own staff strength at the end of the year	**90**	95
Outsourced	**15**	15
Total staff strength	**105**	110

33. DEFINED BENEFIT PLAN

Staff retirement gratuity

	2015	2014
	--- Percent per annum ---	
Discount rate	**9.25**	10.5
Expected rate of increase in salary levels	**7.75**	8.5
Expected rate of return on plan assets	**9.25**	10.5

The disclosures made in notes 33.1 to 33.9 are based on the information included in the actuarial valuation as at 31 December 2015.

33.1 Mortality rate

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

33.2 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.

	Note	2015	2014
		------ (Rupees in '000) ------	
33.3 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	33.4	**112,319**	99,830
Fair value of plan assets	33.5	**(103,448)**	(90,949)
		8,871	8,881
33.4 The movement in the defined benefit obligation over the year is as follows:			
Present value of obligation at the beginning of the year		**99,830**	104,724
Current service cost	33.6	**9,350**	8,817
Interest cost	33.6	**10,282**	11,900
Benefit paid		**(3,820)**	(19,050)
Actuarial gain on obligation		**(3,323)**	(6,561)
Present value of obligation at the end of the year		**112,319**	99,830
33.5 The movement in the fair value of plan assets of the year is as follows:			
Fair value of plan assets at the beginning of the year		**90,949**	92,368
Expected return on plan assets	33.2 & 33.6	**9,859**	10,964
Contributions		**9,705**	9,732
Benefits paid		**(3,820)**	(19,050)
Actuarial loss on assets	33.9	**(3,245)**	(3,065)
Fair value of plan assets at the end of the year		**103,448**	90,949
33.6 The amount recognised in the profit and loss account is as follows:			
Current service cost	33.4	**9,350**	8,817
Interest cost (net)	33.4 & 33.5	**423**	936
		9,773	9,753

33.7 Actual return on plan assets during the year was Rs.6.614 million (2014: Rs.7.899 million).

33.8 Plan assets comprise the following:

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

	2015		2014	
Particulars	Rupees in '000	Percent	Rupees in '000	Percent
Cash and bank balances	**1,396**	1.4%	1,085	1.2%
Market treasury bills	**41,301**	39.9%	50,142	55.1%
Pakistan investment bonds	**50,911**	49.2%	39,424	43.4%
Units of mutual funds	**9,840**	9.5%	298	0.3%
	103,448	**100%**	90,949	100%

33.9 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	2015	2014	2013	2012	2011
		(Rupees in '000)				
Present value of defined benefit obligation		**112,319**	99,830	104,724	85,014	66,732
Fair value of plan assets		**(103,448)**	(90,949)	(92,368)	(58,539)	(52,207)
Deficit		**8,871**	8,881	12,356	26,475	14,525
Defined benefit obligation		**11,297**	8,881	12,356	26,475	11,286
Experience adjustments on plan assets	33.5	**3,245**	3,065	(683)	(1,418)	2,386

33.10 Staff benevolent fund

Contribution from the Company	**125**	128
Contribution from the employees	**125**	128

34. DEFINED CONTRIBUTION PLAN

Contribution from the Company	**5,474**	5,006
Contribution from the employees	**5,474**	5,006
	10,948	10,012

34.1 Provident Fund Disclosures

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

	2015	2014
	(Rupees in '000)	
Size of the Fund - total assets	**80,008**	67,882
Cost of investment made	**74,423**	65,952
Fair value of investments	**79,401**	67,083
Percentage of investment made	**99%**	99%

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

	2015		2014	
	Rupees in '000	Percent	Rupees in '000	Percent
Bank balances	**70**	**0.1%**	741	1.1%
Market treasury bills	**23,095**	**29.1%**	20,234	30.2%
Pakistan investment bonds	**42,902**	**54.0%**	40,134	59.8%
Units of mutual funds	**13,334**	**16.8%**	5,974	8.9%
	79,401	**100%**	67,083	100%

34.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Deputy Managing Director		Directors		Executives *	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)							
Fees and remuneration	-	-	-	-	2,406	4,975	-	-
Managerial remuneration	32,654	33,385	34,874	39,092	-	-	132,849	127,080
Charged for defined benefit plan	1,316	1,886	1,043	987	-	-	6,717	6,713
Contribution to defined contribution plan	1,262	1,243	1,450	1,427	-	-	3,143	2,750
Rent and house maintenance	648	562	342	343	-	-	-	-
Utilities	1,139	937	1,659	1,159	-	-	-	-
Medical	118	107	616	285	-	-	2,363	2,432
Conveyance	5,457	4,875	3,454	2,901	-	-	11,948	12,134
Others	3,384	3,504	3,737	3,809	-	-	-	1,929
	45,978	46,499	47,175	50,003	2,406	4,975	157,020	153,038
Number of persons	1	1	1	1	4	4	58	61

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.

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.

36. 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

	2015			
	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	599,128	137,999	40,650	777,777
- Preference Shares	-	12,500	-	12,500
- Government Securities	8,794,743	-	-	8,794,743
- Debentures and Corporate Debt Instruments	442,164	-	-	442,164
	9,836,035	150,499	40,650	10,027,184

	2014			
	Quoted market price(unadjusted)	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
Recurring Fair Value Measurements				
Financial Assets - Investments				
- Fully paid up Ordinary Shares	337,024	115,828	40,650	493,502
- Preference Shares	-	12,500	-	12,500
- Mutual Fund Units	16,726	-	-	16,726
- Government Securities	5,839,562	-	-	5,839,562
- Debentures and Corporate Debt Insruments	294,123	-		294,123
	6,487,435	128,328	40,650	6,656,413

Transfers between Fair values

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

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

37. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2015					
	Corporate finance	Treasury	Capital Markets	Consumer Financings	Others	Total
	(Rupees in '000)					
Total income	401,339	1,385,323	30,217	10,779	2,146	1,829,804
Total expenses	(540,675)	(453,570)	(67,877)	(12,788)	(282,479)	(1,357,389)
Net income / (loss)	(139,336)	931,753	(37,660)	(2,009)	(280,333)	472,415
Segment assets (gross)	8,606,837	9,644,276	640,507	135,637	540,977	19,568,234
Segment non-performing loans	3,159,191	-	-	69,945	-	3,229,136
Segment non-performing Investments	1,685,241	47,939	1,152	-	-	1,734,332
Segment provision required & held	2,523,222	-	-	48,901	-	2,572,123
Segment provison investments	1,672,741	47,939	1,152	-	-	1,721,832
Segment liabilities	1,728,252	9,362,105	-	88,745	200,434	11,379,536
Net assets	2,682,622	234,232	639,355	(2,009)	340,543	3,894,743
Return on net assets						12.13%
Cost of funds (%)						7.93%

	2014					
	Corporate finance	Treasury	Capital Markets	Consumer Financings	Others	Total
	(Rupees in '000)					
Total income	577,512	829,045	108,383	16,418	173	1,531,531
Total expenses	(436,427)	(422,057)	(45,578)	(16,097)	(293,793)	(1,213,952)
Net income / (loss)	141,085	406,988	62,805	321	(293,620)	317,579
Segment assets (gross)	9,348,269	6,341,515	358,175	168,628	576,057	16,792,644
Segment non-performing loans	3,174,191	-	-	70,645	-	3,244,836
Segment non-performing Investments	1,692,264	139,504	-	-	-	1,831,768
Segment provision required and held	2,511,972	-	-	49,418	-	2,561,390
Segment provision investments	1,672,063	123,006	-	-	-	1,795,069
Segment liabilities	2,441,311	5,995,479	-	118,889	293,819	8,849,498
Net assets	2,722,923	223,030	358,175	321	282,238	3,586,687
Return on net assets						8.85%
Cost of funds (%)						10.43%

38. 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 33 and note 34 respectively to these financial statements. Employees' compensated absences, other long – term benefit, are disclosed in note 16 to the 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 35 to the financial statements.

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

	31 December 2015					31 December 2014				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
38.1 Balances outstanding										
Bank balance	-	-	-	62,671	-	-	-	-	68,837	-
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	350,000	-
Placements / reverse repo made during the year	-	-	-	2,024,846	-	-	-	-	3,674,487	-
Placements / reverse repo matured during the year	-	-	-	(2,024,846)	-	-	-	-	(4,024,487)	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	704,867	6,063,143	500	-	-	704,867	4,249,933	500
Investment made during the year	-	-	-	23,604,997	-	-	-	-	13,589,062	-
Investment redeemed / disposed off / adjusted during the year	-	-	-	(20,606,036)	-	-	-	-	(11,775,852)	-
Closing balance	-	-	704,867	9,062,104	500	-	-	704,867	6,063,143	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Surplus / (Deficit) on revaluation of investments	-	-	-	128,171	-	-	-	-	129,369	-

	31 December 2015					31 December 2014				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Advances										
Opening balance	-	40,919	1,284,690	-	-	-	41,066	1,284,690	945,170	-
Addition / rollover during the year	-	17,597	-	-	-	-	19,748	-	-	-
Repaid during the year	-	(14,398)	-	-	-	-	(19,895)	-	(945,170)	-
Closing balance	-	44,118	1,284,690	-	-	-	40,919	1,284,690	-	-
Provision held against advances	-	-	1,018,502	-	-	-	-	1,018,502	-	-
Other assets										
Mark-up receivable on term loan										
- Gross	-	491	773,826	255,676	-	-	133	710,076	286,529	-
- Suspended / provided	-	-	(773,826)	(7,648)	-	-	-	(710,076)	(36,491)	-
Closing balance	-	491	-	248,028	-	-	133	-	250,038	-
Amount receivable from defined contribution plan	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	30,412	-	-	-	-	16,507	-	-
Advance taxation	-	-	-	84,618	-	-	-	-	136,635	-
Other advances										
Opening balance	-	770	-	-	532	-	1,275	-	-	860
Additions during the year	-	796	-	-	-	-	1,250	-	-	757
Repaid during the year	-	(1,016)	-	-	(532)	-	(1,755)	-	-	(1,085)
Closing balance	-	550	-	-	-	-	770	-	-	532
Provision against other assets	-	-	30,412	-	-	-	-	16,507	-	-
Borrowings from financial institutions										
Opening balance	-	-	-	3,005,529	-	-	-	-	2,431,215	-
Borrowings during the year	-	-	-	228,342,060	50,000	-	-	-	93,858,244	-
Settled during the year	-	-	-	(229,266,785)	(50,000)	-	-	-	(93,283,930)	-
Closing balance	-	-	-	2,080,804	-	-	-	-	3,005,529	-
Deposits and other accounts										
Opening balance	-	2,088	-	2,360,200	80,000	-	2,500	-	2,724,000	50,000
Additions during the year	-	8,044	-	2,845,000	810,000	-	11,283	-	4,525,200	370,000
Repayments during the year	-	(9,602)	-	(4,460,200)	(740,000)	-	(11,695)	-	(4,889,000)	(340,000)
Closing balance	-	530	-	745,000	150,000	-	2,088	-	2,360,200	80,000

	31 December 2015					31 December 2014				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Other liabilities										
Mark-up payable	-	12	-	27,882	113	-	21	-	72,081	1,573
Amount payable to retirement benefit funds	-	-	-	-	11,297	-	-	-	-	8,881
Others	-	-	1,018	64	-	-	-	1,018	206	-
	-	12	1,018	27,946	11,410	-	21	1,018	72,287	10,454
Contingencies and commitments										
Letter of guarantee	-	-	860,487	-	-	-	-	859,711	-	-
Commitment to extend credit	-	-	-	-	-	-	4,250	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	-	-	-	-	-	30,070	-
	-	-	860,487	-	-	-	4,250	859,711	30,070	-
38.2 Transactions, income and expenses										
Mark-up / return / interest earned - net	-	917	-	964,012	-	-	861	-	733,297	-
Mark-up / return / interest expensed	-	181	-	376,734	11,393	-	269	-	593,965	9,828
Gain on sale of securities - net	-	-	-	387,830	-	-	-	-	20,679	-
Dividend income	-	-	-	9,437	-	-	-	-	9,968	-
Contribution paid to defined contribution plan	-	-	-	-	5,474	-	-	-	-	5,006
Contribution paid to defined benefit plan	-	-	-	-	10,889	-	-	-	-	9,881
Non-executive directors' fee and remuneration	2,406	-	-	-	-	4,975	-	-	-	-
Remunerations	-	155,804	-	-	13,432	-	158,653	-	-	8,738

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

** Fee based income to be recorded on cash receipt basis.

39. CAPITAL ASSESSMENT AND ADEQUACY

39.1 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 AT1 or Tier II capital. The authorized 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%. The paid-up Capital (free of losses) of the Company as of 31 December 2015 amounted to Rs.3.730 billion, which is below the minumum capital requirement of Rs.6 billion. However, the SBP has granted further exemption to the Company in meeting the MCR till 30 June 2016.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 Committees.

Scope of applications

The Basel III Capital Regulations (Basel III) are applicable to Pak Libya Holding Company (Pvt.) 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 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 subsidiaries

Pak Libya has no subsidiaries or entities for consolidation under both the accounting scope of consolidation and regulatory scope of consolidation. Furthermore, the company does not have significant investment in any insurance entity.

39.2 CAPITAL ADEQUACY RETURN AS OF 31 December 2015

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	Source based on reference number from Step 2 Table 39.3.2	31 December 2015	31 December 2014
			------- (Rupees in '000) -------	
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)	**143,860**	82,855
6	Gain / (losses) on derivatives held as cash flow hedge			
7	Unappropriated / unremitted profits / (losses)	(y)	**(2,411,691)**	(2,655,790)
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**		**3,873,949**	3,568,845
10	Total regulatory adjustments applied to CET1 (Note 39.2.1)		**(315,341)**	(37,709)
11	**Common Equity Tier 1**		**3,558,608**	3,531,136
	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 39.2.2)		**(58,010)**	-
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)**		**3,558,608**	3,531,136
	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)	**892**	1,149
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)	**13,932**	17,842
30	Foreign exchange translation reserves	(v)	**-**	-
31	Undisclosed / other reserves (if any)		**-**	-
32	**T2 before regulatory adjustments**		**14,824**	18,991
33	Total regulatory adjustment applied to T2 capital **(Note 39.2.3)**		**(72,834)**	(10,721)
34	Tier 2 capital (T2) after regulatory adjustments		**(58,010)**	8,270
35	Tier 2 capital recognized for capital adequacy		**-**	8,270
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		**-**	-
37	**Total Tier 2 capital admissible for capital adequacy**		**-**	8,270
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**		**3,558,608**	3,539,406
39	**Total Risk Weighted Assets (RWA) {for details refer Note 39.5}**		**9,272,458**	8,863,657

		31 December 2015	31 December 2014
		------------- (%)	-------------
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**38.38%**	39.84%
41	**Tier-1 capital to total RWA**	**38.38%**	39.84%
42	**Total capital to total RWA**	**38.38%**	39.93%
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)	**32.38%**	34.34%
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	**6.00%**	5.50%
49	Tier 1 minimum ratio	**7.50%**	7.00%
50	Total capital minimum ratio	**10.00%**	10.00%
51	Total capital minimum ratio plus CCB	**10.25%**	10.00%

		Source based on reference number from Step 2 Table 39.3.2	31 December 2015	Subject to Pre- Basel III treatment*	31 December 2014
			--------------	(Rupees in '000)	--------------
	Regulatory Adjustments and Additional Information				
39.2.1	**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)	**(3,818)**	**-**	(2,130)
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%	**(60,266)**	**(90,400)**	(31,094)
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	**-**	**-**	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ae)-(ag)	**(52,032)**	**(78,049)**	(4,485)
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		**(141,214)**	**(45,505)**	-
20	Any other deduction specified by SBP (mention details)		**-**	**-**	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		**(58,010)**	**(160,399)**	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)		**(315,341)**	**(374,353)**	(37,709)

		Source based on reference number from Step 2 Table 39.3.2	31 December 2015	31 December 2015 Subject to Pre- Basel III treatment*	31 December 2014
39.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**		----------------	(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)	**-**	**-**	-
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		**-**	**-**	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**(58,010)**	**(160,399)**	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)		**(58,010)**	**(160,399)**	-
39.2.3	**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		**-**	**-**	-
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)	**(72,834)**	**(109,251)**	(10,721)
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)		**(72,834)**	**(109,251)**	(10,721)

		31 December 2015	31 December 2014
39.2.4	**Additional Information**	------- (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	**90,400**	124,376
(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	**78,049**	17,940
(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	**109,251**	42,886
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	**371,947**	341,124
39	Significant investments in the common stock of financial entities	**-**	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	**42,997**	50,043
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**892**	1,149
42	Cap on inclusion of provisions in Tier 2 under standardized approach	**72,288**	78,704
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	**-**	-

39.3 Capital Structure Reconciliation

39.3.1 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.

39.3.2 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 39.2. Each element must be given a reference number / letter in the 2nd column that will be used as a cross reference for note 39.2.

		31 December 2015	
Step 2	**Reference**	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
		------- (Rupees in '000) -------	
Assets			
Cash and balances with treasury banks		65,712	65,712
Balances with other banks		30,481	30,481
Lendings to financial institutions		320,000	320,000
Investments		10,922,328	10,922,328
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	312,166	312,166
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	3,238,411	3,238,411
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	892	892
Fixed assets		69,960	69,960
of which: intangible	h	3,818	3,818
Deferred tax assets		193,663	193,663
of which: DTAs that rely on future profitability excluding those arising from temporary differences	i	150,666	150,666
of which: DTAs arising from temporary differences exceeding regulatory threshold	j	42,997	42,997
Other assets		433,724	433,724
of which: Goodwill	k		
of which: Intangibles	l	-	-
of which: Defined-benefit pension fund net assets	m		
Total assets		15,274,279	15,274,279
Liabilities and equity			
Bills payable		-	-
Borrowings		9,441,099	9,441,099
Deposits and other accounts		1,737,389	1,737,389
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		201,048	201,048
Total liabilities		11,379,536	11,379,536
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		143,860	143,860
of which: portion eligible for inclusion in CET1: Share premium	v	-	-
of which: portion eligible for inclusion in CET1: General / statutory reserves	w	143,860	143,860
of which: portion eligible for inclusion in Tier 2	x	-	-
Unappropriated profit / (losses)	y	(2,411,691)	(2,411,691)
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		20,794	20,794
In case of Deficit on revaluation (deduction from CET1)	ad		
Total liabilities and equity		15,274,279	15,274,279

39.4 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 (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Government of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,141,780
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

39.5 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	
	2015	2014	2015	2014
	------------------------- (Rupees in '000) -------------------------			
Credit risk				
PSE	**8,847**	-	**88,465**	-
Banks	**1,654**	1,283	**16,535**	12,831
Corporates	**252,195**	289,487	**2,521,952**	2,894,869
Retail portfolio	**8,748**	8,911	**87,477**	89,111
Secured by residential mortgage	**2,081**	2,680	**20,808**	26,801
Past due loans	**44,614**	80,752	**446,138**	807,523
Significant investment and DTAs	**10,749**	12,511	**107,493**	125,108
Listed equity investment	**18,499**	28,340	**184,991**	283,401
Unlisted equity investment	**6,098**	6,098	**60,975**	60,975
Investment in fixed assets	**6,614**	8,578	**66,142**	85,777
Other assets	**52,412**	72,293	**524,124**	722,933
	412,510	510,933	**4,125,100**	5,109,329
Credit risk on off-balance sheet				
Non-market related	**165,646**	114,473	**1,656,461**	1,144,731
Market related	**240**	4,225	**2,396**	42,250
Market risk				
Interest rate risk	**137,671**	101,533	**1,376,713**	1,015,329
Equity position risk	**139,519**	95,520	**1,395,189**	955,186
Foreign exchange risk	**8**	7	**75**	72
Operational risk				
Capital requirement for operational risks	**71,652**	59,676	**716,524**	596,760
Total	**927,245**	886,366	**9,272,458**	8,863,657

Capital adequacy ratios	2015 Required	2015 Actual	2014 Required	2014 Actual
CET1 to total RWA	**6.00%**	**38.38%**	5.50%	39.84%
Tier-1 capital to total RWA	**7.50%**	**38.38%**	7.00%	39.84%
Total capital to total RWA	**10.00%**	**38.38%**	10.00%	39.93%
Total capital plus CCB to total RWA	**10.25%**	**38.38%**	10.00%	39.93%

40. 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 controling 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.

40.1 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.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 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 PARCA and / or JCR-VIS.

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

Credit exposures subject to standardised approach

Exposures	Rating Category	2015 Amount outstanding	2015 Deduction CRM*	2015 Net amount	2014 Amount outstanding	2014 Deduction CRM*	2014 Net amount
		(Rupees in '000)			(Rupees in '000)		
Corporate	0	-	-	-	-	-	-
	1	901,471	-	901,471	614,833	-	614,833
	2	558,999	-	558,999	1,031,360	-	1,031,360
	3-4	-	-	-	146,160	-	146,160
	5-6	-	-	-	-	-	-
	Unrated	1,741,300	-	1,741,300	1,915,803	-	1,915,803
		3,201,770	-	3,201,770	3,708,156	-	3,708,156
Banks	0	-	-	-	-	-	-
	1	350,481	-	350,481	64,142	-	64,142
	2-3	-	-	-	-	-	-
	4-5	-	-	-	-	-	-
	6	-	-	-	2	-	2
	Unrated	-	-	-	-	-	-
		350,481	-	350,481	64,144	-	64,144
Sovereigns		-	-	-	-	-	-
Total Credit Exposure		3,552,251	-	3,552,251	3,772,300	-	3,772,300

*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.

40.1.1 Segment information

40.1.1.1 Segment by class of business

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	67,354	1.16%	-	-	-	-
Textile	446,239	7.68%	3,000	0.17%	300,000	20.26%
Chemicals and pharmaceuticals	1,063,662	18.31%	-	-	-	-
Cement	200,000	3.44%	20,000	1.15%	-	-
Sugar	319,190	5.49%	-	-	100,000	6.75%
Automobile and transportation equipment	172,752	2.97%	-	-	-	-
Electronics and electrical appliances	375,000	6.45%	-	-	-	-
Construction	62,891	1.08%	-	-	-	-
Power (electricity), gas, water, sanitary	1,984,289	34.15%	-	-	960,487	64.88%
Transport, storage and communication	719,796	12.39%	2,049	0.12%	-	-
Financial institutions	-	-	800,000	46.05%	-	-
Insurance	-	-	-	-	11,300	0.76%
Services	-	-	150,000	8.63%	-	-
Industrial transportation	-	-	300,000	17.27%	-	-
Individuals	226,320	3.89%	17,340	1.00%	-	-
Others	173,041	2.98%	445,000	25.61%	108,692	7.34%
	5,810,534	100%	1,737,389	100%	1,480,479	100%

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	87,354	1.39%	-	-	-	-
Textile	502,737	8.02%	5,000	0.29%	-	-
Chemicals and pharmaceuticals	1,112,502	17.75%	-	-	108,453	7.92%
Cement	346,160	5.52%	-	-	13,698	1.00%
Sugar	338,053	5.39%	-	-	-	-
Automobile and transportation equipment	189,697	3.03%	-	-	-	-
Electronics and electrical appliances	450,000	7.18%	-	-	-	-
Construction	82,891	1.32%	-	-	-	-
Power (electricity), gas, water, sanitary	2,117,346	33.77%	-	-	1,009,711	73.71%
Transport, storage and communication	750,093	11.96%	-	-	70,143	5.12%
Financial institutions	-	-	500,000	28.78%	42,108	3.07%
Services	-	-	80,000	4.60%	-	-
Industrial transportation	-	-	450,000	25.90%	-	-
Individuals	242,390	3.87%	18,414	1.06%	8,265	0.60%
Others	50,081	0.80%	1,417,193	81.57%	117,476	8.58%
	6,269,304	100%	2,470,607	142%	1,369,854	100%

40.1.1.2 Segment by sector

	2015					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	**-**	**-**	**745,000**	**42.88%**	**108,692**	**7.34%**
Private	**5,810,534**	**100.00%**	**992,389**	**57.12%**	**1,371,787**	**92.66%**
	5,810,534	**100%**	**1,737,389**	**100%**	**1,480,479**	**100%**

	2014					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	-	-	1,860,200	75.29%	138,764	10.13%
Private	6,269,304	100.00%	610,407	24.71%	1,231,090	89.87%
	6,269,304	100%	2,470,607	100%	1,369,854	100%

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

	2015		2014	
	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**	**220,809**	229,340	220,809
Chemicals and pharmaceuticals	**500,000**	**500,000**	500,000	500,000
Cement	**200,000**	**200,000**	200,000	200,000
Sugar	**60,000**	**30,000**	-	-
Automobile and transportation equipment	**138,781**	**138,781**	138,781	138,781
Electronics and electrical appliances	**375,000**	**93,750**	450,000	112,500
Construction	**62,891**	**12,891**	62,891	12,891
Power (electricity), gas, water, sanitary	**1,585,825**	**1,319,637**	1,585,825	1,319,637
Individuals	**69,945**	**48,009**	70,645	48,269
	3,229,136	**2,571,231**	3,244,836	2,560,241

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

	2015		2014	
Public / Government	**-**	**-**	-	-
Private	**3,229,136**	**2,571,231**	3,244,836	2,560,241
	3,229,136	**2,571,231**	3,244,836	2,560,241

40.1.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	**472,415**	**15,274,279**	**3,894,743**	**1,480,479**

40.2 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 bank 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.

40.2.1 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 foreign currency
	------------------------ (Rupees in '000)			------------------------
Pakistan rupee	**15,271,171**	**11,379,536**	**1,461,112**	**5,352,747**
United States dollar	**356**	**-**	**19,367**	**19,723**
Euro	**2,752**	**-**	**-**	**2,752**
31 December 2015	**15,274,279**	**11,379,536**	**1,480,479**	**5,375,222**
Pakistan rupee	12,436,112	8,849,498	1,351,261	4,937,875
United States dollar	73	-	18,591	18,664
31 December 2014	12,436,185	8,849,498	1,369,852	4,956,539

40.2.2 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.

40.2.3 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.

40.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2015										
		Exposed to yield / interest rate risk										
		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
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	65,712	-	-	-	-	-	-	-	-	-	65,712
Balances with other banks	4.00-7.50%	30,481	28,781	-	-	-	-	-	-	-	-	1,700
Investments	6.30-13.52%	10,922,328	1,175,735	581,116	927,140	1,384,740	1,653,729	4,304,978	104,613	-	-	790,277
Lendings to financial institutions	6.50%	320,000	320,000	-	-	-	-	-	-	-	-	-
Advances	2.50-13.67%	3,238,411	706,755	1,874,789	538,063	12,570	5,423	5,424	-	-	-	95,387
Other assets	-	433,724	-	-	-	-	-	-	-	-	-	433,724
		15,010,656	2,231,271	2,455,905	1,465,203	1,397,310	1,659,152	4,310,402	104,613	-	-	1,386,800
Liabilities												
Borrowings	5.00-10.10%	9,441,099	5,294,878	1,850,943	507,828	1,775,546	11,904	-	-	-	-	-
Deposits and other accounts	6.25-8.90%	1,737,389	23,778	1,273,611	125,000	313,000	-	2,000	-	-	-	-
Other liabilities	-	201,048	-	-	-	-	-	-	-	-	-	201,048
		11,379,536	5,318,656	3,124,554	632,828	2,088,546	11,904	2,000	-	-	-	201,048
On-balance sheet gap		3,631,120	(3,087,385)	(668,649)	832,375	(691,236)	1,647,248	4,308,402	104,613	-	-	1,185,752
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(3,087,385)	(668,649)	832,375	(691,236)	1,647,248	4,308,402	104,613	-	-	
Cumulative yield / interest rate risk sensitivity gap			(3,087,385)	(3,756,034)	(2,923,659)	(3,614,895)	(1,967,647)	2,340,755	2,445,368	2,445,368	2,445,368	

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

Total financial assets	15,010,656
Non financial instruments	
Operating fixed assets	69,960
Deferred taxation	193,663
	15,274,279

	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
		2014										
			Exposed to yield / interest rate risk									
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	68,845	-	-	-	-	-	-	-	-	-	68,845
Balances with other banks	6.50-7.50%	64,144	61,733	-	-	-	-	-	-	-	-	2,411
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	9.75-13.68%	7,703,305	701,691	786,462	680,513	-	3,125,970	1,034,742	736,716	106,782	-	530,430
Advances	3.00-14.94%	3,707,914	1,084,224	2,244,159	233,127	29,883	5,423	5,423	5,400	-	-	100,275
Other assets	-	598,557	-	-	-	-	-	-	-	-	-	598,557
		12,142,765	1,847,648	3,030,621	913,640	29,883	3,131,393	1,040,165	742,116	106,782	-	1,300,518
Liabilities												
Borrowings	5.00-11.77%	6,097,465	4,145,136	695,638	1,197,828	15,656	31,303	11,904	-	-	-	-
Deposits and other accounts	9.20-10.95%	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-	-
Other liabilities	-	281,426	-	-	-	-	-	-	-	-	-	281,426
		8,849,498	4,232,904	1,804,712	1,733,392	753,857	31,303	11,904	-	-	-	281,426
On-balance sheet gap		3,293,267	(2,385,256)	1,225,909	(819,752)	(723,974)	3,100,090	1,028,261	742,116	106,782	-	1,019,092
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(2,385,256)	1,225,909	(819,752)	(723,974)	3,100,090	1,028,261	742,116	106,782	-	
Cumulative yield / interest rate risk sensitivity gap			(2,385,256)	(1,159,347)	(1,979,099)	(2,703,073)	397,017	1,425,278	2,167,394	2,274,176	2,274,176	

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

Total financial assets	12,142,765
Non financial instruments	
Operating fixed assets	87,907
Deferred taxation	205,513
	12,436,185

40.3 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 prepairing 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.

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

	2015									
	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	65,712	54,152	-	-	-	-	-	-	-	11,560
Balances with other banks	30,481	30,481	-	-	-	-	-	-	-	-
Lendings to financial institutions	320,000	320,000	-	-	-	-	-	-	-	-
Investments	10,922,328	1,026,095	413,362	188,625	1,638,139	1,952,482	5,495,388	207,737	500	-
Advances	3,238,411	80,361	310,847	150,946	322,428	864,830	568,396	359,124	560,877	20,602
Operating fixed assets	69,960	2,026	4,052	6,078	12,156	24,312	21,336	-	-	-
Deferred tax asset - net	193,663	926	1,774	2,625	8,239	83,205	41,193	55,701	-	-
Other assets	433,724	172,633	128,214	43,595	8,462	38,078	38,078	-	4,664	-
	15,274,279	1,686,674	858,249	391,869	1,989,424	2,962,907	6,164,391	622,562	566,041	32,162
Liabilities										
Borrowings	9,441,099	5,645,929	130,843	145,328	1,813,147	411,904	500,000	793,948	-	-
Deposits and other accounts	1,737,389	23,778	1,273,611	125,000	313,000	-	2,000	-	-	-
Other liabilities	201,048	18,873	47,285	79,794	24,523	15,963	2,650	-	-	11,960
	11,379,536	5,688,580	1,451,739	350,122	2,150,670	427,867	504,650	793,948	-	11,960
	3,894,743	(4,001,906)	(593,490)	41,747	(161,246)	2,535,040	5,659,741	(171,386)	566,041	20,202
Share capital	6,141,780									
Reserves	143,860									
Accumulated loss	(2,411,691)									
Surplus on revaluation of assets - net of tax	20,794									
	3,894,743									

	2014									
	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	68,845	43,728	-	-	-	-	-	-	-	25,117
Balances with other banks	64,144	64,144	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,703,305	542,771	154,158	427,191	114,394	3,338,226	1,243,567	1,574,393	308,605	-
Advances	3,707,914	112,305	81,031	245,033	485,153	757,653	919,642	1,035,523	40,532	31,042
Operating fixed assets	87,907	1,926	3,852	5,778	11,556	23,112	41,683	-	-	-
Deferred tax asset - net	205,513	919	1,750	2,668	5,250	75,098	70,283	47,623	1,922	-
Other assets	598,557	328,655	36,165	30,176	75,896	61,486	61,486	-	4,694	-
	12,436,185	1,094,448	276,956	710,846	692,249	4,255,575	2,336,661	2,657,539	355,753	56,159
Liabilities										
Borrowings	6,097,465	4,145,136	395,843	637,828	190,556	341,198	136,904	250,000	-	-
Deposits and other accounts	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-
Other liabilities	281,426	124,808	47,310	57,365	17,627	7,391	15,963	-	-	10,963
	8,849,498	4,357,712	1,552,227	1,230,757	946,384	348,589	152,867	250,000	-	10,963
	3,586,687	(3,263,264)	(1,275,271)	(519,911)	(254,135)	3,906,986	2,183,794	2,407,539	355,753	45,196

Share capital	6,141,780
Reserves	82,855
Accumulated loss	(2,655,790)
Deficit on revaluation of assets - net of tax	17,842
	3,586,687

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

	2015									
	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	65,712	54,152	-	-	-	-	-	-	-	11,560
Balances with other banks	30,481	30,481	-	-	-	-	-	-	-	-
Lendings to financial institutions	320,000	320,000	-	-	-	-	-	-	-	-
Investments	10,922,328	1,026,095	413,362	188,625	1,638,139	1,952,482	5,495,388	207,737	500	-
Advances	3,238,411	80,361	310,847	150,946	322,428	864,830	568,396	359,124	560,877	20,602
Operating fixed assets	69,960	2,026	4,052	6,078	12,156	24,312	21,336	-	-	-
Deferred tax asset - net	193,663	926	1,774	2,625	8,239	83,205	41,193	55,701	-	-
Other assets	433,724	172,633	128,214	43,595	8,462	38,078	38,078	-	4,664	-
	15,274,279	1,686,674	858,249	391,869	1,989,424	2,962,907	6,164,391	622,562	566,041	32,162
Liabilities										
Borrowings	9,441,099	5,645,929	130,843	145,328	1,813,147	411,904	500,000	793,948	-	-
Deposits and other accounts	1,737,389	23,778	1,273,611	125,000	313,000	-	2,000	-	-	-
Other liabilities	201,048	18,873	47,285	79,794	24,523	15,963	2,650	-	-	11,960
	11,379,536	5,688,580	1,451,739	350,122	2,150,670	427,867	504,650	793,948	-	11,960
	3,894,743	(4,001,906)	(593,490)	41,747	(161,246)	2,535,040	5,659,741	(171,386)	566,041	20,202
Share capital	6,141,780									
Reserves	143,860									
Accumulated loss	(2,411,691)									
Surplus on revaluation of assets - net of tax	20,794									
	3,894,743									

	2014									
	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	68,845	43,728	-	-	-	-	-	-	-	25,117
Balances with other banks	64,144	64,144	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,703,305	542,771	154,158	427,191	114,394	3,338,226	1,243,567	1,574,393	308,605	-
Advances	3,707,914	112,305	81,031	245,033	485,153	757,653	919,642	1,035,523	40,532	31,042
Operating fixed assets	87,907	1,926	3,852	5,778	11,556	23,112	41,683	-	-	-
Deferred tax asset - net	205,513	919	1,750	2,668	5,250	75,098	70,283	47,623	1,922	-
Other assets	598,557	328,655	36,165	30,176	75,896	61,486	61,486	-	4,694	-
	12,436,185	1,094,448	276,956	710,846	692,249	4,255,575	2,336,661	2,657,539	355,753	56,159
Liabilities										
Borrowings	6,097,465	4,145,136	395,843	637,828	190,556	341,198	136,904	250,000	-	-
Deposits and other accounts	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-
Other liabilities	281,426	124,808	47,310	57,365	17,627	7,391	15,963	-	-	10,962
	8,849,498	4,357,712	1,552,227	1,230,757	946,384	348,589	152,867	250,000	-	10,962
	3,586,687	(3,263,264)	(1,275,271)	(519,911)	(254,135)	3,906,986	2,183,794	2,407,539	355,753	45,197

Share capital	6,141,780
Reserves	82,855
Accumulated loss	(2,655,790)
Deficit on revaluation of assets - net of tax	17,842
	3,586,687

41. 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.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 11 March 2016 by the Board of Directors of the Company.

43. GENERAL

43.1 In its latest rating announcement (June 2015), 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). Further, PACRA has maintained the rating of AA (Double A) assigned to the secured Privately Placed Term Finance Certificates issued by the Company (with negative outlook assigned to rating).

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

43.3 Certain comparative figures have been reclassified in order to present information on a basis consistent with current year. The classification changes relate to note 24, note 27, note 28 and note 37 of these financial statements.

Muhammad Masood Ebrahim	**Abid Aziz**
Chief Financial Officer	Managing Director & CEO
Abid Aziz	**Khalid S.T. Benrjoba**
Director	Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
Annexure I
As referred in note 8.17 of the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES (TFCs)

S. No.	Name of TFCs	Cost 2015	Cost 2014
		------- (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: 9.81% (6 - Months Kibor + 3.25%) Redemption: Half yearly from April 2012 Maturity: October 2018	**398,120**	298,166
2	Invest Capital Investment Bank Limited - TFC - II (05-09-2002) Certificate of Rs.5,000 each Mark-up: 13.68% (5y PIB + 2.75%) Redemption: Bullet payment falling due on September 2013 Maturity: September 2013 Installment status: Overdue	**3,000**	3,000
3	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
4	Jahangir Siddiqui & Co. Limited - TFC - (31-03-2014) Certificate of Rs.5,000 each Mark-up: 8.36% (3 - Months Kibor + 1.75%) Redemption: Half yearly from October 2014 Maturity: April 2019	**43,125**	-
5	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
		466,631	323,552

S. No.	Name of TFCs	Cost 2015	Cost 2014
		------- (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 - (31-03-2014) Certificate of Rs.5,000 each Mark-up: 11.94% (3 - Months Kibor + 1.75%) Redemption: Half yearly from October 2014 Maturity: April 2019	**-**	48,126
5	Jahangir Siddiqui & Co. Limited - TFC - (30-10-2012) Certificate of Rs.5,000 each Mark-up: 8.89% (6 - Months Kibor + 2.40%) Redemption: Half yearly from April 2013 Maturity: October 2016	**18,450**	-
6	Engro Fertilizer Limited - TFC - IV (18-03-2008) Certificate of Rs.5,000 each Mark-up: 6.61% (6 - Months Kibor + 2.10%) Redemption: Put and call option Maturity: Perpetual	**466,525**	465,804
	Balance c/f.	**763,777**	792,732

S. No.	Name of TFCs	Cost 2015	2014
		------- (Rupees in '000) -------	
	Balance b/f.	**763,777**	792,732
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)		
7	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**	18,357
8	Pakistan International Airlines Corporation Limited - TFC - II (20-02-2009) Certificate of Rs.5,000 each Mark-up: 8.31% (6 - Months Kibor + 1.25%) Redemption: Quarterly from May 2016 Maturity: February 2020	**176,930**	176,933
9	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
10	Pakistan Mobile Communication Limited - TFC - VII (18-04-2012) Certificate of Rs.100,000 each Mark-up: 8.58% (3 - Months Kibor + 2.00%) Redemption: Quarterly from July 2012 Maturity: April 2016	**10,016**	27,671
11	JDW Sugar Mills Limited-TFC- (06.08.2013) Certificate of Rs.50 million each Mark-up: 9.10% (3 - Months Kibor + 2.50%) Redemption: Quarterly from December 2013 Maturity: March 2018	**55,556**	77,778
12	Hascol Petroleum Limited-TFC- (28.14.2014) Certificate of Rs.20 million each Mark-up: 12.64% (6 - Months Kibor + 3.00%) Redemption: Bullet payment Maturity: February 2015	**-**	100,000
		1,025,317	1,196,552

S. No.	Name of Sukuks	Cost 2015	Cost 2014
		------- (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	Kohat Cement Limited (15-12-2007) Certificate of Rs.5,000 each Mark-up: 11.59% (3 - Months Kibor + 1.5%) and a deferred mark-up portion Redemption: Quarterly from September 2011 Maturity: September 2016	**-**	-
3	Pak-Elektron Limited (28-09-2007) 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	**62,941**	88,611
4	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	**33,846**	38,522
5	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	**70,880**	79,312
		179,990	218,768

Annexure II

As referred in note 9.4 of the financial statements.

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

(Rs. In '000')

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			
					Principal	Mark-up *	Others *	Total	Principal	Mark-up *	Others *	Total
				NIL								

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