


# Annual Report 2016

# Kissan Support Services (Pvt.) Limited

(A wholly owned subsidiary of Zarai Taraqiati Bank Limited)

1 Faisal Avenue, Islamabad

# DIRECTORS' REPORT

On behalf of the Board of Directors, it gives us great pleasure to present the Directors' Report of Kissan Support Services (Pvt) Limited (KSSL) along with the Audited Accounts and Auditor's Report thereon, for the year ended December 31, 2016.

The principal activity of the Company continued to be the provider of non-core support services to ZTBL by exercising appropriate control on the workforce in line with the best service quality standards. However, the Company has amended its Memorandum of Association during the year 2016 enabling it to carry out wide ranging businesses and offer its services to the corporate clients, other than ZTBL.

## Financial Overview

During the year, KSSL witnessed 28.59% increase in its revenue over the last year, the Company's Profit After Taxation was Rs. 104.909 million compared to Rs. 70.487 million for the previous year, reflecting 48.83% increase in the company's earning performance, resulting into Earning Per Share (EPS) of Rs. 10.49 (2015: Rs. 7.05 per share). The Company being a wholly owned subsidiary of ZTBL neither proposes any dividend to be paid nor transferred any sum to any specific Fund/Reserve for the purpose.

No significant change or commitment occurred during the period from the end of the year to the date of this report.

## Key Operating & Financial Data of last 6 Years

(Rupees in Million)

| Particulars | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Total Assets | 275.816 | 317.121 | 385.934 | 447.921 | 581.059 | 795.119 |
| Cash & Cash Equivalents | 216.231 | 242.909 | 301.917 | 333.372 | 416.394 | 544.968 |
| Non-Current assets | 23.842 | 30.813 | 34.660 | 56.074 | 64.473 | 89.300 |
| Share Capital & Reserves | 198.905 | 225.461 | 259.593 | 287.760 | 364.765 | 471.477 |
| Non-Current Liabilities | 42.652 | 54.919 | 60.939 | 150.552 | 196.722 | 258.491 |
| Profit before Tax | 43.850 | 44.190 | 44.387 | 57.677 | 114.830 | 155.487 |
| Taxation | 17.727 | 15.314 | 15.047 | 16.377 | 44.343 | 50.577 |
| Profit after Tax | 26.123 | 28.876 | 29.340 | 41.299 | 70.487 | 104.909 |
| Earnings per Share (Rs.) | 2.61 | 2.89 | 2.93 | 4.13 | 7.05 | 10.49 |

## Operations

During the year, Company's operational performance remained satisfactory regarding services rendered to ZTBL.

## Corporate and Financial Reporting Framework

The Directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.

e) The Company has complied with Public Sector Companies (Corporate Governance) Rules, 2013 (The Rules). Statement of Compliance with the Rules along with a statement enlisting the Rules which have not yet been complied with, including the Explanation for Non-Compliance has been prepared.

f) The system of internal control in design has been effectively implemented and monitored.

g) Key Operating and Financial data of last six years in summarized form is included in this Report.

h) There are no significant doubts upon the Company's ability to continue as a going concern.

## Appointment & Remuneration of the Directors

The ZTBL, being 100% shareholder of KSSL, has nominated all the Board Members. The Company adopts the remuneration policy of the Board Members as given in Section 42 of its Articles of Association. No remuneration is paid to the Non-Executive Directors. The accommodation of the Board Members is arranged by the Company itself whereas the existing remuneration of the Members are as follows;

| | | |
|---|---|---|
| 1. | Meeting of the Board | Rs. 20,000/- per meeting |
| 2. | Meeting of the Board's sub-committee | Rs. 10,000/- per meeting |
| 3. | Travelling | Rs.15/km if travelled by road or Return Air Ticket (Economy plus) |

## Board of Directors

During the year 2016, the composition of the Board and meetings attended by each Board Member is as follows:-

| Sr. No. | Name of Director | Designation | No. of Board meetings attended in 2016 |
|---|---|---|---|
| 1 | Syed Talat Mahmood | Chairman | 5 |
| 2 | Rana Nazeer Ahmed Khan | Director | 5 |
| 3 | Mr. Mehboob Hussain | Director | 5 |
| 4 | Mr. Ishwar Lal | Director | 5 |
| 5 | Col. (R) Zahid Iqbal * | Director | 3 |
| 6 | Mr. Hasan Afzaal * | Director | 3 |
| 7 | Lt. Col (R) Khalid Rafique Shah | Director / MD/CEO | 4 |
| 8 | Shiekh Amanullah ** | Ex-Director | 2 |
| 9 | Mr. Younus Kamran ** | Ex-Director | 2 |
| 10 | Group Captain (R) Tariq Javed Kamboh ** | Ex-Director | 1 |
| 11 | Mr. Mafoob Ahmad Khan | Company Secretary | 5 |

* Three Meetings were held during their tenure.

** Retired. Two Meetings were held during their tenure.

## Committees of the Board

The Board has constituted its sub-committees, namely, Audit Committee, Human Resource Management Committee, Nomination Committee & Procurement Committee, as required under

Public Sector Companies (Corporate Governance) Rules, 2013 for smooth running of the business activities. The Audit and Human Resource Management Committees met from time to time to discuss and carry out business as per their terms of reference.

## General Meetings

Tenth Annual General Meeting of the Company was held on April 19, 2016. The Company also held its 1st Extraordinary General Meeting on September 8, 2016 to pass special resolution to change object clauses of KSSL's Memorandum of Association.

## Chief Executive Officer

The Company has a full time Chief Executive Officer whose term of employment is under contract.

## Company's Future Outlook

KSSL has a strong vision and passion to assist the ZTBL by provision of support staff and taking over all non-core/auxiliary activities of the bank so that the bank may concentrate on its core banking activities. Plans are in hand to take over more non-core/non-banking services of the Bank in a phased manner.

The Company has amended its Memorandum of Association during the year 2016 which will enable it to carry out wide ranging businesses and offer its services to the corporate sector, other than ZTBL. The Company intends to offer its expertise in HR third party contracting to the corporate sector. Further, prospects of initiating the project of provision of seeds to the farming community are also being considered.

## Auditors

The Auditors for the year 2016 were M/s BDO Ebrahim & Co., Chartered Accountants, Islamabad.

## Pattern of Shareholding

1. **ZTBL** **100% Shares (10 million shares of Rs. 10 each)**

Company is a wholly owned subsidiary of ZTBL, incorporated under Companies Ordinance, 1984 in Pakistan.

## Acknowledgement

We appreciate the hard work and diligence of Company's employees in making the Current Year a successful year for the Company.

On behalf of the Board of Directors

(KHALID RAFIQUE SHAH)
MD/CEO

(SYED TALAT MEHMOOD)
CHAIRMAN

Islamabad
March 14, 2017

BDO

Tel: +92 51 260 4461-5
Fax: +92 51 260 4468
www.bdo.com.pk

3rd Floor,
Saeed Plaza,
22-East Blue Area,
Islamabad-44000,
Pakistan.

## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") prepared by the Board of Directors of **KISSAN SUPPORT SERVICES (PRIVATE) LIMITED** ("the Company") for the year ended December 31, 2016.

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

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 control, the Company's corporate governance procedures and risks.

The Rules 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.

Following instances of non-compliance with the requirements of the Rules were observed which are not stated in the Statement of Compliance:

(i) The Board has not formulated policies regarding "Corporate Social Responsibility", and "Health Safety and Environment" as required by rule 5 (7) (j) and 5 (7) (m) respectively of the Rules.

(ii) The Board has not formulated succession planning of the Chief Executive as required by Rule 5 (2) of the Rules.

(iii) Though Chief Internal Auditor has been appointed, however, the qualification criteria as required by Rule 22 (2) of the Rules has not been complied with.



BDO Ebrahim & Co. Chartered Accountants
BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Based on our review, except for the above instances of non-compliance, 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 Rules as applicable to the Company for the year ended December 31, 2016.

Further, we highlight below the instances of non-compliance with the requirements of the Rules as reflected in the following paragraph of enclosed Statement of Compliance:

| Sr No. | Reference | Description |
|---|---|---|
| (i) | Clause 7 | The Chairman has not been elected from amongst the independent directors. |
| (ii) | Clause 18(a) | The Board has not carried out performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of a process, based on specified criteria developed by it. |
| (iii) | Clause 20 | Monthly accounts are not prepared and circulated amongst the Board members. |

ISLAMABAD

DATED: 14 MAR 2017

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer



BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

# Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

**Name of company:** Kissan Support Services (Pvt.) Limited

**Line Ministry:** Subsidiary of ZTBL which is owned by Finance Division, GOP

**For the Year Ended:** December 31, 2016

I. This statement is being presented to comply with the Public Sector Companies Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✔</td><td></td></tr>
<tr><td>2.</td><td>The Board has the requisite percentage of independent directors. At present the board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Director</td><td>1. Rana Nazeer Ahmad Khan<br>2. Mr. Ishwar Lal<br>3. Col. (R) Zahid Iqbal<br>4. Dr. Hasan Afzaal</td><td>19-Apr-2016<br>-do-<br>-do-<br>-do-</td></tr>
<tr><td>Executive Director</td><td>1. Mr. Khalid Rafique Shah, MD/CEO</td><td>19-Apr-2016</td></tr>
<tr><td>Non-Executive Director</td><td>1. Syed Talat Mahmood<br>2. Mr. Mehboob Hussain</td><td>19-Apr-2016<br>-do-</td></tr>
</table></td><td>3(2)</td><td>✔</td><td></td></tr>
<tr><td>3.</td><td>A casual vacancy occurring on the board was filled up by the directors within ninety days.</td><td>3(4)</td><td>✔</td><td></td></tr>
</table>

| Sr. No. | Provision of the Rules | Rule No. | Y | N |
|---|---|---|---|---|
| | | | Tick the relevant | |
| 4. | The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. | 3(5) | ✔ | |
| 5. | The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance. | 3(7) | ✔ | |
| 6. | The chairman of the board is working separately from the chief executive of the Company. | 4(1) | ✔ | |
| 7. | The chairman has been elected from amongst the independent directors. | 4(4) | | ✔ |
| 8. | The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. | 5(2) | ✔ | |
| 9. | (a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website.<br>(Address of website to be indicated www.kssl.ztbl.com.pk)<br><br>(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices. | 5(4) | ✔<br><br>✔ | |
| 10. | The Board has established a system of sound internal control to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules. | 5(5) | ✔ | |
| 11. | The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest. | 5(5)(b)(ii) | ✔ | |
| 12. | The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company. | 5(5)(b)(vi) | ✔ | |
| 13. | (a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.<br><br>(b) A Committee has been formed to investigating deviations from the company's code of conduct. | 5(5)(c)(ii) | ✔<br><br>✔ | |

| Sr. No. | Provision of the Rules | Rule No. | Y | N |
|---|---|---|---|---|
| | | | Tick the relevant | |
| 14. | The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services. | 5(5)(c) (iii) | ✔ | |
| 15. | The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. | 5(6) | ✔ | |
| 16. | The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration. | 5(8) | ✔ | |
| 17. | (a) The board has met at least four times during the year.<br>(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.<br>(c) The minutes of the meetings were appropriately recorded and circulated. | 6(1)<br>6(2)<br><br>6(3) | ✔<br>✔<br>✔ | |
| 18. | The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it.<br><br>The board has also monitored and assessed the performance of senior management on quarterly basis. | 8 | <br><br>✔ | ✔ |
| 19. | The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained. | 9 | ✔ | |
| 20. | The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website.<br><br>Monthly accounts were also prepared and circulated amongst the board members. | 10 | ✔ | <br><br>✔ |
| 21. | All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules. | 11 | ✔ | |

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th></tr>
<tr><td></td><td></td><td></td><td colspan="2">Tick the relevant</td></tr>
<tr><td>22.</td><td>(a) The board has formed the requisite committees, as specified in the Rules.<br><br>(b) The committees were provided with written term of reference defining their duties, authority and composition.<br><br>(c) The minutes of the meetings of the committees were circulated to all the board members.<br><br>(d) The committees were chaired by the following non-executive directors: –<br><br>
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>3</td><td>Col. (R) Zahid Iqbal</td></tr>
<tr><td>Risk Management Committee</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Human Resources Committee</td><td>3</td><td>Mr. Ishwar Lal</td></tr>
<tr><td>Procurement Committee</td><td>3</td><td>Rana Nazeer Ahmad Khan</td></tr>
<tr><td>Nomination Committee</td><td>3</td><td>Mr. Mehboob Hussain</td></tr>
</table></td><td>12</td><td>✔<br><br>✔<br><br>✔<br><br>✔</td><td></td></tr>
<tr><td>23.</td><td>The board has approved appointment of Chief Financial Officer and Company Secretary, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13/14</td><td>✔</td><td></td></tr>
<tr><td>24.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.</td><td>16</td><td>✔</td><td></td></tr>
<tr><td>25.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✔</td><td></td></tr>
<tr><td>26.</td><td>The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.</td><td>18</td><td>✔</td><td></td></tr>
<tr><td>27.</td><td>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td>✔</td><td></td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y<br>Tick the relevant</th><th>N</th></tr>
<tr><td>28.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.</td><td>20</td><td>✔</td><td></td></tr>
<tr><td>29.</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Col. (R) Zahid Iqbal</td><td>Independent Member</td><td>MSc. Engineering (Digital Systems)</td></tr>
<tr><td>Dr. Hasan Afzaal</td><td>-do-</td><td>PhD in progress<br><br>Doctor of Pharmacy</td></tr>
<tr><td>Mr. Mehboob Hussain</td><td>Non-Executive Member</td><td>CFO of the parent/holding company, ZTBL</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21</td><td>✔<br><br>✔</td><td></td></tr>
<tr><td>30.</td><td>The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.</td><td>22</td><td>✔</td><td></td></tr>
<tr><td>31.</td><td>The company has appointed its external auditors in line with the requirements envisaged under the Rules.</td><td>23</td><td>✔</td><td></td></tr>
<tr><td>32.</td><td>The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✔</td><td></td></tr>
<tr><td>33.</td><td>The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✔</td><td></td></tr>
<tr><td>34.</td><td>The company has complied with all the corporate and financial reporting requirements of the Rules.</td><td></td><td>✔</td><td></td></tr>
</table>

(KHALID RAFIQUE SHAH)
MD/CEO

(SYED TALAT MAHMOOD)
Chairman

# Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [Except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

| Sr. No. | Clause No. of Statement of Compliance | Rule/sub-rule No. of CC Rules | Reasons for non-compliance | Future course of action |
|---|---|---|---|---|
| 1. | 7 | 4(4) | The President, ZTBL (holding company) who was nominated by the Ministry of Finance under BNA 1974, is elected as Chairman, KSSL BOD. Since ZTBL is 100% shareholder of the company, therefore, KSSL believes that this rule is not applicable on it. | Clarification will be sought on the issue from the parent company i.e. ZTBL. |
| 2. | 18 (a) | 8 | The Public Sector Companies (Corporate Governance) Rules 2013 were implemented by the Company on December 31, 2016 for the first time and accordingly, many policies were developed and the remaining shall be developed by the Board shortly. | We are in process of devising a mechanism whereby performance evaluation of Board Members will be carried out during the year 2017. |
| 3. | 20 (b) | 10 | The accounts of the company are consolidated with those of the Parent Company i.e. ZTBL. Therefore, a software capable of fulfilling needs of both organizations and later on synchronize/consolidate both books of accounts is being developed/acquired by the Parent Company. | KSSL is in process of acquiring Oracle based ERP system which will enable it to prepare Monthly Accounts in timely manner. The same shall be implemented during 2016. |

(KHALID RAFIQUE SHAH)
MD/CEO

(SYED TALAT MAHMOOD)
Chairman

BDO

FINANCIAL STATEMENTS
OF

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

FOR THE YEAR ENDED
DECEMBER 31, 2016

BDO Ebrahim & Co. Chartered Accountants
BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO

Tel: +92 51 260 4461-5
Fax: +92 51 260 4468
www.bdo.com.pk

3rd Floor,
Saeed Plaza,
22-East Blue Area,
Islamabad-44000,
Pakistan.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KISSAN SUPPORT SERVICES (PRIVATE) LIMITED** (the Company) as at December 31, 2016 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 state that: -

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

(b) in our opinion:-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(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 balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**ISLAMABAD**

**DATE:** 14 MAR 2017

**CHARTERED ACCOUNTANTS**
Engagement Partner: Abdul Qadeer

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**BALANCE SHEET AS AT DECEMBER 31, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 5 | 13,280,069 | 4,252,407 |
| Deferred tax asset | 6 | 76,020,265 | 60,220,490 |
| | | 89,300,334 | 64,472,897 |
| **CURRENT ASSETS** | | | |
| Receivable from ZTBL | 7 | 118,967,807 | 47,989,522 |
| Loans and advances | 8 | 1,515,815 | 2,623,186 |
| Short-term prepayments | 9 | 628,682 | 463,256 |
| Short-term investments | 10 | 527,670,739 | 333,599,628 |
| Accrued interest | 11 | 7,041,311 | 2,814,632 |
| Other receivables | 12 | 5,210,663 | 5,728,928 |
| Tax refund due from Government | 13 | 35,156,137 | 43,850,748 |
| Cash and bank balances | 14 | 9,627,316 | 79,516,483 |
| | | 705,818,470 | 516,586,383 |
| **TOTAL ASSETS** | | 795,118,804 | 581,059,280 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 15 | 100,000,000 | 100,000,000 |
| Accumulated profit | | 371,477,366 | 264,764,907 |
| | | 471,477,366 | 364,764,907 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred liabilities | 16 | 256,092,193 | 196,722,292 |
| Payable against car loan depreciation policy | 17 | 2,398,500 | - |
| | | 258,490,693 | 196,722,292 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 18 | 14,739,113 | 10,508,468 |
| Security deposits | 19 | 225,002 | 369,002 |
| Taxation - net | 20 | 50,186,630 | 8,694,611 |
| | | 65,150,745 | 19,572,081 |
| **CONTINGENCIES AND COMMITMENTS** | 21 | - | - |
| **TOTAL EQUITY AND LIABILITIES** | | 795,118,804 | 581,059,280 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**CHAIRMAN**

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| Revenue | 22 | 1,102,238,940 | 857,169,216 |
| Cost of services | 23 | (937,837,947) | (738,833,733) |
| Gross profit | | 164,400,993 | 118,335,483 |
| Administrative expenses | 24 | (39,207,690) | (31,388,166) |
| Operating profit | | 125,193,303 | 86,947,317 |
| Other income | 25 | 30,328,416 | 27,922,850 |
| Financial charges | | (35,025) | (40,030) |
| Profit before taxation | | 155,486,694 | 114,830,137 |
| Taxation | 26 | (50,577,474) | (44,342,648) |
| Profit after taxation | | 104,909,220 | 70,487,489 |
| Earnings per share - basic and diluted | 27 | 10.49 | 7.05 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| Profit after taxation | | 104,909,220 | 70,487,489 |
| Other comprehensive income | | | |
| Item that will not be reclassified to profit and loss account | | | |
| Gain on remeasurement of defined benefit liability | | 2,576,056 | 9,585,159 |
| Tax impact relating to remeasurement of defined benefit liability | | (772,817) | (3,067,251) |
| | | 1,803,239 | 6,517,908 |
| Total comprehensive income for the year | | 106,712,459 | 77,005,397 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 155,486,694 | 114,830,137 |
| Adjustments for non cash items: | | | |
| Depreciation | 5 | 1,655,901 | 968,595 |
| Provision for gratuity | | 47,445,960 | 43,424,099 |
| Provision for medical fund | | 17,085,392 | 14,111,225 |
| Interest income | | (30,328,416) | (27,922,850) |
| | | 35,858,837 | 30,581,069 |
| Operating profit before working capital changes | | 191,345,531 | 145,411,206 |
| Changes in working capital: | | | |
| (Increase)/decrease in current assets | | | |
| Receivable from holding company | | (70,978,285) | (39,859,942) |
| Loans and advances | | 1,107,371 | (1,396,870) |
| Short-term prepayments | | (165,426) | (169,125) |
| Other receivables | | 518,265 | (443,422) |
| | | (69,518,075) | (41,869,359) |
| Increase/(decrease) in current liabilities | | | |
| Trade and other payables | | 4,230,645 | 1,117,070 |
| Cash generated from operations | | 126,058,101 | 104,658,917 |
| Interest income received | | 26,101,737 | 31,870,754 |
| Gratuity paid | | (2,029,717) | (1,193,435) |
| Medical expenses paid | | (555,678) | (585,972) |
| Income tax paid | | (16,963,436) | (45,951,508) |
| | | 6,552,906 | (15,860,161) |
| Net cash generated from operating activities | | 132,611,007 | 88,798,756 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of fixed assets | | (10,683,563) | (2,147,855) |
| Net cash used in investing activities | | (10,683,563) | (2,147,855) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payable under car loan depreciation policy | | 2,398,500 | - |
| Security deposits received/(paid) | | (144,000) | 150,002 |
| Net cash generated from financing activities | | 2,254,500 | 150,002 |
| Net increase in cash and cash equivalents | | 124,181,944 | 86,800,903 |
| Cash and cash equivalents at the beginning of the year | | 413,116,111 | 326,315,208 |
| Cash and cash equivalents at the end of the year | 28 | 537,298,055 | 413,116,111 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Share capital | Accumulated profit | Total |
|---|---|---|---|
| | ----------Rupees---------- | | |
| Balance as at January 01, 2015 | 100,000,000 | 187,759,510 | 287,759,510 |
| Total comprehensive income for the year | | | |
| Other comprehensive income | - | 6,517,908 | 6,517,908 |
| Profit for the year | - | 70,487,489 | 70,487,489 |
| | - | 77,005,397 | 77,005,397 |
| Balance as on December 31, 2015 | 100,000,000 | 264,764,907 | 364,764,907 |
| Total comprehensive income for the year | | | |
| Other comprehensive income | - | 1,803,239 | 1,803,239 |
| Profit for the year | - | 104,909,220 | 104,909,220 |
| | - | 106,712,459 | 106,712,459 |
| Balance as on December 31, 2016 | 100,000,000 | 371,477,366 | 471,477,366 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**NOTES TO THE ACCOUNTS**
**FOR THE YEAR ENDED DECEMBER 31, 2016**

## 1 COMPANY AND ITS OPERATIONS

1.1 Kissan Support Services (Private) Limited ("the Company") was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqiati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqiati Bank Limited, Head Office, 1 - Faisal Avenue, Zero Point, Islamabad.

1.2 The Company's principal business was to provide consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL. During the year, the Company has changed its Memorandum of Association and now the Company can provide services/undertake business with other corporate sectors as well.

1.3 The Company's principal business is to provide consultancy, advisory (not being investment advisory), agency services and other support services, all kind of support staff and ancillary services, marketing of products and services, provision of quality products and services for efficient and improved farming including seeds, fertilizers, pesticides, agri-machinery and technical services, training and education of farmers and others, provision of storage facilities such as warehousing and grain silos facilities, import and export of goods and services to any legal entity and corporate sector in accordance with applicable laws.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee benefits which have been stated at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.24.

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

## 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements - Amendments regarding application of the consolidation exception | January 1, 2016 |
| IFRS 11 | Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation | January 1, 2016 |
| IFRS 12 | Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception | January 1, 2016 |
| IAS 1 | Presentation of Financial Statements - Amendments resulting from the disclosure initiative | January 1, 2016 |
| IAS 16 | Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16 | January 1, 2016 |
| IAS 27 | Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements | January 1, 2016 |
| IAS 28 | Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception | January 1, 2016 |
| IAS 38 | Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation | January 1, 2016 |
| IAS 41 | Agriculture - Amendments bringing bearer plants into the scope of IAS 16 | January 1, 2016 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

| | |
|---|---|
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| IFRS 7 | Financial Instruments: Disclosures |
| IAS 19 | Employee Benefits |
| IAS 34 | Interim Financial Reporting |

**3.2 Amendments not yet effective**

The following 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:

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| IFRS 2 | Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 | Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 10 | Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture | Deferred indefinitely |
| IAS 7 | Statement of Cash Flows - Amendments resulting from the disclosure initiative | January 01, 2017 |
| IAS 12 | Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses | January 01, 2017 |
| IAS 28 | Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture | Deferred indefinitely |
| IAS 40 | Investment Property - Amendments to clarify transfers or property to, or from, investment property | January 01, 2018 |

The Annual Improvements to IFRSs that are effective from the dates mentioned below against the respective standard are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

| | | |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | January 01, 2018 |
| IFRS 12 | Disclosure of Interests in Other Entities | January 01, 2017 |
| IAS 28 | Investments in Associates and Joint Ventures | January 01, 2018 |

**3.3 Standards or interpretations not yet effective**

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 9 | Financial Instruments |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 15 | Revenue from Contracts with Customers |
| IFRS 16 | Leases |

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Bank's financial statements in the period of initial application.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**4.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on reducing balance method except for vehicles and computer equipment which are depreciated on straight line method.

Normal repairs and maintenance are charged to profit and loss account as and when incurred whereas major renewals and improvements are capitalized.

Depreciation is charged on pro-rata basis from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which asset is disposed off.

Gain and losses on disposal of operating assets are taken to profit and loss account.

## 4.2 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

## 4.3 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written off when identified.

## 4.4 Loans, advances and other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each balance sheet date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

## 4.5 Investments

Investments are classified into the following two categories:

### Held to maturity (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortized cost using the effective interest method.

### Available for sale investments

These are investments which do not fall under the "investment at fair value through profit and loss" or "held to maturity categories". These investments are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are charged through profit and loss account. Impairment loss on investments available for sale is recognized in the profit and loss account.

## 4.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash at bank and short term investments with maturity of not later than three months at known amount in rupees if any.

### 4.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

### 4.8 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

### 4.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity/comprehensive income, in which case it is recognized in equity/comprehensive income.

#### Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or one percent of turnover, or alternative corporate tax, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

#### Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

#### Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

### 4.10 Provision

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, 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. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### 4.11 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

### 4.12 Employees benefits

**Unfunded medical benefits**

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rs 400/- per employee per month on time proportionate basis.

**Staff retirement benefits**

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2016 using the Projected Unit Credit Actuarial Cost method as mandated under the latest IAS-19 revised 2011. The Actuarial Gains/Losses arising due to differences between actuarial assumptions and actual experience regarding salary increase, mortality and withdrawal probabilities are considered as remeasurements of the net defined benefit liability, and are recognized in Other Comprehensive Income.

### 4.13 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Revenue from services is recognised as and when services are rendered.
Interest income is recognized as revenue on time proportion basis.
Commission income is recognized when services are rendered.
Rental income is recognized on accrual basis.

### 4.14 Borrowing

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to income in the period in which they are incurred.

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets (plant and machinery) are capitalized up to the date of commencement of commercial production on the respective assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

### 4.15 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

### 4.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

### 4.17 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### 4.18 Financial instruments

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables and held to maturity.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

#### Held to maturity and available for sale investments

The particular measurement method adopted is disclosed in the individual policy.

#### Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

**Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

**Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

**4.19 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

**4.20 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 including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

**4.21 Dividend and apportioning to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

**4.22 Operating lease**

Rentals payables under the operating leases are charged to profit or loss on straight line basis over the term of relevant lease.

**4.23 Earnings per share**

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

**4.24 Significant accounting judgments and critical accounting estimates / assumptions**

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

**a) Property plant and equipment**

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

**b) Income taxes**

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**c) Provision for doubtful receivables**

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

**d) Contingencies**

The Company reviews the status of all the legal cases on regular basis. Based on expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

**e) Financial Instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

**f) Defined benefits plan**

Certain actuarial assumptions have been adopted as disclosed in note 16 of these financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

5 OPERATING FIXED ASSETS

| Particulars | Furniture and fixtures | Electrical installations | Vehicles | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|
| | Rupees | | | | | |
| **Net carrying value basis** | | | | | | |
| **Year ended December 31, 2016** | | | | | | |
| Opening book value | 325,603 | 241,533 | 2,823,113 | 200,737 | 661,421 | 4,252,407 |
| Additions | 837,865 | 153,988 | 9,572,814 | 62,600 | 57,096 | 10,683,563 |
| Depreciation charge | (65,399) | (56,278) | (1,112,728) | (41,191) | (380,305) | (1,655,901) |
| Closing net book value | 1,097,269 | 339,243 | 11,283,199 | 222,146 | 338,212 | 13,280,069 |
| **Gross carrying value basis** | | | | | | |
| **As at December 31, 2016** | | | | | | |
| Cost | 1,420,193 | 861,271 | 15,682,883 | 537,795 | 2,691,081 | 21,193,223 |
| Accumulated depreciation | (322,924) | (522,028) | (4,399,684) | (315,649) | (2,352,869) | (7,913,154) |
| Net book value | 1,097,269 | 339,243 | 11,283,199 | 222,146 | 338,212 | 13,280,069 |
| **Net carrying value basis** | | | | | | |
| **Year ended December 31, 2015** | | | | | | |
| Opening book value | 361,781 | 209,432 | 1,683,585 | 167,884 | 650,465 | 3,073,147 |
| Additions | - | 82,170 | 1,554,785 | 73,430 | 437,470 | 2,147,855 |
| Depreciation charge | (36,178) | (50,069) | (415,257) | (40,577) | (426,514) | (968,595) |
| Closing net book value | 325,603 | 241,533 | 2,823,113 | 200,737 | 661,421 | 4,252,407 |
| **Gross carrying value basis** | | | | | | |
| **As at December 31, 2015** | | | | | | |
| Cost | 583,128 | 707,283 | 6,110,069 | 475,195 | 2,633,985 | 10,509,660 |
| Accumulated depreciation | (257,525) | (465,750) | (3,286,956) | (274,458) | (1,972,564) | (6,257,253) |
| Net book value | 325,603 | 241,533 | 2,823,113 | 200,737 | 661,421 | 4,252,407 |
| **Annual rate of depreciation (%)** | 10% | 20% | 20% | 20% | 33.33% | |

5.1 Depreciation has been allocated to administrative expenses.

5.2 The cost of fully depreciated property and equipment that are still in use is Rs. 3.831 million (2015: Rs. 3.512 million).

5.3 The vehicles includes an amounting to Rs. 2.398 million (2015: Nil) which are registered on the joint name of the Company and the employees under the "Car loan depreciation policy" and are transferable after the five years to the employees at the net book value against the amount received from employees as per note 17 to these financial statements.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **6 DEFERRED TAX ASSET** | | | |
| Deferred tax asset | 6.1 | 76,020,265 | 60,220,490 |
| 6.1 Deferred tax assets arising on account of temporary differences in: | | | |
| Accelerated depreciation | | (34,577) | 336,607 |
| Provision for post employment benefit obligation | | 53,924,185 | 41,567,357 |
| Provision for medical facilities | | 22,130,657 | 18,316,526 |
| | | 76,020,265 | 60,220,490 |
| Tax rate used | | 30% | 32% |
| 6.2 **Reconciliation of deferred tax** | | | |
| Balance at the beginning of the year | | 60,220,490 | 53,001,152 |
| Provision against employment benefits obligation | | 13,129,645 | 7,241,432 |
| Provision against medical fund | | 3,814,131 | 3,016,665 |
| Operating fixed assets | | (371,184) | 28,492 |
| Charged to profit and loss account | | 16,572,592 | 10,286,589 |
| Charged to other comprehensive income | | | |
| Deferred tax on remeasurement of post employment benefit obligation | | (772,817) | (3,067,251) |
| Balance at the end of the year | | 76,020,265 | 60,220,490 |

6.3 The deferred tax asset recognized in the financial statements represents the management's best estimate of potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Company would be able to set off the profits earned in those years against temporary differences.

6.4 The applicable income tax rate for subsequent years beyond tax year 2017 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed/utilised.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **7 RECEIVABLE FROM ZTBL** | | | |
| Holding company | | | |
| Unsecured - considered good | | | |
| Zarai Taraqiati Bank Limited (ZTBL) | | 118,967,807 | 47,989,522 |

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| 7.1 The aging of balances at the balance sheet date is as follows: | | | |
| Not past due | | 118,967,807 | 47,989,522 |
| Past due 30 - 90 days | | - | - |
| | | 118,967,807 | 47,989,522 |

## 8 LOANS AND ADVANCES

| | | | |
|---|---|---|---|
| Unsecured - considered good | | | |
| Advances to: | | | |
| Employees | 8.1 | 1,515,815 | 1,291,186 |
| Others | | - | 1,332,000 |
| | | 1,515,815 | 2,623,186 |

8.1 This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|

## 9 SHORT-TERM PREPAYMENTS

| | | |
|---|---|---|
| Life insurance | 434,487 | 412,055 |
| Vehicles insurance | 194,195 | 51,201 |
| | 628,682 | 463,256 |

## 10 SHORT TERM INVESMENTS

| | | | |
|---|---|---|---|
| Held to maturity | | | |
| Term deposit receipts (TDR) - Holding Company | 10.1 | 152,205,738 | - |
| Term deposit receipts (TDR) - Others | 10.2 | 375,465,001 | 333,599,628 |
| | | 527,670,739 | 333,599,628 |

10.1 Term deposit receipts (TDR) - Holding Company

| | | | |
|---|---|---|---|
| Zarai Taraqiati Bank Limited | 10.1.1 | 152,205,738 | - |

10.1.1 This represents two TDRs having maturity of six months each (2015: nil) and carrying interest at the rate of 6.50% each (2015: nil) per annum.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|

10.2 Term deposit receipts (TDR) - Others

| | | | |
|---|---|---|---|
| Silk Bank Limited | 10.2.1 | 140,092,715 | 103,599,628 |
| JS Bank Limited | 10.2.2 | 235,372,286 | 80,000,000 |
| Dubai Islamic Bank Limited | 10.2.3 | - | 150,000,000 |
| | | 375,465,001 | 333,599,628 |

10.2.1 This represents three TDRs having maturity of three months each (2015: three to six months) and interest at the rate 6.50% each (2015: 7.10%) per annum.

10.2.2 This represents four TDR having maturity of six to seven months (2015: three months) and carrying interest at rates ranging from 6.80% to 6.95% (2015: 6.55% to 6.95%) per annum.

10.2.3 This investment has been matured during the year and carried mark up at the rate 6.70% per annum.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **11 ACCRUED INTEREST** | | | |
| Term deposit receipts | | 6,499,004 | 2,274,159 |
| Saving accounts | | 542,307 | 540,473 |
| | | 7,041,311 | 2,814,632 |

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **12 OTHER RECEIVABLES** | | | |
| Unsecured- considered good | | | |
| Income tax receivables | 12.1 | 5,095,687 | 5,095,687 |
| Other receivables | 12.2 | 114,976 | 633,241 |
| | | 5,210,663 | 5,728,928 |

12.1 As explained in note 21.1 (c) this represents income tax paid under protest to the taxation authorities.

12.2 This includes an amount of Rs. 0.114 million (2015: Rs. 0.114) expenses incurred by the Company for establishment of Kissan Security Services (Private) Limited, a related party. The aging of the balance receivable is more than one year.

| | | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **13** | **TAX REFUND DUE FROM GOVERNMENT** | | |
| | Income tax | 35,156,137 | 43,850,748 |

13.1 During the year an amount of Rs. 8.683 million (2015: Nil) has been adjusted against the tax liability of the Company.

| | | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|---|
| **14** | **CASH AND BANK BALANCES** | | | |
| | Cash at bank | | | |
| | Current account | | 14,365 | 62,633 |
| | Savings accounts | 14.1 | 9,612,951 | 79,453,850 |
| | | | 9,627,316 | 79,516,483 |

14.1 Saving accounts carry mark up at the rates ranging from 3.75% to 5.50% per annum (2015: 4.5% to 6% per annum) and this balance in saving accounts include funds kept in ZTBL of Rs. 5.595 million (2015: Rs. 78.866 million).

| | | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **15** | **SHARE CAPITAL** | | |
| **15.1** | **Issued, subscribed and paid up capital** | | |

| Number of ordinary shares of Rs. 10/- each | | | | |
|---|---|---|---|---|
| 2016 | 2015 | | | |
| 10,000,000 | 10,000,000 | Fully paid in cash | 100,000,000 | 100,000,000 |
| 15.1.1 | | Percentage of holding company (Zarai Taraqiati Bank Limited) | 100% | 100% |

**15.2 Authorised share capital**

This represents 10,000,000 (2015: 10,000,000) ordinary shares of Rs. 10 each amounting to Rs. 100,000,000 (2015: Rs. 100,000,000).

| | | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|---|
| **16** | **DEFERRED LIABILITIES** | | | |
| | Gratuity | 16.1 | 182,323,337 | 139,483,150 |
| | Medical fund | 16.2 | 73,768,856 | 57,239,142 |
| | | | 256,092,193 | 196,722,292 |

| | | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|
| 16.1 | **Reconciliation of gratuity liability recognized in the balance sheet** | | |
| 16.1.1 | **The amounts recognized in the balance sheet are determined as follow:** | | |
| | Present value of defined benefit obligation | 182,323,337 | 139,483,150 |
| | Benefits due but not paid during the year | - | - |
| | Liability in the balance sheet | 182,323,337 | 139,483,150 |
| 16.1.2 | **Movement in the liability recognized in the balance sheet** | | |
| | At the beginning of the year | 139,483,150 | 106,837,645 |
| | Amount recognized during the year | 47,445,960 | 43,424,099 |
| | Benefits paid during the year | (2,029,717) | (1,193,435) |
| | Remeasurement (gain) on obligation | (2,576,056) | (9,585,159) |
| | | 182,323,337 | 139,483,150 |
| 16.1.3 | **Movement in present value of defined benefit obligations** | | |
| | Opening present value of defined benefit obligations | 139,483,150 | 106,837,645 |
| | Current service cost for the year | 33,599,131 | 31,471,995 |
| | Interest cost for the year | 13,846,829 | 11,952,104 |
| | Benefits paid during the year | (2,029,717) | (1,193,435) |
| | Remeasurement (gain) on obligation | (2,576,056) | (9,585,159) |
| | Closing present value of defined benefit obligations | 182,323,337 | 139,483,150 |
| 16.1.4 | **Remeasurement chargeable to other comprehensive income** | | |
| | Remeasurement (gain) on defined obligation | (2,576,056) | (9,585,159) |
| 16.1.5 | **Charge for the year** | | |
| | Current service charges | 33,599,131 | 31,471,995 |
| | Interest cost for the year | 13,846,829 | 11,952,104 |
| | | 47,445,960 | 43,424,099 |
| 16.1.6 | **The principal actuarial assumptions used were as follows:** | | |
| | Following are a few important actuarial assumptions used in the valuation: | | |
| | Discount rate (%) | 9.00% | 10.00% |
| | Expected rate of increase in salary (%) | 8.00% | 9.00% |
| | Mortality rate | Adjusted SLIC 2001-2005 | Adjusted SLIC 2001-2005 |

### 16.1.7 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at December 31, 2016 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans'

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

### 16.1.8 Sensitivity analysis

The calculation of the defined benefit obligations sensitive to the assumption set out above. The following table summaries how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

| | Increase in Assumption Rupees | Decrease in Assumption Rupees |
|---|---|---|
| Discount rate | 161,912,636 | 207,037,561 |
| Salary increase | 207,961,207 | 160,849,323 |

### 16.1.9 Comparison for five years

| 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| | | 'Rupees | | |
| 182,323,337 | 139,483,150 | 106,837,645 | 60,938,653 | 54,919,470 |

16.1.10 The charge in respect of defined benefit plan for the year ending December 31, 2016 is estimated to be Rs. 47.446 million.

16.1.11 There are no plan assets, therefore, disclosure in respect to plan assets required as per IAS 19 "Employee Benefits" has not been made in these financial statements.

| | | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|
| **16.2** | **Medical fund** | | |
| | Movement in the fund recognized in the balance sheet | | |
| | At the beginning of the year | 57,239,142 | 43,713,889 |
| | Recognized during the year | 17,085,392 | 14,111,225 |
| | Payments during the year | (555,678) | (585,972) |
| | Balance at the end of the year | 73,768,856 | 57,239,142 |

**16.2.1 General description**

This represents amount set aside for employees' hospitalization expenses. This unfunded amount is utilized against the reimbursement of employees' hospitalization expenses. Contribution to this fund is made at the rate of Rs. 400 per employee per month on proportionate time basis.

| | | Note | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|---|
| **17** | **PAYABLE AGAINST CAR LOAN DEPRECIATION POLICY** | | | |
| | Secured - against vehicles | | | |
| | Against CLDP | 17.1 | 2,398,500 | - |

17.1 This represents amount received being the difference of price paid by employees against purchase of vehicles under car loan depreciation policy (CLDP) above their eligible entitlement and will be adjusted at the time of transfer of vehicle to the employees. The vehicles are registered on the joint name of the Company and the employees and transferable after the five years to the employees at net book value.

| | | Note | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|---|
| **18** | **TRADE AND OTHER PAYABLES** | | | |
| | Sundry and trade creditors | | 3,629,278 | 2,945,767 |
| | Tax deducted payable | | 4,239,828 | 1,943,621 |
| | Other payables | 18.1 | 6,870,007 | 5,619,080 |
| | | | 14,739,113 | 10,508,468 |
| **18.1** | **Other payables** | | | |
| | Accrued expenses | | 5,019,197 | 5,212,480 |
| | Sports expenses payable | | 1,850,810 | 406,600 |
| | | | 6,870,007 | 5,619,080 |

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **19 SECURITY DEPOSITS** | | | |
| Contractors securities | 19.1 | 225,002 | 369,002 |

19.1 This represents security deposits received from contractors against service agreements executed with contractors.

| | 2016 Rupees | 2015 Rupees |
|---|---|---|
| **20 TAXATION-NET** | | |
| Advance income tax | 16,963,436 | 45,951,508 |
| Less: Provision for taxation | | |
| Current year | 67,161,123 | 54,646,119 |
| Prior year | (11,057) | - |
| | 67,150,066 | 54,646,119 |
| | (50,186,630) | (8,694,611) |

**21 CONTINGENCIES AND COMMITMENTS**

**21.1 Contingencies**

a) The Officer Inland Revenue LTU, Islamabad has initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the Tax Year 2009 and 2011. The Company has submitted all the documentary evidences yet, the case is pending for adjudication. No provision has been made in these accounts as the management is confident that the decision of the case will be decided in the favor of the Company.

b) The Officer Inland Revenue LTU, Islamabad initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the financial year ended December 31, 2013 i.e. Tax Year 2014 and created a demand of Rs. 1.182 million. The Company filed an appeal before the Commissioner Inland Revenue(Appeals). The Commissioner passed an Order against the Company and maintained the assessment by the Officer Inland Revenue. Now, the Company has filed an appeal to the Appellate Tribunal Inland Revenue, Islamabad and stay against the recovery of the said demand till the decision of Appeal. The Appellate tribunal granted the stay, however, the hearing date for appeal against the decision of Commissioner Appeals has been to be fixed. No provision has been made in these financial statements as the management is confident that the decision of the case will be decided in the favor of the Company.

c) The Officer Inland Revenue, Large Taxpayers Unit, Islamabad amended the assessment of the Company under section 122(5A) for the financial year ended December 31, 2009 i.e. Tax Year 2010 and created a demand of Rs. 5.095 million. Being aggrieved, the Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an Order against the Company and maintained the assessment framed by the Officer Inland Revenue. The tax amount of Rs. 5.095 million has been deposited with the Tax Authorities and at the same time the Company preferred an appeal before the Appellate Tribunal Inland Revenue, Islamabad under section 131 of the Income Tax Ordinance, 2001. Appellate Tribunal Revenue Islamabad passed order against the Company and maintained/ upheld the order of the commissioner (Appeals). The Company had filed an application for rectification of mistake under section 221 of the Ordinance to the Appellate Tribunal Revenue Islamabad, which passed order against the Company and maintained/upheld the order already passed.

Now, the Company has filed a suit against the Large Taxpayer's Unit Islamabad in the Honourable High Court Islamabad which has not been decided yet. No provision has been made in these accounts as the management is confident that the decision of the case will be decided in the favour of the Company.

d) The Company is facing claims launched in various Courts filed by the employees, pertaining to service promotion, dismissal from service and entry into company's premises and others. The matters are still pending before the Courts. As no amount is involved in most of the cases, therefore, the liability is not accurately quantifiable (2015: same as mentioned).

e) There was no other contingent liability of the company as at the balance sheet date (2015: Nil).

**21.2 Commitments**

The company has no commitments as at the balance sheet date (2015: Nil).

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **22 REVENUE** | | | |
| Service charges | 22.1 | 189,863,901 | 128,517,811 |
| Other | 22.2 | 1,742,381 | 1,484,094 |
| Less: Sales tax on services | | (26,187,908) | (11,043,665) |
| | | 165,418,374 | 118,958,240 |
| Add: Expenditure reimbursed during the year | 22.3 | 936,820,566 | 738,210,976 |
| | | 1,102,238,940 | 857,169,216 |
| 22.1 Service charges | | | |
| Human resource services | | 178,783,650 | 124,093,684 |
| Janitorial services | | 728,554 | 450,927 |
| Sports activity | | 9,838,684 | 3,372,220 |
| Security services | | 257,633 | 487,301 |
| Photocopies | | 255,380 | 113,679 |
| | | 189,863,901 | 128,517,811 |
| 22.2 Others | | | |
| Rental income | | 1,630,580 | 1,473,094 |
| Miscellaneous income | | 111,801 | 11,000 |
| | | 1,742,381 | 1,484,094 |
| 22.3 Expenditure reimbursed | | | |
| Human resource services | | 842,401,942 | 671,852,708 |
| Janitorial services | | 6,280,653 | 4,138,800 |
| Sports activities | | 84,816,225 | 56,631,064 |
| Photocopies | | 1,100,779 | 1,024,493 |
| Security services | | 2,220,967 | 4,563,911 |
| | | 936,820,566 | 738,210,976 |

22.4 The Company has revised its agreement with Zarai Taraqiati Bank Limited, a holding company, effective from July 01, 2015 the holding company will reimburse all expenses plus services charges as per agreement.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **23 COST OF SERVICES** | | | |
| Human resource services | 23.1 | 842,401,942 | 671,852,708 |
| Photocopies | | 1,100,779 | 1,024,493 |
| Janitorial expenses | | 6,280,653 | 4,138,800 |
| Sports activities | | 84,816,225 | 56,631,064 |
| Security expenses | | 2,220,967 | 4,563,911 |
| Expenses on hostel | | 1,017,381 | 622,757 |
| | | 937,837,947 | 738,833,733 |

23.1 Human resource services include Rs. 41.709 million (2015: 40.549 million) in respect of staff retirement benefits.

| | Note | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| **24 ADMINISTRATIVE EXPENSES** | | | |
| Salaries, wages and other benefits | 24.1 | 28,951,915 | 24,670,698 |
| Repair and maintenance | | 96,287 | 71,564 |
| Travelling and conveyance | | 1,288,944 | 327,876 |
| Rent, rates and taxes | | 3,095,856 | 2,402,085 |
| Postage, telephone and telegram | | 522,855 | 227,667 |
| Printing, stationery and advertisement material | | 579,169 | 798,135 |
| Fee and meeting expenses | | 926,539 | 832,716 |
| Insurance | | 153,317 | 122,353 |
| Legal and professional charges | | 1,315,528 | 576,100 |
| Auditors' remuneration | 24.2 | 278,300 | 253,000 |
| Fuel expenses | | 141,468 | 46,800 |
| Entertainment expenses | | 191,611 | 79,627 |
| Depreciation | 5 | 1,655,901 | 968,595 |
| Expenses on FM radio station | | 10,000 | 10,000 |
| Miscellaneous expenses | | - | 950 |
| | | 39,207,690 | 31,388,166 |

24.1 Salaries, wages and other benefits include Rs. 2.353 million (2015: 2.875 million) in respect of staff retirement benefits.

| | | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|
| 24.2 | Auditors' remuneration | | |
| | Annual audit fee | 151,250 | 137,500 |
| | Half yearly and quarterly review | 78,650 | 71,500 |
| | Other services | 48,400 | 44,000 |
| | | 278,300 | 253,000 |
| **25** | **OTHER INCOME** | | |
| | Income from financial assets | | |
| | Interest income from investments | 28,222,355 | 26,206,608 |
| | Interest on bank deposits | 2,106,061 | 1,716,242 |
| | | 30,328,416 | 27,922,850 |
| **26** | **PROVISION FOR TAXATION** | | |
| | Current | 67,161,123 | 54,646,119 |
| | Prior | (11,057) | (16,882) |
| | Deferred | (16,572,592) | (10,286,589) |
| | | 50,577,474 | 44,342,648 |

26.1 Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

| | 2016<br>% | 2015<br>% |
|---|---|---|
| Average effective tax rate | 0.43 | 0.63 |
| Temporary difference | (0.11) | (0.31) |
| Others | (0.01) | 0.002 |
| Applicable tax rate | 0.31 | 0.32 |

26.2 The applicable income tax rate was reduced from 32% to 31% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2016.

| | | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|
| **27** | **EARNING PER SHARE - Basic and diluted** | | |
| | Profit for the year | 104,909,220 | 70,487,489 |
| | Basic: | | |
| | Weighted average ordinary shares (Number) | 10,000,000 | 10,000,000 |
| | Earning per share (Rupees) | 10.49 | 7.05 |

27.1 There is no dilutive effect on the basic earnings per share, as the Company has not issued any instruments carrying option which would have any impact on earnings per share when exercised.

| | | Note | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|---|---|
| **28** | **CASH AND CASH EQUIVALENTS** | | | |
| | Cash and bank balances | 14 | 9,627,316 | 79,516,483 |
| | Short term investments | 10 | 527,670,739 | 333,599,628 |
| | | | 537,298,055 | 413,116,111 |

## 29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Chief Executive | Directors | Executives | Total | Chief Executive | Directors | Executives | Total |
| | (Rupees) | | | | | | | |
| Managerial remuneration | 4,669,805 | - | 61,395,170 | 66,064,975 | 2,787,161 | - | 37,151,145 | 39,938,306 |
| Bonus | 415,808 | - | 2,284,624 | 2,700,432 | 248,472 | - | 1,799,717 | 2,048,189 |
| Staff retirement benefits | - | - | - | - | - | - | - | - |
| Fee | - | 500,000 | - | 500,000 | - | 470,000 | - | 470,000 |
| Utilities | 335,191 | - | 971,038 | 1,306,229 | 264,921 | - | 495,251 | 760,172 |
| Others | - | - | - | - | - | - | - | - |
| Total | 5,420,804 | 500,000 | 64,650,832 | 70,571,636 | 3,300,554 | 470,000 | 39,446,113 | 43,216,667 |
| Number of persons | 1 | 6 | 72 | 79 | 1 | 7 | 54 | 62 |

b) The Chief Executive has been provided with self maintained car under Car Loan Depreciation Policy for official cum private use and other benefits as per his terms of employment.

c) The aggregate amount charged in the financial statements for remuneration, including all benefits to Executive directors and Non executive directors of the Company is as follows:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Executive Directors | Non Executive Directors | Total | Executive Directors | Non Executive Directors | Total |
| | (Rupees) | | | | | |
| Managerial remuneration | 5,420,804 | 500,000 | 5,920,804 | 3,300,554 | 470,000 | 3,770,554 |
| Number of persons | 1 | 6 | 7 | 1 | 7 | 8 |

d) No remuneration / benefits were paid to the Non-Executive Directors other than the 4 Independent Directors during the current year and during preceding financial years.

## 30 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

| Description | Total | 2016 Interest/mark up bearing | | | Not interest / mark up bearing |
|---|---|---|---|---|---|
| | | Maturity up to one year | Maturity after one year | Sub-total | |
| | Rupees | | | | |
| **Financial assets** | | | | | |
| **Loans and receivables and HTM at amortised cost** | | | | | |
| Receivable | 118,967,807 | - | - | - | 118,967,807 |
| Accrued interest | 7,041,311 | - | - | - | 7,041,311 |
| Short term investments | 527,670,739 | 527,670,739 | - | 527,670,739 | - |
| Other receivables | 114,976 | - | - | - | 114,976 |
| Cash and bank balances | 9,627,316 | 9,612,951 | - | 9,612,951 | 14,365 |
| | 663,422,149 | 537,283,690 | - | 537,283,690 | 126,138,459 |
| **Financial liabilities** | | | | | |
| **Financial liabilities carried at amortised cost** | | | | | |
| Deferred liabilities | 256,092,193 | - | - | - | 256,092,193 |
| Trade and other payables | 10,499,285 | - | - | - | 10,499,285 |
| Security deposits | 225,002 | - | - | - | 225,002 |
| | 266,816,480 | - | - | - | 266,816,480 |
| **On balance sheet gap** | 396,605,669 | 537,283,690 | - | 537,283,690 | (140,678,021) |
| **Off Balance sheet Items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total Gap** | 396,605,669 | 537,283,690 | - | 537,283,690 | (140,678,021) |

| Description | Total | 2015 Interest/mark up bearing | | | Not interest / mark up bearing |
|---|---|---|---|---|---|
| | | Maturity up to one year | Maturity after one year | Sub-total | |
| | Rupees | | | | |
| **Loans and receivables and HTM at amortised cost** | | | | | |
| Receivable | 47,989,522 | - | - | - | 47,989,522 |
| Short term investments | 333,599,628 | 333,599,628 | - | 333,599,628 | - |
| Accrued interest | 2,814,632 | - | - | - | 2,814,632 |
| Other receivables | 633,241 | - | - | - | 633,241 |
| Cash and bank balances | 79,516,483 | 79,453,850 | - | 79,453,850 | 62,633 |
| | 464,553,506 | 413,053,478 | - | 413,053,478 | 51,500,028 |
| **Financial liabilities** | | | | | |
| **Financial liabilities carried at amortised cost** | | | | | |
| Deferred liabilities | 196,722,292 | - | - | - | 196,722,292 |
| Trade and other payables | 8,564,847 | - | - | - | 8,564,847 |
| Security deposits | 369,002 | - | - | - | 369,002 |
| | 205,656,141 | - | - | - | 205,656,141 |
| **On balance sheet gap** | 258,897,365 | 413,053,478 | - | 413,053,478 | (154,156,113) |
| **Off Balance sheet Items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total Gap** | 258,897,365 | 413,053,478 | - | 413,053,478 | (154,156,113) |

Effective interest rates are mentioned in the respective notes to the financial statements.

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

### 31.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

**Exposure to credit risk**

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

| | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|
| Receivable from ZTBL | 118,967,807 | 47,989,522 |
| Short-term investments | 527,670,739 | 333,599,628 |
| Other receivables | 114,976 | 633,241 |
| Accrued interest | 7,041,311 | 2,814,632 |
| Cash and bank balances | 9,627,316 | 79,516,483 |
| | 663,422,149 | 464,553,506 |

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

**The aging of trade debts at the reporting date is:**

| | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|
| Not past due | 118,967,807 | 47,989,522 |
| Past due 1-30 days | - | - |
| Past due 30-90 days | - | - |
| | 118,967,807 | 47,989,522 |

**Concentration of credit risk**

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

**Impaired assets**

During the year no assets have been impaired.

## 31.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

| | Carrying Amount | Contractual Cash Flows | One year or less | One to two years | Two to five years |
|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- Rupees ---------- | ---------- | ---------- |
| **2016** | | | | | |
| Deferred liabilities | 256,092,193 | 256,092,193 | 700,000 | - | 255,392,193 |
| Trade and other payables | 14,739,113 | 14,739,113 | 14,739,113 | - | - |
| Security deposits | 225,002 | 225,002 | 225,002 | - | - |
| | 270,831,306 | 270,831,306 | 15,439,113 | - | 255,392,193 |
| **2015** | | | | | |
| Deferred liabilities | 196,722,292 | 196,722,292 | 700,000 | - | 196,022,292 |
| Trade and other payables | 10,508,468 | 10,508,468 | 10,508,468 | - | - |
| Security deposits | 369,002 | 369,002 | 369,002 | - | - |
| | 207,230,760 | 207,230,760 | 11,208,468 | - | 196,022,292 |

## 31.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

### (i) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies.

Presently the Company is not exposed to foreign currency risk.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short-term investments.

Interest rate of the Company's financial assets and financial liabilities as at December 31, 2016 can be evaluated from the following schedule:

| | 2016<br>Rupees | 2015<br>Rupees |
|---|---|---|
| At amortized cost | | |
| Financial assets with fixed rates | | |
| Short-term investments | 527,670,739 | 333,599,628 |
| Saving accounts | 9,612,951 | 79,453,850 |
| | 537,283,690 | 413,053,478 |

**The following rates have been applied:**

| | Reporting date rate | |
|---|---|---|
| | 2016<br>Percentage | 2015<br>Percentage |
| Short-term investments | 6.55 to 6.95 | 6.55 to 7.10 |
| Saving accounts | 3.75 to 5.50 | 4.5 to 6 |

The Company is not exposed to variable interest rate risk as the Company does not hold any variable interest bearing instrument as at the balance sheet date, therefore, no sensitivity analysis has been presented.

(iii) **Other price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

## 32 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The management assessed that the cash and bank balances and short-term deposits, trade receivables, trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Fair value hierarchy**

The Company using following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjustable) prices in active market for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observables either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observables market data.

Transfer between level of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

As at December 31, 2016 and December 31, 2015 the Company did not hold any financial instruments carried at fair value.

## 33 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

## 34 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of holding company, directors and key management personnel. Transactions with related parties during the period are as follows:

| Relation with the Company | Nature of transactions | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| Holding company (Zarai Taraqiati Bank Limited - ZTBL) | Services charges | 189,863,901 | 128,404,132 |
| | Others | - | 1,138,172 |
| | Rent, accounting and communication charges paid | 7,012,587 | 7,502,451 |
| | Expenses reimbursed during the year | (936,820,566) | 737,186,483 |

| Relation with the Company | Nature of transactions | 2016 Rupees | 2015 Rupees |
|---|---|---|---|
| Holding company (Zarai Taraqiati Bank Limited - ZTBL.) | Short-term investment made (TDRs) | 264,950,738 | 225,000,000 |
| | Short-term investment enchased | (112,745,000) | (225,000,000) |
| | Interest income | 5,056,825 | 1,215,000 |
| | **Year end balances** | | |
| | Receivable balance | 118,967,807 | 47,989,522 |
| | Bank accounts maintained | | |
| | Current account | 14,365 | 62,633 |
| | Saving accounts | 5,594,991 | 78,866,278 |

There are no transactions with key management personnel other than those which are under their terms of employment.

## 35 NUMBER OF EMPLOYEES

The number of employees as at year end was 4194 (2015: 3,583) and average number of employees during the year was 3889 (2015: 3,028).

## 36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year except security deposits amounting to Rs. 0.369 million which has been reclassified from trade and other payables to security deposits on the face of balance sheet for better presentation.

## 37 DATE OF AUTHORIZATION

These financial statements are authorized for issue by the Board of Directors of the Company on 14 MAR 2017.

## 38 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHAIRMAN