The Right Move

[Annual Report 2019]

pakbrunei
INVESTMENT COMPANY

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Vision

Pak Brunei will play a role in the economic progress and development of Pakistan by providing the entire range of advisory services as well as financial support to viable projects in high growth, capital-starved sectors of the economy.

Mission

Pak Brunei aims to be at the vanguard of innovation in investment banking services, offering the best solutions to our clients, value to our shareholders, and a challenging, equal-opportunity environment to our employees.

Core Values

Innovation

We will not be held hostage to conventional wisdom

Integrity

We will be honest, professional, and fair in all our dealings with all our stakeholders

Performance

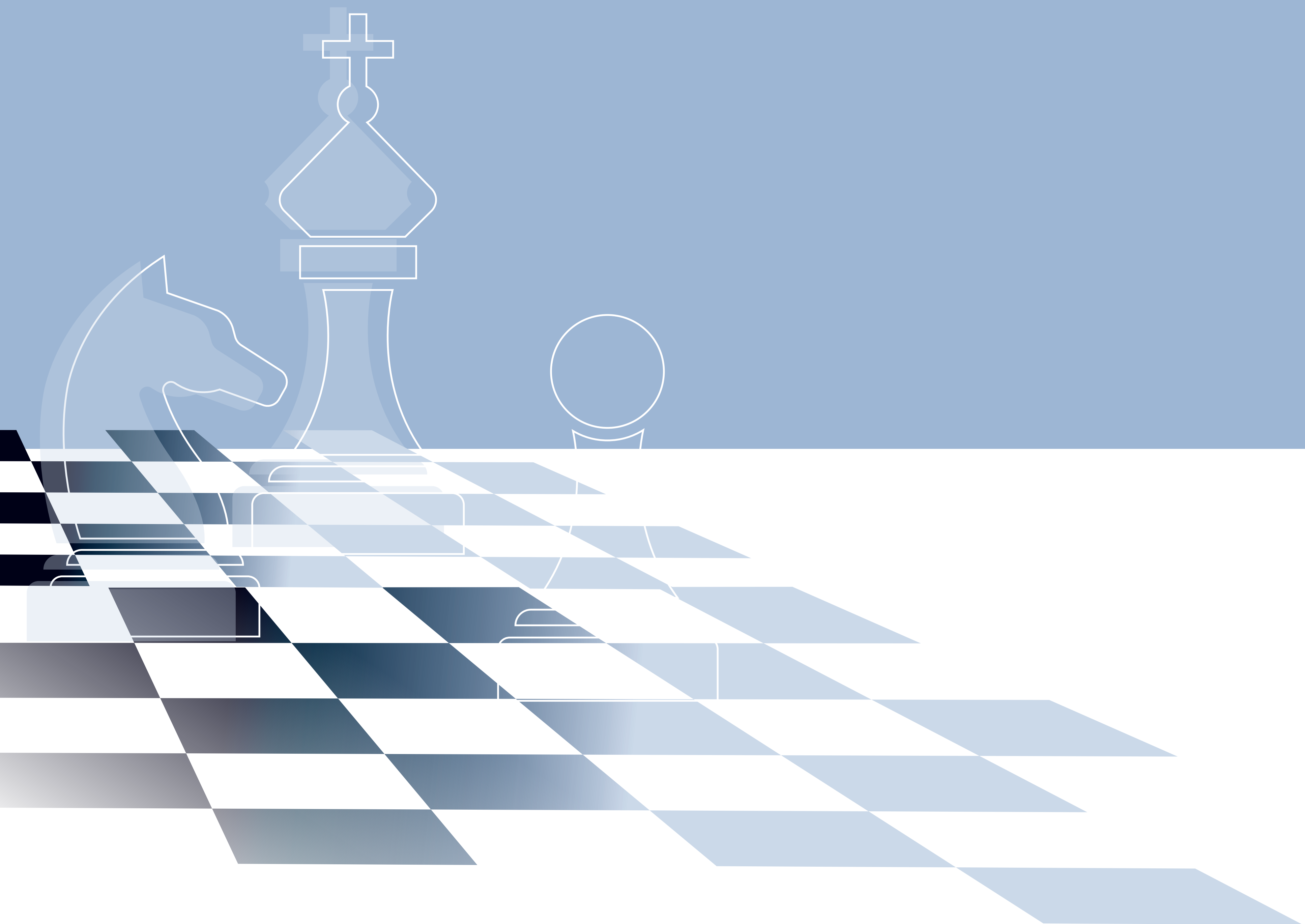
We will be result-oriented and encourage a competitive culture

Teamwork

We will have shared goals and objectives

Customer Focus

We will understand our customers' needs and try to exceed customer expectations



The Right Strategy

Driving strategic business goals into successful fruition is no less than mastering a game of chess.

Innovative teams treat adversities as challenges and make every move count as they deliver on a long term vision.

Envisioning
The Right Strategy

A solid foundation forms the basis of any successful enterprise. As a joint venture between Government of Pakistan and Brunei Investment Agency (BIA), Pak Brunei Investment Company enjoys unparalleled advantage in this area.

BIA is the sovereign wealth fund of the Sultanate of Brunei Darussalam and brings a world view to this unique partnership.

Our business focus and strategy include the following non-traditional areas: a) Rehabilitation of distressed projects b) Stand alone financing small-medium sized green/brownfield projects, c) Carrying out specialized activities like leasing/PE via separate and efficient vehicles d) Lending to "S" category SME customers by making them bankable.

We also carry out conventional financing activities such as i) Corporate lending including maximum utilization of SBP's refinance schemes ii) Short term working capital financing and iii) Maintaining debt and capital market portfolios.

Projecting
The Next Step

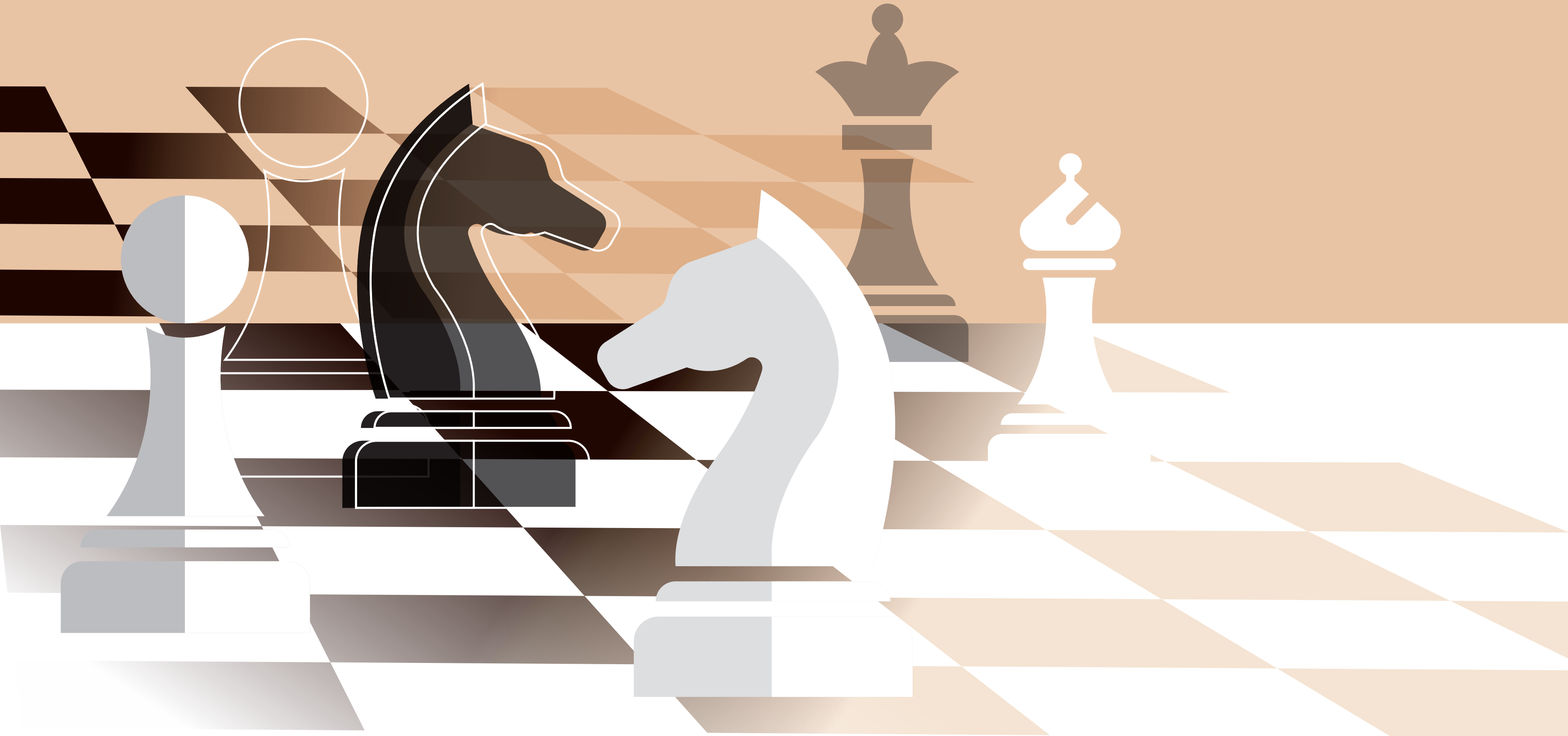
We roll out our strategic goals through carve-outs:

- Subsidiaries that perform specialized activities create value through more streamlined decision making.

- Through establishment of **Awwal Modaraba** in 2015, we expanded our focus on revival financing. The entire advisory/investment banking team of Pak Brunei is now placed within Awwal Management Company.

- Similarly, after managing a portfolio of SME exposures successfully over three years, **Primus Leasing Ltd.** was incorporated in July 2017 to specifically provide lease financing to Small and Medium Enterprises.

- New carve-outs for the future include listed modaraba funds for specific infrastructure projects and for new businesses such as short term rental of construction equipment.



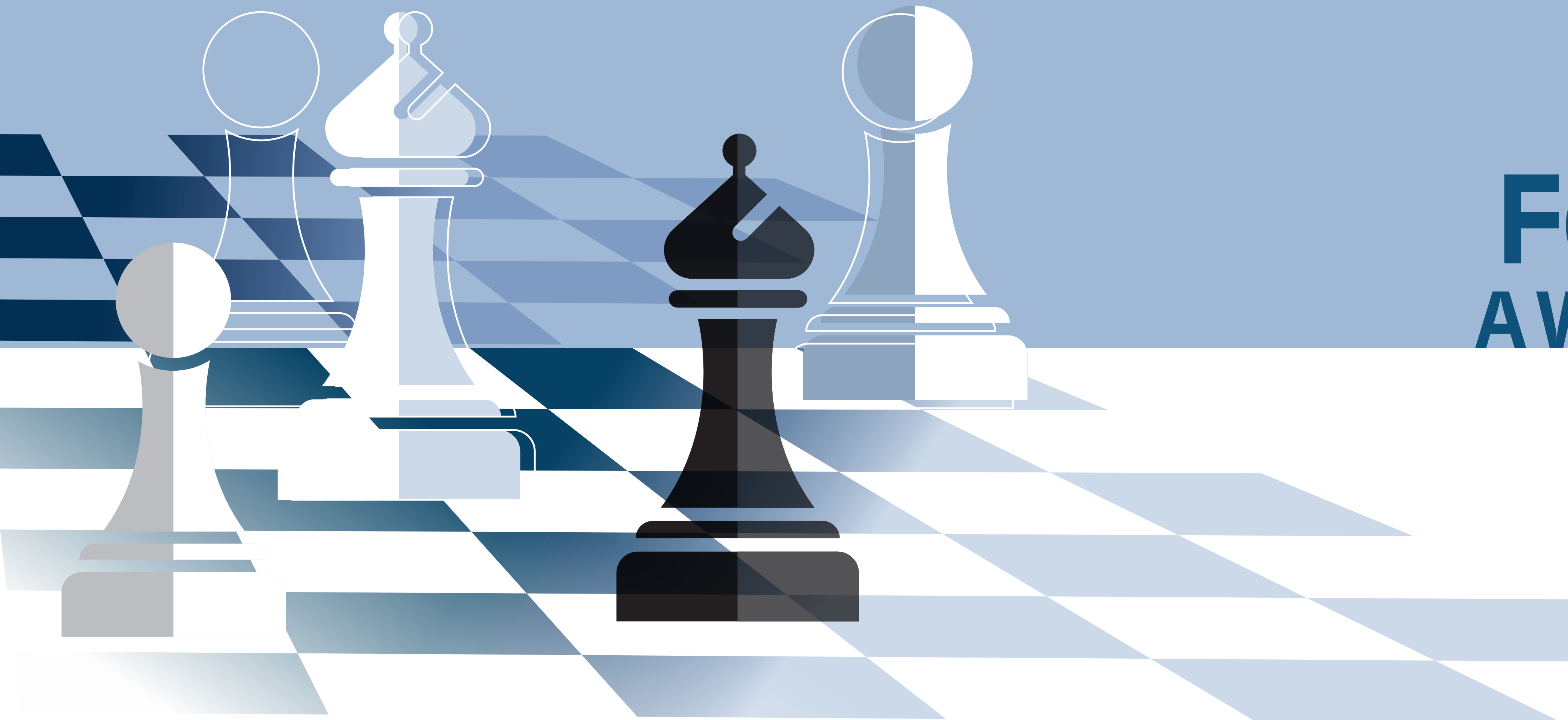
Encompassing
Market Trends

With a steady increase in interest rates, our clients have seen rising cost of borrowing; credit off-take has slowed with slow down in CAPEX and focus on cost management.

Increase in raw material prices due to currency devaluation has increased financing requirement and economic slow down has put profit margins across industries under severe pressure.

Cognizant of changing market trends, we at Pak Brunei adopted a business strategy that helped us weather the economic slowdown.

We made decisions to support our customers in these difficult times while protecting our capital.

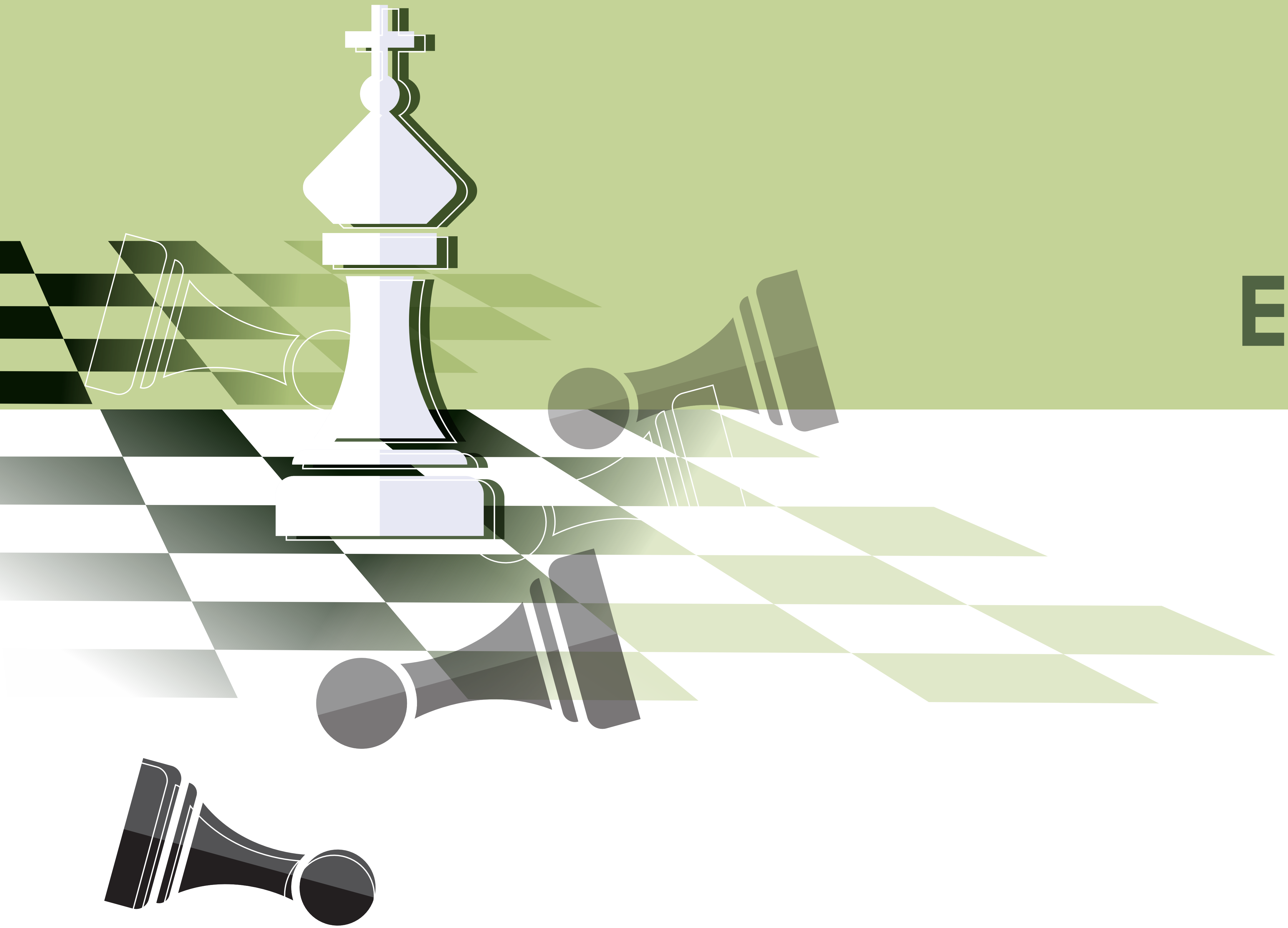


Formulating
A Winning Strategy

Pak Brunei has adopted an internal risk based approach for maintaining an optimal credit mix of different asset classes priced to reflect varying levels of risk. While our Modaraba, Revival and SME wings are geared towards higher risk, CBG's lending orbits around top tier clients at competitive spreads.

CBG ensures a consistent revenue stream from loans and advances for a sustainable revenue base.

We continue to support our customers, particularly those that fall in our SME and revival portfolios as they are more vulnerable to external shocks.



Embracing Success

Our success is attributable to:

A strong and experienced core team comprising engineers, chartered accountants, CFAs and MBAs.

Creating value out of every relationship is a benchmark for performance. Our relationships, based on mutual trust, confidence and credibility, are all about handling good and bad times together.

Contents

Corporate Information

Board of Directors

Mr. Sofian Mohammad Jani	Chairman
Mr. Arif Ahmed Khan	Director
Mr. Edzwan Zukri Adanan	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Mr. Arif Ahmed Khan	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Edzwan Zukri Adanan	Member

Human Resource Committee

Mr. Edzwan Zukri Adanan	Chairman
Mr. Arif Ahmed Khan	Member
Ms. Ayesha Aziz	Member

Credit and Risk Management Committee

Mr. Arif Ahmed Khan	Chairman
Mr. Edzwan Zukri Adanan	Member
Ms. Ayesha Aziz	Member

Company Secretary

Ms. Iqra Sajjad

Statutory Auditors

A.F.Ferguson & Co. — Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil — Chartered Accountants (A member firm of Deloitte Touche Tohmatsu)

Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, Clifton, Karachi.
Tel: (+92-21) 35361215-19, (+92-21) 35839917
Fax: (+92-21) 35361213

Website

www.pakbrunei.com.pk

Pak Brunei seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Company's code of ethics and business practices.

Code of Ethics and business practices

Integrity

Employees shall: Perform our work with honesty, diligence and responsibility; Not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company;

Not participate in any activity or relationship that may impair or be presumed to impair our unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Company;

Not accept any gift or consideration that may impair or be presumed to impair our professional judgment;

Exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

Objectivity

Employees shall:
Ensure that all operational activities and decision making processes focus on achievements of the Company's objectives and are in line with the mission statement of the Company;

Disclose all material facts known to them if not disclosed, may distort the reporting of business proposal under review.

Confidential and Proprietary Information

Employees shall: Protect against the disclosure of sensitive and confidential information about our customers and employees unless disclosure is authorized and within law;

Safeguard against the disclosure of sensitive and confidential information about our fellow employee and the Company as a whole unless authorized to do so.

Improper Influence

Employees shall: Strictly prohibit from giving, soliciting or accepting business courtesies or gifts intended to influence business decision;

Make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

Unfair Business Practices

Employees shall: Refrain from unfair and deceptive business practices e.g., unauthorized and counterproductive use of the Company's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

Insider Trading

Employees shall: Prohibit from disclosing "Inside Information" to others or use for our own benefits;

Abide by the "Insider trading" laws that prohibit from buying and selling stock with advance knowledge of important Company information that is unavailable to the general public. Such Information may include proposed mergers or acquisitions, new equity or debt offering.

Recording and Reporting of the Company

Employees shall: Ensure that all business related information/transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company records extends to financial statement, loan documents, regulatory bodies and other government agencies;

Ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Pak Brunei whether pertaining to receipts or disbursements.

Compliance with Laws, Rules and Regulations

Employees shall: Comply with all applicable laws, rules and regulations.

Protection and Proper use of Company Assets

Employees shall: Ensure that all the Company's assets are used for authorized and legitimate business purposes;

Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

Board of Directors' Profile

Sofian Mohammad Jani, CFA

Mr. Sofian Jani serves as the Acting Managing Director in Brunei Investment Agency. He oversees the Asset Allocation Strategy of BIA. He began his career with BIA in 1993 serving as Investment Officer in Brussels and London. More recently, he worked as the Director of the Internal Fund Management Department at BIA.

His other engagements include serving as a member of the Board for Employees' Trust Fund and Investment Committee of the Monetary Authority of Brunei Darussalam. Mr. Sofian Jani holds a Bachelor's degree (Hons) in Economics and Social Studies from the University of Manchester (UK). He is also a CFA charter-holder.

Arif Ahmed Khan

Mr. Arif Ahmed Khan, a senior civil servant has more than 35 years of experience in Public Administration. During the course of his career, he has served as Secretary Finance, Secretary Economic Affairs Division, Secretary Interior and Secretary Climate Change. Mr. Khan has also served as Additional Chief Secretary, Planning and Development Department, Government of Sindh. He was Secretary Finance for the Government of Sindh during 2012-13. Prior to that, he remained Home Secretary to the Government of Sindh.

Mr. Khan also had the opportunity of serving as Consul General and Trade Commissioner of Pakistan in Montreal, Canada and as Programme Coordinator for International Trade Centre (ITC), Geneva. He has held the position of Director General for the Export Promotion Bureau (now Trade Development Authority of Pakistan) in 2004 - 2005. He represented the Government on the Board of Directors of Sindh Bank Limited, Sindh Engro Coal Mining Company Limited, State Bank of Pakistan, Pak China Investment Co. Ltd., PAIR Investment Co. Ltd., Pakistan International Airline, Pakistan Telecommunication Co. Ltd., Pakistan LNG Terminal Ltd., Pakistan LNG Ltd., Pakistan Software Development Board, SNGPL, PARCO, National Disaster Risk Management, Karachi Infrastructure Development Board, Benazir Income Support Board, NUST, NUTECH, Pakistan Institute of Development Economics, PPRA, Lahore University of Medical Sciences, Securities and Exchange Commission of Pakistan, National School of Public Policy, Trade Development Authority of Pakistan and Faisalabad Development Co.

Mr. Khan holds a Masters in Public Policy from Concordia University, Quebec.

Edzwan Zukri Adanan, CFA

Mr. Edzwan Adanan joined the Brunei Investment Agency in 2005 and is currently the Head of the Listed Asset Division in the Brunei Investment Agency. He has been a member of the Agency's Portfolio Advisory Committee since 2012 and is also involved in the Ministry of Finance's Strategic Goals Initiatives since 2016.

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he is a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Ministers Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program.

He currently serves as a Director of Patersons Securities Limited in Australia and Progresif Cellular Sdn. Berhad where he also sits as Chairman of the Audit Committee, Chairman of the HSSE Committee and is a member of the Human Resource Committee. He was appointed to serve as a director for Pak Brunei Investment Company Limited in 2017. He has also served as a Board member of Armada Properties Sdn Berhad from 2013 to 2017.

Ayesha Aziz, CFA

Ms. Ayesha Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Private Equity. She was associated with the ANZ Banking Group for ten years where she worked in various areas including Treasury, Portfolio Management, Planning and Financial Engineering. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. Ms. Aziz has been associated with Pak Brunei Investment Company since inception and has helped to position it as a leading Investment Bank in terms of scope and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management, Modaraba Management and Leasing over this period.

Ms. Aziz is an MBA from the Institute of Business Administration and a qualified Chartered Financial Analyst (CFA). She is a director on the Board of Awwal Modaraba Management Limited, KSB Pumps Company Limited and chairs the Board of Primus Leasing Limited. In the past, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

Our Cultural Framework

The cultural framework of any organization defines a company's vision and the guidelines it has established to achieve that vision. Our organizational culture revolves around diversity, equal opportunity, team work and competition.

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of gender and ethnicity. The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

At Pak Brunei, we believe that our success and the success of all our stakeholders go hand in hand and we aim to conduct business through shared values. Corporate Social Responsibility is an instrument of positive change and continues to be an important aspect of our business.

Corporate Social Responsibility

We work to improve the communities around us, and our CSR spend is therefore focused on projects such as those related to health and education sectors, poverty alleviation and environment sustainability so that they may provide long term sustainable value and benefits to the community at large.

Keeping in view the focus on the above sectors, the following activities were undertaken under CSR in 2019.

Internship Program for NOWPDP

NOWPDP was established in 2008 as a disability inclusion initiativein the social sector with focusing on inclusion through empowerment of persons with disabilities. The objective is for persons with disabilities to be equal stakeholders in the community, particularly with reference to education and employment. Pak Brunei in collaboration with NOWPDP developed a customized internship program that provides 3-6 months internships for hearing-impaired candidates. Types of jobs for which the internships are offered include office assistant work, data entry, use of MS Excel for record keeping etc. Close supervision and training ensures candidates are better equipped to join the work force. This collaboration yielded good result with one candidate eventually being hired by a large textile company and we hope to continue with our contribution.

Book Sponsorship – 'The Economy of Modern Sindh – Opportunities Lost and Lessons for the Future'

Pak Brunei played a role as a sponsor for upto PKR 200,000 investment in the book titled "The Economy of Modern Sindh – Opportunities Lost and Lessons for the Future" authored by Dr. Ishrat Hussain, Professor Aijaz A Qureshi and Mr. Nadeem Hussain. The book encapsulates the economic landscape of Sindh comprehensively and factually. The sponsored books were awarded to deserving students who lacked the means to finance their educational endeavours. The target audience was students in universities located in remote parts of Sindh. The onus of equipping these libraries rests on the shoulders of organisations that are working to develop the country day in and day out. Pak Brunei, a development finance institution with a long and successful history of developing the infrastructure for Pakistan's financial sector was therefore an ideal sponsor.

SBP Green Banking Guidelines mark the entry of Central Bank in introducing Green Banking in Pakistan and initiating the formal process of its incorporation in the banking sector. Pak Brunei fully realizes the importance of environment protection and the impact of depleting resources on the planet and particularly on Pakistan. Therefore, the Company is committed to contribute towards these efforts for preserving precious resources to ptotect the environment.

Green Banking at Pak Brunei

In order to implement the SBP guidelines, Pak Brunei has a Green Banking Policy in place that is divided in the following areas:

a) Environmental Risk Management: requiring banks / DFIs to integrate this factor in their credit approval process, adopt environmental risk management practices as well as ensure compliance with environmental laws by the borrowers in the banks' credit portfolio. Our borrowers will be informed of the importance of environment, the need for environmental due diligence, environmental laws, and the role of environmental protection agencies in each province.

b) Business Facilitation: entails providing finance to businesses willing to invest in operations / technologies that bring about improvement in environmental risk management and resource efficiency. Pak Brunei encourages technologies and processes that involve eco-friendly initiatives.

c) For its own impact reduction, the Company is continuously bringing about efficiency through optimal utilization of resources. In this regard, Pak Brunei has been implementing Save-Paper campaign for the last 5 years even before issuance of Green Banking Guidelines by State Bank of Pakistan. Under this campaign, the Company emphasizes limiting use of paper, printers, printer cartridge and electricity. Further, the Company actively strives to reduce usage of paper by printing on both sides when printing is absolutely necessary. Furthermore, rough and used papers are recycled by printing on plain/unused side. As another major effort to reduce consumption of electricity, the Company replaced all the regular Air Conditioners (ACs) with Invertor based ACs in 2015 and 2016. General care is exercised in water and electricity consumption by staff.

The cumulative effect of all steps taken so far shows that PBICL has begun to move towards achieving the objectives of Green Banking as laid down in the SBP Guidelines.

In addition, Pak Brunei has actively implemented the Green Banking Guidelines (GBG) issued by SBP. In this regard, 'Green Banking Policy' of the Company was approved by the Board in October 2018. The Board has designated Compliance Department as Green Banking Office of the Company. Besides, the Head of Compliance has been designated as Chief Green Banking Manager. In addition, one senior officer each from Corporate Banking Group, Credit Risk Management and Administration Departments have been designated as Green Business Manager, Environmental Risk Manager and Green Operations Manager, respectively. To effectively implement the Policy, an 'Action Plan for implementation' has also been developed by Chief Green Banking Officer in consultation with the above said green banking team. Under the plan, each area has provided a timeline for various steps to be taken by them. Pak Brunei has been submitting progress reports on implementation of GBG to State Bank on a prescribed format on semiannual basis.

During 2019, internal policies, procedures and checklists relating to Green Banking Guidelines were prepared by Credit Risk Management and approved by the BoD and were effectively rolled out for implementation with effect from 01 January 2020.

As a part of Pak Brunei's firm commitment towards afforestation, and in order to also add momentum to the activities under the 10 billion tree programme, tree plantation was made mandatory as part of the green banking initiatives and for all new client lending relationships to plant trees at their site as part of the approval process. The number of trees planted would depend on the size and scale of operations and availability of space.

Chairman's Review

I am pleased to announce the results of Pak Brunei Investment Company Limited for the year ended December 31, 2019. The increasing economic growth cycle that started in FY09 peaked in FY18 when real GDP growth touched 5.5%. The outgoing year saw Pakistan's economic growth slowing down to 3.3%.

While several factors contributed to the economic slowdown in FY19, from a broader perspective, the primary cause was structural weakness deeply embedded in Pakistan's economy. Pakistan is a net importing country with traditionally a high consumption expenditure to GDP ratio. This means that growth spurts have to be fuelled by higher imports. During FY18, consumption-led acceleration in economic growth resulted in an overheating economy where increasing aggregate demand took the quantum of current account imbalance to an unprecedented level. Massive current account deficit along with high fiscal deficit necessitated painful measures that included significant tightening of monetary policy and changing of exchange rate regime from managed float to a market-driven exchange rate. As a result, benchmark policy rate increased from 10% in December 2018 to 13.25% in July 2019 while exchange rate peaked at PKR 164 /USD in second half of FY19. Economic growth eventually took a toll where real GDP growth fell to 3.3% in FY19.

Manufacturing sector was particularly hard hit where increasing cost of raw material (due to a massive exchange rate depreciation) and high cost of financing (due to increasing interest rates) resulted in economic contraction. Within large-scale manufacturing sector, all of the major subsectors including textile, food & allied industries, pharmaceuticals, automobiles, cement and fertilizer witnessed significant contraction.

Realizing the growing macroeconomic imbalances and the need for immediate balance of payment support, Pakistan approached IMF in 2019. On July 3, 2019, the Executive Board of the International Monetary Fund (IMF) approved a 39-month Extended Fund Facility (EFF) for Pakistan for an amount equivalent to $6 billion. First two instalments cumulatively worth $1.4 billion have been supplied while rest of the amount will be gradually released based on successful IMF reviews. Similar to previous IMF programs, the current program also emphasizes tight monetary and fiscal policies, flexible market-determined exchange rate, and limiting direct fiscal borrowing from central bank, amongst fulfilment of other structural benchmarks.

Going forward, inflation may remain on a higher side at around 11-12% which would mean interest rates may not decline substantially. Owing to the knock-on effects of these factors on commodity producing sectors, IMF projects GDP growth to further decline to 2.4% in FY20. The country may therefore need to brace itself for another difficult year.

Having said that, we remain confident on Pak Brunei's ability to endure external shocks and believe that Company possesses the required flexibility to adjust itself against adverse economic environment.

Sofian Mohammad Jani
Chairman

Directors' Report

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2019.

A brief snapshot of Company's financial performance is provided below:

Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2013	2014	2015	2016	2017	2018	2019
Total Assets	35,508	32,901	29,115	34,391	29,869	48,793	**57,773**
Net Assets	8,247	9,140	9,684	10,429	10,456	9,961	**10,549**
Net Advances	6,799	7,385	10,237	13,996	18,768	20,330	**18,771**
Net Investments	27,431	24,247	16,850	16,658	7,679	26,117	**31,817**
Net Mark-up Income	438	468	553	507	553	719	**734**
Non Mark-up Income	707	907	1,230	1,237	588	222	**43**
Profit before Tax	917	1,106	1,300	1,333	671	503	**458**
Profit after Tax	706	905	937	962	470	276	**366**
Earnings per Share (PKR)	1.18	1.51	1.56	1.60	0.78	0.46	**0.61**
Dividend Payout (%)	3.33%	3.33%	3.33%	5.00%	5.00%	5.00%	**5.00%**
Net Infection Ratio (%)	0.00%	0.00%	1.52%	1.54%	3.54%	1.39%	**1.07%**

Amidst economic slowdown, 2019 was a dull year for credit offtake. Growth in banking sector's advances declined from 21% in the preceding year to 3% in 2019. Part of this decline can be attributed to slowdown in demand. Moreover, as banking sector's net loan infection increased from 1.03% at the start of 2018 to 1.74% by end of 2019, banks also became more prudent in their lending targets. This watchfulness is also reflected in banking spreads, which increased from average 2.8% to 3.1% between 2018 and 2019. In line with this trend, Pak Brunei also became more selective in its lending activities. That is the reason why Company's gross advances portfolio witnessed a 7% reduction this year. However, it is worth mentioning that, in a stark contrast to industry trend, Pak Brunei's net loan infection actually came down in 2019 and is constantly on a declining trend since peaking at 3.5% in 2017.

2019 was a difficult year for Pak Brunei. While our planned credit disbursements and recoveries remained on track, it was extreme volatility in capital markets that posed the biggest challenge for us. In fact, the whole year can be effectively divided in two parts: the period of slump between January and August when market declined roughly 27%, and the recovery from mid-August onwards when market gained 42% by year end. Owing to a rapid across-the-board decline in share prices, Company closed the first half of 2019 with a pre-tax loss of PKR 194 million. However, rising market from August onwards provided us a little more room to efficiently manage our equity portfolio. A consistent stream of fee income from our Trusteeship function, dividend from our equity investments including our subsidiaries, Awwal Modaraba and Primus Leasing, helped us offset the capital losses we booked earlier. By the end of the year, the Company was able to reverse the losses booked in first half to close 2019 in profit.

Despite having a smaller portfolio, we take pride in our SME operations. Amongst banks and DFIs, Pak Brunei is one of the few institutions to achieve SBP's SME financing targets. Moreover, we are the first institution to disburse under both SBP's Working Capital Financing line and SBP's Credit Guarantee Scheme for Women Entrepreneur (SBP-WE) line. Under SBP-WE scheme, Pak Brunei has pursued business in underserved areas as Baluchistan. Pak Brunei has also taken exposure in agri-financing for SMEs. Going forward, our SME division plans to increase its outreach to Small Enterprise Financing and Credit Guarantee Scheme for Special Persons, Refinance Facility for Modernization of SMEs and Schemes for Rice Husking Mills in Sindh.

We also take pride in the performance of our subsidiary Awwal Modaraba. When we embarked on this venture, our plan was to use it as a private-equity based structure where exposure in value investments could be shared with other investors. Our aim was to use this vehicle to carry out our niche business of revival financing. Today, Awwal is engaged in a number of ventures that we hope will bring innovation in the Modaraba business model. This is a vehicle that we believe is particularly suited to our market where private equity and distress asset financing are largely unavailable. Our second subsidiary, Primus Leasing, is also increasing its footprint in SME financing. While Pak Brunei continues to book new SME assets under its SME Group, the deal flow is supplemented by Primus Leasing, which is well equipped to assess, price, and monitor SME customers on an on-going basis.

Institutional resolve is tested in difficult times. 2019 was one such year and we were successful in protecting our long term interests. We are confident of our ability to deal with challenges that may continue for some time as our economy goes through much-needed structural reforms. We are also very confident of the long term benefits that will start showing results in the future.

ENTITY RATING

VIS Credit Company Limited has reaffirmed the entity ratings of Pak Brunei Investment Company Limited at 'AA+/A-1+' (Double A Plus/A-One Plus). The long term rating of 'AA+' signifies high credit quality, protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. The short-term rating of 'A-1+' signifies highest certainty of timely payment; short-term liquidity, including internal operating factors and/ or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations Outlook on the assigned ratings is 'Stable'.

RISK MANAGEMENT

During the course of the year, the Company continued to further strengthen its risk management framework which has been developed over the years and continues to be refined and improved.

Credit risk is managed through the policies approved by the Board. These encompass a well-defined credit approval mechanism, use of internal risk ratings, prescribed documentation requirements, post-disbursement administration, monitoring of credit facilities as well as continuing assessment of credit worthiness of borrowers through periodic reviews. Credit Risk Management also established a mechanism for back testing of the credit scoring model which will be refined going forward. Decisions regarding the credit portfolio are taken by the Credit Committee. Risk Management Committee of the Board provides overall guidance in managing the Company's credit risk. Significant risk issues are regularly reviewed to determine their impact on the Company's strategy as well as its subsidiaries given that Credit Risk Management is a shared function.

In addition, the company also completed the quantitative and qualitative impact assessment of IFRS - 9. Market risk and Operational risks are managed through respective policies approved by the Board. In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Company, which is monitored on a daily basis. Credit and Risk Management Committee of the Board provides overall guidance in managing the Company's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management). Assessment of enterprise-wide integrated risk profile of the Company is carried out using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

FINANCIAL REPORTING FRAMEWORK

The directors are pleased to declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements, and
- accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control system is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- Outstanding statutory payments on account of taxes, duties, levies, and charges, (if any) have been fully disclosed in the financial statements.

CORPORATE GOVERNANCE

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan shall not be applicable on DFIs. However, Pak Brunei continues to follow the best practices on corporate governance and the board of directors is committed to adopt and adhere to the best practices of good corporate governance. The directors are pleased to declare that:

- There has been no deviation from best practices highlighted in the Statement of Compliance with the best practices of Listed Companies (Code of Corporate Governance) Regulations, 2019
- The total number of directors are four (4) as per the following:

  Male: 03
  Female: 01;
- As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
Independent Director	None	The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.
Non-Executive Directors	Mr. Sofian Mohammad Jani (Chairman)	Nominated by the Government of Brunei
	Mr. Arif Ahmed Khan	Nominated by the Government of Pakistan
	Mr. Edzwan Zukri Adanan	Nominated by the Government of Brunei
Executive Director	Ms. Ayesha Aziz	Nominated by the Government of Pakistan

The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.

A brief profile of the Company's directors, along with their respective details of membership on the Board(s) of other companies as on December 31, 2019 appears below:

Mr. Sofian Mohammad Jani

Mr. Sofian Jani serves as the Acting Managing Director in Brunei Investment Agency. He oversees the Asset Allocation Strategy of BIA. He began his career with BIA in 1993 serving as Investment Officer in Brussels and London. More recently, he worked as the Director of the Internal Fund Management Department at BIA. His other engagements include serving as a member of the Board for Employees' Trust Fund and Investment Committee of the Monetary Authority of Brunei Darussalam. Mr. Sofian Jani holds a Bachelor's degree (Hons) in Economics and Social Studies from the University of Manchester (UK).
He is also a CFA charter-holder.

Other Board Memberships
None

Mr. Arif Ahmed Khan

Mr. Arif Ahmed Khan, a senior civil servant has more than 35 years of experience in Public Administration. During the course of his career, he has served as Secretary Finance, Secretary Economic Affairs Division, Secretary Interior and Secretary Climate Change. Mr. Khan has also served as Additional Chief Secretary, Planning and Development Department, Government of Sindh. He was Secretary Finance for the Government of Sindh during 2012-13. Prior to that, he remained Home Secretary to the Government of Sindh.

Mr. Khan also had the opportunity of serving as Consul General and Trade Commissioner of Pakistan in Montreal, Canada and as Programme Coordinator for International Trade Centre (ITC), Geneva. He has held the position of Director General for the Export Promotion Bureau (now Trade Development Authority of Pakistan) in 2004 – 2005. He represented the Government on the Board of Directors of Sindh Bank Limited, Sindh Engro Coal Mining Company Limited, State Bank of Pakistan, Pak China Investment Co. Ltd., PAIR Investment Co. Ltd., Pakistan International Airline, Pakistan Telecommunication Co. Ltd., Pakistan LNG Terminal Ltd., Pakistan LNG Ltd., Pakistan Software Development Board, SNGPL, PARCO, National Disaster Risk Management, Karachi Infrastructure Development Board, Benazir Income Support Board, NUST, NUTECH, Pakistan Institute of Development Economics, PPRA, Lahore University of Medical Sciences, Securities and Exchange Commission of Pakistan, National School of Public Policy, Trade Development Authority of Pakistan and Faisalabad Development Co.

Mr. Khan holds a Masters in Public Policy from Concordia University, Quebec.

Other Board Memberships
Director, Pak Arab Refinery Limited
CEO, Trade Development Authority of Pakistan

Mr. Edzwan Zukri Adanan

Mr. Edzwan Adanan joined the Brunei Investment Agency in 2005 and is currently the Head of the Listed Asset Division in the Brunei Investment Agency. He has been a member of the Agency's Portfolio Advisory Committee since 2012 and is also involved in the Ministry of Finance's Strategic Goals Initiatives since 2016.

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he is a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Ministers Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program.

Other Board Memberships
Progresif Sdn. Bhd (previously Progresif Cellular Sdn. Bhd)
Jerudong Park & Country Club
Borneo Properties Sdn Bhd

Ms. Ayesha Aziz

Ms. Ayesha Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Private Equity. She was associated with the ANZ Banking Group for ten years where she worked in various areas including Treasury, Portfolio Management, Planning and Financial Engineering.

Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. Ms. Aziz has been associated with Pak Brunei Investment Company since inception and has helped to position it as a leading Investment Bank in terms of scope and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management, Modaraba Management and Leasing over this period.

Ms. Aziz is an MBA from the Institute of Business Administration and a qualified Chartered Financial Analyst (CFA).

Other Board Memberships
Director, Awwal Modaraba Management Limited (wholly owned subisidiary of Pak Brunei)
Chairperson, Primus Leasing Limited (wholly owned subisidiary of Pak Brunei)
Director, KSB Pumps Company Limited
Director, Al Shaheer Corporation Limited

BOARD PERFORMANCE EVALUATION

The Board has approved a formal process for the performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of overall Board, its committees and individual directors shall also be undertaken (facilitated) by an external independent evaluator at least every three years.

Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman and the Managing Director. Final results of the annual evaluation are compiled and presented to the Board of Directors which it accordingly reviews and identifies any issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

Pak Brunei conducted the performance evaluation of the Board as a whole, its Committees and Individual Directors through an external independent evaluator in line with the 'Guidelines on Performance Evaluation of the Board of Directors' ("SBP Guidelines") issued by the State Bank of Pakistan ("SBP") vide its BPRD Circular No. 11, dated August 22, 2016. SBP Guidelines requires that after two years of in house evaluation, the third year evaluation is required to be done by an external independent evaluator. In 2019, the Board engaged the services of M/s Pakistan Institute of Corporate Governance ("PICG") as an external independent evaluator to conduct the performance evaluation of the Board as a whole, its Committees and individual Board Members for the year 2018.

There is no conflict of interest between the experts hired by Pak Brunei and any Board member or Key Executive.

MEETINGS OF THE BOARD

The Board of Directors of the Company held five meetings during the year end December 31, 2019. The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani	5
Mr. Tariq Mahmood Pasha *	2
Mr. Arif Ahmed Khan *	3
Mr. Edzwan Zukri Adanan	5
Ms. Ayesha Aziz, CFA	5

BOARD COMMITTEES

The Board has formed three (3) sub-committees as given below:

1. Audit Committee
2. Human Resource & Remuneration Committee
3. Credit Risk Management Committee

The main terms of reference/ roles & responsibilities of aforemtrnioend committees are given below:

Audit Committee

(a) determination of appropriate measures to safeguard the company's assets;
(b) review of annual and interim financial statements of the company, prior to their approval by the Board of Directors
(c) review of preliminary announcements of results prior to external communication and publication;
(d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
(e) review of management letter issued by external auditors and management's response thereto;
(f) ensuring coordination between the internal and external auditors of the company;
(g) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
(h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

(i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

(j) review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

(k) instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;

(l) determination of compliance with relevant statutory requirements;

(m) monitoring compliance with the these regulations and identification of significant violations thereof;

(n) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

(o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.

(p) consideration of any other issue or matter as may be assigned by the board of directors.

In addition to abovementioned roles and responsibilities as mentioned in the terms of reference above, the BAC shall;

i. Have complete authority & independence to perform its roles & responsibilities by either utilizing internal or external resources (if need be). Besides, the BAC should ensure independence of any investigations/disciplinary actions against CIA & internal auditors.

ii. Facilitate Board in establishing an unambiguous & observable 'tone at the top' for strong and effective system of internal controls based on & supported by strong ethical practices, culture, comprehensive policies, procedures, processes and technological systems.

iii. Establish, maintain and promote regular communication with senior management regarding deficiencies in internal controls; review actions taken by management to address identified deficiencies and ascertain new developments to achieve a uniform organization-wide commitment/buy-in for implementation of strong and effective internal controls.

iv. Receive and review summary of reported violations identified through internal audit activities and follow-up actions taken by management to ensure that audit observations/recommendations receive proper and timely attention by senior management. The BAC should also review the trends of audit observation from multiple dimensions to have deep insights into state of internal controls and must set specific, time bound action points/indicators to monitor improvements.

v. Report to board any significant matters identified by IAF/external auditors that warrant board's immediate attention.

vi. Review effectiveness of whistle blowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc. The BAC must ensure that such concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. The BAC should ensure that employees remain aware of i) existence of such procedures, ii) the procedure to utilize it and iii) are encouraged to be a 'whistleblower'.

vii. Review and approve Internal Audit Charter (IAC) in the light of these guidelines. The IAC should include details on IAF's advisory role providing the extent and nature of assignments/engagements that IAF may provide to management.

viii. Provide its fullest support to IAF and internal auditors to perform their mandated activities independently and in objective manner.

Human Resource & Remuneration Committee

a) Developing a fair, transparent and competitive remuneration policy for all level of employees including contractual employees while setting an appropriate pay range between organization grades;

b) Approving the remuneration policy and amounts for each Material Risk-Taker and Material Risk Controller as per applicable regulatory guidelines, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;

c) For each Material Risk-Taker, approve the proportion of variable pay which is subject to deferment and risk evaluation;

d) Ensuring key management personnel remuneration packages involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to PBIC's strategy and goals;

e) Ensuring that executive remuneration takes into account, the significant risks that organization executives take on the business portfolio;

f) The Committee can also seek independent advice from external party/ expert opinion to ensure development and working of an effective and a prudent remuneration framework;

g) Recommending to the board, the remuneration structure and compensation package of Executive Directors, CEO, key executive and the organization remuneration structure as a whole;

h) Review the remuneration policy and remuneration setting mechanism at least once every three years while taking into account the long term interests of shareholders, investors and other stakeholders.

i) Ensuring there is an appropriate process in place to set robust performance measures and targets that encourage superior enterprise and executive performance alongside ethical behavior.

j) To review and recommend the total annual bonus pool and aggregate salary increments.

k) To recommend selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary, Head of Internal Audit (on the recommendation of the Audit Committee), job band 1 and 2 and other key executives of the Company as defined under the SBP guidelines.

l) To review and recommend to the Board any changes in the Human Resource policy of the Company including the organizational structure.

m) To review and recommend to the Board any changes to the Director's meeting expenses.

n) To authorize investigation of any HR related issues within the Company and review resulting report.

o) To obtain an outside legal or other independent professional advice if considered necessary.

p) To recommend terminating the services of CFO, Company Secretary, Head of Internal Audit (on the recommendation of the Audit Committee) officers in job band 1.

q) To recommend to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director.

Credit Risk Management Committee

a) Follow up on recommendations previously made by the Board for further development of the organization's risk culture. To raise awareness and understanding of risk management within all business units. To provide a forum for consultation with the risk taking departments for assessing risks of all types in a consistent fashion and to propose levels of acceptability for Board approval.

b) To review the risk management policies and framework including all risks of the Company and recommend additions, deletions and modifications to the Board of Directors for approval. Devise guidelines for identification, measurement, monitoring and control for all major risk categories.

c) Consider, review and recommend to the Board for approval proposals in respect of the Company's overall Risk Appetite, and various limits. Reviewing and recommending market risk limits, including triggers or stop losses for traded and accrual portfolio.

d) Consider and review any instances of breach of the Company's overall Risk Appetite or risk limits for financial and operational risk and consider for recommendation any proposed course of action (if necessary).

e) To ensure that the Risk taking decisions are explicit and clear and sufficient capital as a buffer is available to take risk. Consider and recommend to the Board for approval the internal capital adequacy assessment process (ICAAP) and its optimum allocation to various business activities/strategic initiatives and Institutional risk assessment framework.

f) To monitor the performance of CC, RMC and ORC through the review of minutes/decisions/proposals submitted by these Committees

g) To engage any external consultant, expert or auditor to assist the Committee or to provide an independent assessment regarding assigned areas.

h) To ensure that a proper system for risk management is in place and that the Company has robust Management Information System relating to risk reporting. Review various periodical MIS including exception reports. To review MRMC's discussion on capital adequacy and findings of regulatory submissions by the management on Capital Returns, Stress Testing and others, as appropriate.
i) To ensure that the resources allocated for risk management are adequate given the size, nature and volume of the business and that the staff possess sufficient knowledge and expertise to monitor and control various risks.
j) To review appropriateness and effectiveness of rating models adopted by the Company for different business classes. Ensuring robustness of financial models and effectiveness of all systems used to calculate market risk
k) To identify and review all the material risks faced by the company including Operational risk and approving appropriate mitigation strategies.
l) Periodic review of the Company's business continuity and disaster recovery plans, to see if they are consistent with the Company's current operations and business strategies. Reviewing results of periodic testing of these plans.

MEETINGS OF THE BOARD COMMITTEES

Name	Audit Committee		Credit & Risk Management Committee		Human Resource and Remuneration Committee	
	Meeting held	Attendance	Meeting held	Attendance	Meeting held	Attendance
Mr. Sofian Mohammad Jani	4	4	N/A	N/A	N/A	N/A
Mr. Tariq Mahmood Pasha	4	1	2	1	2	–
Mr. Arif Ahmed Khan*	4	3	2	1	2	2
Mr. Edzwan Zukri Adanan	4	4	2	2	2	2
Ms. Ayesha Aziz, FCA	N/A	N/A	2	2	2	2

* During the year, Mr. Arif Ahmed Khan was nominated on the Board of the Company by the Government of Pakistan in place of Mr. Tariq Mahmood Pasha.

CHANGE IN DIRECTORS AND DIRECTORS' REMUNERATION

During the year, Mr. Arif Ahmed Khan was nominated on the Board of the Company by the Government of Pakistan in place of Mr. Tariq Mahmood Pasha.

The Company has a policy for Directors' Remuneration. The policy is in line with the Prudential Regulations G-1 and / or BPRD Circular No. 03 of 2019 issued by the SBP.

SALIENT FEATURE OF STAFF COMPENSATION/REMUNERATION POLICY

The Remuneration Policy of Pak Brunei is designed to promote a culture of sound compensation aligned with risk and responsibilities in a transparent manner for acquisition of talent, retention of employees and achievement of stakeholders' expectations. Pak Brunei's remuneration policy applies to all staff. The policy covers identification of Material Risk Takers (MRT) and Material Risk Controllers (MRC), performance assessment through performance scores, compensation structure and deferral mechanism using Key Risk Indicators (KRIs).

The responsibility for approving the remuneration policy rests with the Board of Directors. The Board has constituted Human Resource & Remuneration Committee (HR&RC) for recommending to the Board, the structure of the remuneration policy, including the remuneration setting mechanisms, structures, composition of remuneration and other related matters.

All compensation provided to Pak Brunei staff can be divided into fixed remuneration or variable remuneration. Fixed remuneration is that part of the compensation which remains unaffected by the performance of Pak Brunei or individual employee. Fixed component of remuneration consists of basic salary and allowances that are part of the total compensation package of the employee. Variable remuneration is the part of total compensation package of an employee which is linked with some predetermined measures of performance. Variable compensation is linked with the individual's performance and comprises of performance bonus, commissions, incentives and allowances.

Pak Brunei has identified functions and designations as MRTs/MRCs. These include, MD, direct reportee to the MD, direct reportee to the members of senior management managing critical functions as determined by HR&RC and all other material business units including the CEOs of Pak Brunei's subsidiaries.

Performance Scores are defined for all MRTs & MRCs for carrying out an objective and transparent performance assessment. The variable compensation for the MRTs and MRCs is linked to the performance result derived from the performance scores. The performance assessment for MRTs and MRCs is performed via this score mechanism that is in place to ensure that objective risk and return measures are duly taken into account for determining the bonuses and awards for MRTs and MRCs. The bonuses and awards for MRTs are determined based on the performance of the individual, their respective department and Pak Brunei.

MRCs at Pak Brunei have suitable autonomy and authority to perform their tasks independently, without influence from the functions they are assigned to oversee and review. KPIs in the scorecards of MRCs are independent of the KPIs of the business functions that they oversee.

This ensures that achievement of financial targets of the business functions are not considered for the performance assessment of the MRCs.

For Pak Brunei's employees classified as MRTs, an appropriate proportion of the variable amount, as per the time horizon of risks associated with MRT decisions, will be deferred where variable compensation (performance bonus) of employee is more than 50% of his/her total annual benefits (Gross Salary, Vehicle Allowance, LFA, PF, Eid Bonus). The deferment period will also be determined based on the extent of time horizon of risks associated with the respective MRT, as considered appropriate by the BoD but should not be less than three years.

CORPORATE SOCIAL RESPONSIBILITY

In 2019, the Board approved a donation of Rs 0.2 million for a sponsorship of a book titled "The Economy of Modern Sindh – Opportunities Lost and Lessons for the Future" written by Dr. Ishrat Husain, Mr. Aijaz A. Qureshi and Mr. Nadeem Hussain. The sponsored books were awarded to deserving students who lack the means to finance their educational endeavours. The target audience were students in universities located in remote parts of Sindh.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

APPOINTMENT OF AUDITORS

The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F.Fergusons & Co., Chartered Accountants as statutory auditors for the year ending December 31, 2020.

PATTERN OF SHAREHOLDING

Shareholder	Shareholding (%)
Ministry of Finance – Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division - Govt. of Pakistan	0.00067%

We are grateful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We appreciate the role State Bank of Pakistan and Securities & Exchange Commission of Pakistan continue to play in regulating the financial markets of Pakistan while providing us with an accommodating operating environment supportive of our unique business strategy.

Sofian Mohammad Jani
Chairman

Ayesha Aziz
Managing Director

March 02, 2020

ا) کمپنی کے کاروباری تسلسل اور آفات سے بحالی کے منصوبوں کا میعادی بنیاد پر جائزہ لینا تا کہ اس بات کو یقینی بنایا جاسکے کہ یہ کمپنی کے موجودہ معمولات اور کاروباری حکمتِ عملیوں سے ہم آہنگ رہیں۔ ان منصوبوں کی میعادی جانچ کے نتائج کا جائزہ لینا۔

بورڈ کی کمیٹی کے اجلاس

نام	آڈٹ کمیٹی		ہیومن ریسورس اور مشاہرہ کمیٹی		کریڈٹ اینڈ رسک مینجمنٹ کمیٹی	
	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری
مسٹر سفیان محمد جانی	4	4	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں
مسٹر طارق محمود پاشا*	4	1	2	1	2	–
مسٹر عارف احمد خان*	4	3	2	1	2	2
مسٹر ایڈزون زوکری عدنان	4	4	2	2	2	2
مس عائشہ عزیز، سی ایف اے	دستیاب نہیں	دستیاب نہیں	2	2	2	2

*رواں مالی سال کے دوران مسٹر طارق محمود پاشا کی جگہ حکومت پاکستان نے مسٹر محمد عارف احمد خان کو بورڈ آف ڈائریکٹر نامزد کیا گیا۔

بورڈ آف ڈائریکٹرز کی تبدیلی اور ان کا مشاہرہ

31 دسمبر 2019 کو ختم ہونے والے رواں مالی سال کے دوران مسٹر طارق محمود پاشا کی جگہ حکومت پاکستان نے مسٹر محمد عارف احمد خان کو بورڈ آف ڈائریکٹر نامزد کیا گیا۔

کمپنی کے پاس ڈائریکٹرز کے معاوضے کے لیے ایک پہلے سے ہی طے شدہ پالیسی دستیاب ہے۔ یہ پالیسی اسٹیٹ بینک آف پاکستان کے ذریعہ جاری کردہ پرڈینشیل ریگولیشنز جی ون اور/ یا بی پی آر ڈی سرکلر نمبر 03 کے مطابق ہے۔

اسٹاف کی معاوضہ / مشاہرہ پالیسی کی نمایاں خصوصیات

پاک برونائی کی مشاہرہ پالیسی اس طرح مرتب کی گئی ہے کہ جو ٹیلنٹ، ملازمین کی مستقل شمولیت اور اسٹیک ہولڈرز کی توقعات کے حصول کے لیے خطرات اور ذمہ داریوں کے ساتھ ہم آہنگ مستحکم معاوضے کی روایت کو شفاف انداز میں فروغ دے۔ پاک برونائی کی مشاہرہ پالیسی کا اطلاق تمام اسٹاف پر ہوتا ہے۔ اس پالیسی میں خطرات کے بنیادی شناخت کنندہ عوامل (KRIs) کو استعمال کرتے ہوئے مادی خطرات مول لینے والے بڑے افراد (MRT) اور مادی خطرات کو قابو کرنے والے افراد (MRC)، کارکردگی کا تجزیہ بذریعہ کارکردگی کے اسکورز، معاوضوں کا اسٹرکچر اور تاخیری میکنزم کی شناخت کا احاطہ کرتی ہے۔

مشاہرہ پالیسی کی منظوری کی ذمہ داری بورڈ آف ڈائریکٹرز کے پاس رہتی ہے۔ بورڈ کو سفارش پیش کیے جانے کے لیے بورڈ نے ہیومن ریسورس اور مشاہرہ کمیٹی (HR&RC) تشکیل دی ہے جس کا کام مشاہرہ پالیسی کے اسٹرکچر، بشمول مشاہرے کی ترتیب و نفاذ کے میکنزم، اسٹرکچرز، مشاہرے کی تشکیل اور دیگر متعلقہ معاملات کی سفارش بورڈ کو پیش کرنا ہے۔

پاک برونائی اسٹاف کو فراہم کردہ تمام معاوضوں کو مقررہ مشاہرے یا قابلِ تغیر مشاہرے میں تقسیم کیا جاسکتا ہے۔ مقررہ مشاہرہ معاوضے کا وہ حصہ ہے جو پاک برونائی یا انفرادی ملازم کی کارکردگی سے قطع نظر یکساں رہتا ہے۔ مشاہرے کا مقررہ حصہ بنیادی تنخواہ (بیسک سیلری) اور الاؤنسز پر مشتمل ہوتا ہے جو ملازم کے مجموعی معاوضہ پیکیج کا حصہ ہوتے ہیں۔ قابلِ تغیر مشاہرہ ملازم کے مجموعی معاوضہ پیکیج کا وہ حصہ ہوتا ہے جو کارکردگی کی بعض پیشگی متعین شدہ پیمائشوں سے منسلک ہوتا ہے۔ قابلِ تغیر معاوضہ فردِ واحد کی کارکردگی سے منسلک ہوتا ہے اور یہ کارکردگی کے بونس، کمیشنز، مراعات اور الاؤنسز پر مشتمل ہوتا ہے۔

پاک برونائی نے بطور MRTs/MRCs فرائض اور عہدوں کی نشاندہی کر رکھی ہے۔ ان میں شامل ہیں ایم ڈی، ایم ڈی کو براہِ راست رپورٹنگ کرنے والا فرد، HR&RC کی جانب سے متعین شدہ اہم ترین فرائض انجام دینے والے سینئر مینجمنٹ کے ارکان کو براہِ راست رپورٹنگ کرنے والا فرد اور دیگر تمام مادی کاروباری یونٹس بشمول پاک برونائی کے ذیلی اداروں کے سی ای اوز۔

کارکردگی کے ایک بامقصد اور شفاف تجزیے کی تعمیل کی غرض سے تمام MRTs اور MRCs کے لیے کارکردگی کے اسکورز متعین کیے گئے ہیں۔ MRTs اور MRCs کا قابلِ تغیر معاوضہ، کارکردگی کے اسکورز سے اخذ شدہ نتائج سے منسلک ہوتا ہے۔ MRTs اور MRCs کے لیے کارکردگی کا تجزیہ اس اسکور میکنزم کے ذریعے انجام دیا جاتا ہے جس کا نفاذ اس امر کو یقینی بنانے کے لیے کیا جاتا ہے کہ MRTs اور MRCs کے لیے بونسز اور ایوارڈز کے تعین کی غرض سے خطرات اور منافع کے معروضی اقدامات کو باریک بینی سے زیرِ غور لایا جائے۔ MRTs کے لیے بونسز اور ایوارڈز کا تعین فردِ واحد، اس کے متعلقہ شعبے اور پاک برونائی کی کارکردگی کی بنیاد پر ہوتا ہے۔

پاک برونائی میں MRCs کو اپنے کاموں کو آزادنہ طور پر انجام دینے کے لیے مناسب خودمختاری اور اختیار حاصل ہے، ان کاموں کے لیے جو ان کی نگرانی اور جائزہ لینے کے لیے تفویض کیے جاتے ہیں ان پر کسی بھی قسم کا کوئی اثر و رسوخ استعمال نہیں کیا جاتا۔ MRCs کے اسکور کارڈز میں موجود KPIs اپنے کاروباری افعال کے KPIs سے آزاد ہیں جس کی وہ دیکھتے ہیں۔

یہ یقینی بناتا ہے کہ کاروباری افعال کے مالی اہداف کے حصول پر MRCs کی کارکردگی کا اندازہ نہیں لگایا جائے۔

پاک برونائی کے ملازمین کے لیے MRTs کی درجہ بندی، متغیر رقم کا مناسب تناسب، MRT کے فیصلوں سے وابستہ خطرات کے وقتی افقوں کے مطابق موخر ہو جائے گا جب ملازم کے متغیر معاوضہ (کارکردگی کا بونس) اس کے سالانہ فوائد کا کل 50 فیصد سے زیادہ ہے (بشمول مجموعی تنخواہ، گاڑیوں کا الاؤنس، ایل ایف اے، پی ایف اور عید بونس)۔ التوا کا یہ دورانیہ بھی متعلقہ MRT سے وابستہ خطرات کے وقت کی حد کی بنیاد پر طے کیا جائے گا، جسے BoD نے مناسب سمجھا ہے لیکن یہ التوا کا دورانیہ بھی تین سال سے کم نہیں ہوگا۔

کارپوریٹ سماجی ذمہ داریاں

سال 2019 میں بورڈ نے ڈاکٹر عشرت حسین، مسٹر اعجاز اے قریشی اور مسٹر ندیم حسین کی تحریر کردہ ''معاشی۔ اقتصادیات۔ کھوئے ہوئے مواقع اور مستقبل کے اسباق'' ''The Economy of Modern Sindh – Opportunities Lost and Lessons for the Future'' کے عنوان سے ایک کتاب کی کفالت کے لیے 0.2 ملین روپے کے عطیہ کے منظوری دی۔ کفالت شدہ کتابیں ان مستحق طلباء کو فراہم کی جائیں گی جن کے پاس تعلیمی کاوشوں کے لیے مالی وسائل کا فقدان ہے۔ یہ کتاب سندھ کے دور دراز کے علاقوں میں واقع یونیورسٹیوں کے طلبا کو مدنظر رکھتے ہوئے تحریر کی گئی ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR)

بذریعہ ہٰذا بورڈ آف ڈائیریکٹرز، ICFR اور کلی طور پر اندرونی کنٹرول سے متعلق انتظامیہ کی تشخیص کی توثیق کرتا ہے۔

آڈیٹرز کی مقرری

بورڈ آف آڈٹ کمپنی کے پروپوزل اور ان کی حمایت کے مطابق .M/s. A.F.Fergusons & Co، کو 31 دسمبر 2020 تک ختم ہونے والی مالی سال کے لیے قانونی طور پر چارٹرڈ اکاؤنٹنٹس مقرر کیا ہے۔

شیئر ہولڈنگ کی طرز

حصص کا مالک	ملکیتِ حصص (فیصد)
وزارتِ خزانہ۔ حکومتِ پاکستان	49.99933 فیصد
برونائی سرمایہ کاری ایجنسی	50.00000 فیصد
سیکرٹری، ڈویژن برائے اقتصادی امور۔ حکومتِ پاکستان	0.00067 فیصد

ہم اپنے شیئر ہولڈرز کے شکرگزار ہیں۔ گورنمنٹ آف پاکستان اور برنائی انویسٹمنٹ ایجنسی، ہمارے لیے مسلسل رہنمائی اور حمایت کے لیے، پاکستان کے مالیاتی مارکیٹس میں مسلسل اپنا کردار ادا کرنے پر ہم اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کردار کی بھی تعریف کرتے ہیں کہ انہوں نے ہمیں ایک بہتر اور دوست ماحول میں کاروبار کرنے کی جگہ مہیا کی جس سے ہم اپنے کاروبار کی حکمت عملی کو بروئے کار لاتے ہوئے مزید منافع کما سکیں۔

سفیان محمد جانی
چیئرمین

عائشہ عزیز
مینیجنگ ڈائریکٹر

مارچ 02, 2020

درج بالا اصولی قواعد میں بیان کردہ مذکورہ بالا افعال اور ذمہ داریوں کے علاوہ، BAC درج ذیل امور انجام دے گا؛

i۔ اسے اندرونی یا بیرونی وسائل سے استفادہ کرتے ہوئے (اگر ضرورت ہو) اپنے افعال اور ذمہ داریوں کی انجام دہی کے لیے مکمل اختیار اور آزادی حاصل ہوگی۔ اس کے علاوہ، BAC کو CIA اور اندرونی آڈیٹرز کے خلاف کسی بھی نوعیت کی تحقیقات / تادیبی عمل کی آزادی کو یقینی بنانا ہوگا۔

ii۔ مضبوط اخلاقی اقدار، ثقافت، جامع پالیسیوں، دستور العمل، طریقہ کار اور ٹیکنالوجیکل سسٹمز پر مبنی اور ان کی مدد سے اندرونی کنٹرولز کے ایک مستحکم اور مؤثر نظام کے لیے ایک غیر مبہم اور قابلِ مشاہدہ 'قیادتی اثر ورسوخ' قائم کرنے کے لیے بورڈ کی مدد کرنا۔

iii۔ اندرونی کنٹرولز میں خامیوں کے حوالے سے سینئر مینجمنٹ کے ساتھ مسلسل گفت وشنید پیدا کرنا، برقرار رکھنا اور فروغ دینا؛ مضبوط اور مؤثر اندرونی کنٹرولز کے نفاذ کے لیے مجموعی ادارے کی بنیاد پر ایک مربوط جذبے / شیئرز کی خریداری کے حصول کی خاطر نشاندہی کردہ خامیوں کو دور کرنے اور نئی پیش رفتوں کو یقینی بنانے کے لیے مینجمنٹ کے اقدامات کا جائزہ لینا۔

iv۔ اندرونی آڈٹ کی سرگرمیوں کے ذریعے نشاندہی کردہ متعلقہ خلاف ورزیوں کا خلاصہ وصول کرنا اور اس کا جائزہ لینا اور اس بات کو یقینی بنانے کے لیے مینجمنٹ کے اقدامات پر غور کرنا کہ آڈٹ کے مشاہدات / سفارشات کو سینئر مینجمنٹ کی جانب سے مناسب اور بروقت توجہ حاصل ہو۔ BAC داخلی کنٹرولز کی صورتحال کی گہری بصیرت وادراک کے لیے مختلف پہلوؤں سے آڈٹ کے مشاہدے کے رجحانات کا بھی جائزہ لے گا اور اصلاحات کی نگرانی کے لیے لازماً مخصوص، مقررہ وقت پر مبنی لائحۂ عمل نکات / شناخت کنندہ عوامل مرتب کرے گا۔

v۔ IAF / بیرونی آڈیٹرز کی جانب سے نشاندہی کردہ کسی بھی ایسے نمایاں معاملات کی اطلاع بورڈ کو دے گا جن پر بورڈ کی جانب سے فوری اقدام کی ضرورت ہو۔

vi۔ کاروباری اخلاقیات / طرزِ عمل، عملداری اور خطرات سے نمٹنے کے طریقوں، مالیاتی رپورٹنگ، آڈیٹنگ کے طریقہ کار وغیرہ پر کنٹرولز کے حوالے سے شکایات / خدشات (اندرونی یا بیرونی ذرائع سے) موصول کرنے کے لیے مخبری کے طریقہ کار کی مؤثر پذیری کا جائزہ لینا۔ BAC کو یہ امر لازماً یقینی بنانا ہوگا کہ ان خدشات کو خفیہ رکھا جائے گا اور خبر دینے والے ملازم / ملازمین کا تحفظ کیا جائے گا اور انہیں کسی بھی طور پر سزا یا انتقام کا نشانہ نہیں بننے دیا جائے گا۔ BAC کو یہ بات یقینی بنانا ہوگی کہ ملازمین ان امور سے آگاہ رہیں i) ایسے دستور العمل کی موجودگی ii) اس کے استعمال کا طریقہ iii) 'مخبر' بننے کے لیے ان کی حوصلہ افزائی کی جاتی ہے۔

vii۔ ان ہدایات کی روشنی میں اندرونی آڈٹ کے چارٹر (IAC) کا جائزہ لینا اور اس کی منظوری دینا۔ IAC کو چاہیے کہ IAF کے مشاورتی کردار پر وہ تفصیلات شامل کرے جو ایسے افعال / ذمہ داریوں کی حد اور نوعیت فراہم کرتی ہوں جنہیں IAF مینجمنٹ کو فراہم کرسکتا ہے۔

viii۔ IAF اور اندرونی آڈیٹرز کو اپنا بھرپور تعاون فراہم کرنا تاکہ وہ اپنی مقررہ سرگرمیوں کو خودمختاری کے ساتھ اور بامقصد انداز میں انجام دے سکیں۔

ہیومن ریسورسز اور مشاورتی کمیٹی

a) ہر سطح کے ملازمین بشمول معاہداتی ملازمین کے لیے ایک منصفانہ، شفاف اور مسابقتی مشاہرہ پالیسی تخلیق کرنا اور اس کے ساتھ ساتھ ادارہ جاتی درجوں کے مابین تنخواہ کی مناسب حد کو مرتب کرنا؛

b) مجوزہ انضباطی ہدایات کے مطابق مادی خطرات مول لینے والے ہر فرد اور مادی خطرات کو قابو کرنے والے ہر فرد کے لیے مشاہرے کی پالیسی اور رقم کی منظوری دینا، اس کے ساتھ ساتھ مجموعی مشاہرے بشمول تنخواہوں، فیسوں، اخراجات، بونسز اور ملازمین کو دی جانے والی دیگر مراعات کو زیرِ غور رکھتے ہوئے مجموعی متغیر مشاہرے کو تقسیم کرنا؛

c) مادی خطرات مول لینے والے ہر فرد کے لیے، قابلِ تغیر تنخواہ کا تناسب منظور کریں جس پر التواء اور خطرات کے تجزیے کا اطلاق ہوتا ہے؛

d) اس بات کو یقینی بنانا کہ مینجمنٹ کے اہم عملے کے مشاہرے کے پیکیجز میں مقررہ اور مراعاتی تنخواہ کے درمیان توازن ہو، جو کارکردگی کے مختصر اور طویل المیعاد اہداف کو PBIC کی حکمتِ عملی اور مقاصد سے موزونیت کی عکاسی کرتے ہوں؛

e) اس بات کو یقینی بنانا کہ ایگزیکٹیو مشاہرہ ان نمایاں خطرات کو ملحوظ رکھتا ہو جو ادارے کے ایگزیکٹیوز کاروباری پورٹ فولیو پر لیتے ہیں؛

f) کمیٹی ایک مؤثر اور دوراندیش مشاہرے کے فریم ورک کی تخلیق اور نفاذ کو یقینی بنانے کے لیے بیرونی فریق / ماہرانہ رائے سے ایک آزادانہ مشورہ طلب کرے؛

g) بورڈ کے سامنے ایگزیکٹیو ڈائریکٹرز، سی ای او، اہم ایگزیکٹیو کے مشاہرے کے اسٹرکچر اور معاوضوں کے پیکیج، اور مجموعی طور پر پورے ادارے کے مشاہرے کے اسٹرکچر کی سفارشات پیش کرنا؛

h) حصص مالکان، سرمایہ کاروں اور دیگر اسٹیک ہولڈرز کے طویل المیعاد مفادات کو ملحوظ رکھتے ہوئے کم از کم ہر تین سال میں مشاہرے کی پالیسی اور مشاہرہ مرتب کرنے کے طریقہ کار کا جائزہ لینا۔

i) اس بات کو یقینی بنانا کہ کارکردگی کے مستحکم اقدامات اور اہداف کر مرتب کرنے کے لیے ایک ایسا موزوں عمل موجود ہو جو اخلاقی رویے کے ساتھ ساتھ برتر انٹرپرائز اور ایگزیکٹیو کارکردگی کو فروغ دے؛

j) مجموعی سالانہ بونس کے پول اور تنخواہ میں مجموعی اضافوں کا تجزیہ کرنا اور سفارش کرنا؛

k) سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ (آڈٹ کمیٹی کی سفارش پر)، ملازمتی بینڈ 1 اور 2 اور SBP کی ہدایات کے مطابق توضیح کردہ کمپنی کے دیگر اہم ایگزیکٹیوز کے انتخاب، تجزیے، معاوضے (بشمول ریٹائرمنٹ پر دیے جانے والے بینیفٹ) کی سفارش کرنا؛

l) کمپنی کی ہیومن ریسورسز پالیسی بشمول ادارہ جاتی اسٹرکچر میں ہونے والی کسی بھی تبدیلی کا جائزہ لینا اور بورڈ کو اس کی سفارش پیش کرنا؛

m) ڈائریکٹر کے اجلاس پر ہونے والے اخراجات میں ہونے والی کسی بھی تبدیلی کا جائزہ لینا اور بورڈ کو اس کی سفارش کرنا؛

n) کمپنی کے اندر HR سے متعلقہ کسی بھی نوعیت کے مسائل کی اجازت دینا اور نتائج کی رپورٹ کا جائزہ لینا؛

o) حسبِ ضرورت کمپنی کے باہر سے قانونی یا دیگر آزاد پیشہ ورانہ مشاورت حاصل کرنا؛

p) سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ (آڈٹ کمیٹی کی سفارش پر)، ملازمتی بینڈ 1 میں موجود افسران کی ملازمت برخاست کرنے کی سفارش کرنا؛

q) بورڈ کو مینیجنگ ڈائریکٹر کے انتخاب، تجزیے، معاوضے (بشمول ریٹائرمنٹ پر دیے جانے والے بینیفٹ) اور جانشینی کی منصوبہ بندی کی سفارش کرنا۔

کریڈٹ رسک مینجمنٹ کمیٹی

a) ادارے کی خطراتی روایت کی مزید پیش رفت کے لیے بورڈ کی جانب سے گزشتہ طور پر دی گئیں سفارشات پر فالو اپ کرنا۔ تمام کاروباری یونٹس میں رسک مینجمنٹ پر آگاہی اور اس کی سمجھ بوجھ میں اضافہ کرنا۔ باقاعدہ انداز میں تمام اقسام کے خطرات کے تجزیے کے لیے خطرات مول لینے والے شعبوں کے ساتھ مشاورت کے لیے ایک فورم مہیا کرنا اور بورڈ کی منظوری کے لیے قبولیت کی سطحوں کی تجاویز دینا۔

b) رسک مینجمنٹ پالیسیوں اور فریم ورک بشمول کمپنی کے تمام خطرات کا جائزہ لینا اور منظوری کے لیے بورڈ آف ڈائریکٹرز کو اضافہ جات، تخذیف اور ترامیم کی سفارش کرنا۔ خطرات کی تمام بڑی کیٹیگریز کی نشاندہی، پیمائش، نگرانی اور کنٹرول کے لیے رہنما ہدایات مرتب کرنا۔

c) کمپنی کی مجموعی خطرات مول لینے کی اہلیت اور مختلف حدود کے حوالے سے تجاویز پر غور کرنا، ان کا جائزہ لینا اور منظوری کے لیے بورڈ کے سامنے رکھنا۔ تجارت کردہ اور واجب التحصیل پورٹ فولیو کے لیے مارکیٹ کی خطراتی حدود بشمول عاملین یا خساروں کے تدارک (اسٹاپ لوسز) کا جائزہ لینا اور سفارش پیش کرنا۔

d) مالیاتی اور انتظامی خطرے کے لیے کمپنی کی مجموعی خطرات مول لینے کی اہلیت یا خطراتی حدود کی کسی بھی نوعیت کی خلاف ورزی پر غور کرنا اور اس کا جائزہ لینا اور کسی بھی تجویز کردہ اقدامی عمل (اگر ضروری ہو) کی سفارش پر غور کرنا۔

e) اس بات کو یقینی بنانا کہ خطرات مول لینے والے فیصلے الفاظ کی صورت میں اور واضح ہوں اور خطرہ مول لینے کے لیے بطور ڈھال مناسب سرمایہ موجود ہو۔ اندرونی سرمائے کی موزونیت کا تجزیاتی عمل (ICAAP) اور مختلف کاروباری سرگرمیوں / کلیدی اہمیت کے حامل اقدامات اور خطرات کے ادارہ جاتی فریم ورک میں اس کی عمدہ ترین تخصیص پر غور کرنا اور بورڈ کو اس کی منظوری کی سفارش پیش کرنا۔

f) ان کمیٹیوں کی جانب سے جمع کردہ اہم نکات / فیصلوں / تجاویز کے جائزے کے ذریعے CC، RMC اور ORC کی کارکردگی کی نگرانی کرنا۔

g) کمیٹی کی مدد یا مقررہ پہلوؤں کے حوالے سے ایک آزادانہ تجزیے کی فراہمی کے لیے کسی بھی بیرونی مشیر، ماہر یا آڈیٹر کو شریکِ عمل کرنا۔

h) اس بات کو یقینی بنانا کہ خطرات سے نمٹنے کا ایک مناسب نظام نافذ العمل ہو اور خطرات کی رپورٹنگ کے لیے کمپنی کے پاس مضبوط و مستحکم مینجمنٹ انفارمیشن سسٹم موجود ہو۔ مختلف میعادی MIS بشمول استثنائی رپورٹس کا جائزہ لیں۔ سرمائے کی موزونیت پر MRMC کے مباحثے اور سرمایہ جاتی منافعوں، تناؤ کی جانچ اور حسبِ موزونیت دیگر جانچ پڑتال پر مینجمنٹ کی جانب سے کی جانے والی انضباطی جمع کاریوں کے نتائج کا جائزہ لینا۔

i) اس بات کو یقینی بنانا کہ خطرات سے نمٹنے کے لیے مختص کردہ وسائل سائز، نوعیت اور کاروباری حجم کے لحاظ سے موزوں ہوں اور یہ کہ اسٹاف کے پاس مختلف خطرات کی نگرانی اور کنٹرول کے لیے مناسب علم اور مہارت ہو۔

j) مختلف کاروباری درجوں کے لیے کمپنی کی جانب سے اختیار کردہ درجہ بندی ماڈلز کی موزونیت اور مؤثر پذیری کا جائزہ لینا۔ مارکیٹ کے خطرات کا تخمینہ لگانے کے لیے استعمال کردہ تمام سسٹمز کی مضبوطی اور مؤثر پذیری کو یقینی بنانا۔

k) کمپنی کو پیش آنے والے تمام مادی خطرات بشمول انتظامی خطرات کی نشاندہی کرنا اور جائزہ لینا اور موزوں تخفیفی حکمتِ عملیوں کی منظوری دینا۔

مسز عائشہ عزیز

مسز عائشہ عزیز کے پاس انویسٹمنٹ بینکنگ سمیت پراجیکٹ فنانس، اثاثہ جات مینجمنٹ، کارپوریٹ فنانس ایڈوائزری اور پرائیویٹ ایکیویٹی کا بھرپور اور متنوع تجربہ ہے۔ وہ 10 سال تک اے این زیڈ بینکنگ گروپ سے وابستہ رہیں جہاں انہوں نے مختلف ڈپارٹمنٹ میں کام کیا جن میں، ٹریژری، پورٹ فولیو مینجمنٹ، پلاننگ اینڈ فنانشل انجینئرنگ شامل ہیں۔

اس کے بعد مسز عائشہ عزیز پاک عمان انویسٹمنٹ کمپنی کے ماتحت ادارے بشمول مائیکرو فنانس بینک اور ایک اثاثہ انتظامی کمپنی جہاں انہوں نے بالترتیب بورڈ کی ممبر اور سی او کے طور پر کاروباری کارروائیوں کے قیام اور ان کے چلانے سے متعلق انتظام میں شامل تھیں۔ مسز عائشہ عزیز پاک برونائی انویسٹمنٹ کمپنی سے آغاز کے بعد سے منسلک ہیں اور انہوں نے اس کو ایک اسکوپ اور اسکور کے ساتھ اہم سرمایہ کار بینک کے طور پر ابھرنے اور اثاثوں کے معیار کے لحاظ سے اس کی پوزیشن بہتر کرنے میں بہت مدد کی ہے۔ انہوں نے اس مدت کے دوران اثاثہ مینجمنٹ، مضاربہ مینجمنٹ اور لیزنگ کے ساتھ ساتھ پاک برونائی کی زیرِنگرانی ماتحت اداروں کی بھی تشکیل کرنے میں کافی مدد کی ہے۔
مسز عائشہ عزیز انسٹیٹیوٹ آف بزنس ایڈمنسٹریشن سے ایم بی اے اور ایک کوالیفائیڈ چارٹرڈ فنانشل تجزیہ کار (CFA) ہیں۔

دیگر بورڈ ممبر شپ:

ڈائریکٹر، اول مضاربہ مینجمنٹ لمیٹڈ (جو کہ پاک برونائی کی ذیلی کمپنی ہے)
چیئرپرسن، پریمیس لیزنگ لمیٹڈ (جو کہ پاک برونائی کی ذیلی کمپنی ہے)
ڈائریکٹر، کے ایس بی پمپز کمپنی لمیٹڈ
ڈائریکٹر الشہیر کارپوریشن لمیٹڈ

بورڈ کی کارکردگی کا تجزیہ

بورڈ نے سالانہ بنیاد پر کارکردگی کا تجزیہ عمل میں لانے کے لیے ایک باضابطہ طریقۂ کار منظور کیا ہے۔ اس حوالے سے، ایک اندرونِ خانہ طرزِ عمل اختیار کیا گیا ہے اور مقداری تیکنیکس کا نفاذ عمل میں لایا گیا ہے جبکہ بورڈ کے تجزیے کے لیے اسکور کے حامل سوالنامے استعمال کیے جاتے ہیں۔ بورڈ کی کارکردگی کی درجہ بندی کے لیے اسٹیٹ بینک آف پاکستان کی ہدایات کی روشنی میں آئینی بنیاد پر اسکورنگ کا ایک پیمانہ مرتب کیا گیا ہے۔ مزید برآں، کم از کم ہر تین سال بعد ایک خارجی خودمختار تجزیہ کار کی جانب سے مجموعی بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ کارکردگی کا تجزیہ بھی عمل میں لایا جائے گا۔

بورڈ کے تجزیے میں، مجموعی بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیوں، چیئرمین اور مینجنگ ڈائریکٹر کا تجزیہ شامل ہے۔ سالانہ تجزیے کے حتمی نتائج کو یکجا کر کے بورڈ آف ڈائریکٹرز کے سامنے پیش کیا جاتا ہے، جو اس کا جائزہ لیتا ہے اور اس میں موجود کسی بھی مسئلے، خامی اور درپیش چیلنجز کی نشاندہی کرنے کے ساتھ ساتھ ان کے موزوں حل کے لیے ایک اقدامی منصوبہ بناتا ہے۔ تجزیاتی عمل سے حاصل شدہ سفارشات، اقدامی عمل کی بنیاد تشکیل دیتی ہیں جس پر نفاذ کے لیے بورڈ کی جانب سے اتفاق کیا جاتا ہے۔ تجزیے کے دوران نشاندہی کردہ اُن تمام پہلوؤں کو مناسب اقدام کے لیے نوٹ کر لیا جاتا ہے جن میں بہتری کی گنجائش ہوتی ہے۔

اسٹیٹ بینک آف پاکستان کے جاری کردہ بی پی آر ڈی سرکلر نمبر 11 مورخہ 22 اگست 2016 'بورڈ آف ڈائریکٹرز کی کارکردگی کی تشخیص کی ہدایات' کے مطابق پاک برونائی نے مجموعی طور پر بورڈ، اس کی کمیٹیوں اور بیرونی آزاد تشخیص کار کے ذریعہ انفرادی ڈائریکٹرز کی کارکردگی کا مکمل جائزہ لیا۔ اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق 2 سال کی کمپنی کی ازخود کارکردگی کی تشخیص کے بعد ہر تیسرے سال بیرونی آزاد جائزہ کار کے ذریعہ کمپنی کی کارکردگی کی تشخیص کروائی جائے۔ کمپنی کے بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں اور انفرادی بورڈ آف ڈائریکٹر کی 2018 میں کارکردگی کی ازخود تشخیص کرنے اور اس کا جائزہ لینے کے بعد پاک برونائی نے 2019 میں میسرز پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس کو کمپنی، بورڈ آف ڈائریکٹرز اور ڈائریکٹرز کی انفرادی کارکردگی کی تشخیص کے لیے آزاد جائزہ کار کے طور پر مقرر کیا۔

پاک برونائی کی خدمات حاصل کرنے والے ماہرین اور بورڈ کے کسی بھی ممبر یا کلیدی ایگزیکٹو کے مابین مفادات کا کوئی بھی تنازعہ یا کوئی بھی تعلق نہیں ہے۔

بورڈ کی میٹنگ

کمپنی کے بورڈ آف ڈائیریکٹرز نے سال مختتمہ 31 دسمبر، 2019 کے دوران 5 بار اجلاس منعقد کیے۔ مندرجہ ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

نام	اجلاس میں شرکت
مسٹر سفیان محمد جانی	5
مسٹر طارق محمود پاشا *	2
مسٹر عارف احمد خان **	3
مسٹر ایڈزون زوکری عدنان	5
مس عائشہ عزیز، سی ایف اے	5

بورڈ کمیٹیز

بورڈ نے 3 سب کمیٹی قائم کی ہیں جن کی تفصیلات درج ذیل ہیں:

1۔ آڈٹ کمیٹی
2۔ ہیومن ریسورسز اور مشاورتی کمیٹی
3۔ کریڈٹ رسک مینجمنٹ کمیٹی

مذکورہ بالا کمیٹیوں کے حوالہ جات/کردار اور ان کی ذمہ داریوں کی بنیادی شرائط درج ذیل میں دی گئی ہیں:

آڈٹ کمیٹی

(a) کمپنی کے اثاثوں کے تحفظ کے لیے موزوں اقدامات کا تعین؛

(b) بورڈ آف ڈائریکٹرز کی جانب سے منظوری سے قبل، کمپنی کے سالانہ اور عبوری مالیاتی گوشواروں کا جائزہ؛

(c) بیرونی ابلاغ اور اشاعت سے قبل نتائج کے ابتدائی اعلان کا جائزہ؛

(d) بیرونی آڈٹ میں تعاون کرنا اور عبوری اور حتمی آڈٹس کے نتیجے میں سامنے آنے والے ایسے بڑے مشاہدات یا کسی بھی دیگر معاملے پر بیرونی آڈیٹرز سے گفتگو کرنا جن پر آڈیٹرز روشنی ڈالنا چاہتے ہوں (حسب ضرورت، مینجمنٹ کی عدم موجودگی کی صورت میں)؛

(e) بیرونی آڈیٹرز کی جانب سے جاری کردہ مینجمنٹ کے مراسلے کا جائزہ لینا اور اس پر مینجمنٹ کا ردعمل؛

(f) کمپنی کے اندرونی اور بیرونی آڈیٹرز کے مابین ہم آہنگی کو یقینی بنانا؛

(g) اندرونی آڈٹ، آڈٹ کے منصوبے، رپورٹنگ کے فریم ورک اور دستور العمل کی وسعت اور حد کا جائزہ لینا اور اس امر کو یقینی بنانا کہ اندرونی آڈٹ کے شعبے کے پاس مناسب وسائل ہوں اور کمپنی میں اس کا موزوں طور پر تقرر کیا گیا ہو؛

(h) مختلف سرگرمیوں جیسے کہ فراڈ، بدعنوانی اور اختیارات کے غلط استعمال کی اندرونی تحقیقات کے بڑے نتائج کو زیر غور لانا اور ان پر مینجمنٹ کا ردعمل؛

(i) اس بات کی تصدیق کرنا کہ اندرونی کنٹرول سسٹمز بشمول مالیاتی اور انتظامی کنٹرولز، اکاؤنٹنگ سسٹم کی جانب سے خرید و فروخت، وصولی و ادائیگی، اثاثوں و واجبات کا بروقت اور موزوں اندراج کیا جا رہا ہے اور رپورٹنگ کا اسٹرکچر موزوں اور مؤثر ہے؛

(j) بورڈ آف ڈائریکٹرز اور اندرونی آڈٹ رپورٹس کی جانب سے توثیق سے قبل اندرونی کنٹرول سسٹمز پر کمپنی کے گوشوارے کا جائزہ؛

(k) چیف ایگزیکٹیو آفیسر کی مشاورت سے، خصوصی پراجیکٹس، زری قدر کے تحقیقی جائزوں یا بورڈ آف ڈائریکٹرز کی جانب سے واضح کردہ کسی بھی معاملے پر دیگر تحقیقات کا آغاز کرنا اور بیرونی آڈیٹرز یا کسی بھی بیرونی ادارے کو کسی بھی معاملے کی ترسیل پر غور کرنا؛

(l) متعلقہ آئینی لوازمات کی تعمیل کا تعین کرنا؛

(m) ان ضوابط کی تعمیل کی نگرانی کرنا اور اس حوالے سے کسی بھی نمایاں خلاف ورزیوں کی نشاندہی کرنا؛

(n) اسٹاف اور مینجمنٹ کے لیے اس انتظام کا جائزہ لینا جس کے تحت وہ مالیاتی اور دیگر معاملات میں حقیقی یا ممکنہ عدم موزونیت، اگر کوئی ہو، کے بارے میں خدشات کو خفیہ طور پر آڈٹ کمیٹی کے گوش گزار کر سکیں اور تدارکی اور تخفیفی اقدامات کے آغاز کی تجویز دے سکیں؛

(o) بیرونی آڈیٹرز کی تقرری، ان کی برخاستگی، آڈٹ فیس اور اس کے علاوہ کمپنی کے مالیاتی گوشواروں کے ساتھ ساتھ بیرونی آڈیٹرز کی جانب سے کمپنی کو فراہم کردہ کسی بھی اجازت یافتہ خدمت کی فراہمی کے لیے بورڈ آف ڈائریکٹرز کو تجویز پیش کرنا۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی سفارشات پر بھرپور غور کرے گا اور اگر ان سفارشات پر عمل نہ کیا گیا تو اس کی وجوہات تحریر کرے گا؛

(p) بورڈ آف ڈائریکٹرز کی جانب سے تفویض کردہ کسی بھی دیگر مسئلے یا معاملے کو زیرِ غور لانا۔

مسٹرسفیان محمد جانی

مسٹرسفیان محمد جانی برونائی انویسٹمنٹ ایجنسی میں قائم مقام مینیجنگ ڈائریکٹر کے طور پر خدمات انجام دے رہے ہیں۔ وہ بی آئی اے کے اثاثہ مختص کرنے کی حکمت عملی کی سرپرستی بھی کرتے ہیں۔ انہوں نے 1993 میں بی آئی اے کے ساتھ بطور انویسٹمنٹ آفیسر برسلز اور لندن میں اپنے کیریئر کا آغاز کیا۔ ابھی حال ہی میں، انہوں نے بی آئی اے کے انٹرنل فنڈ مینجمنٹ ڈپارٹمنٹ میں بطور ڈائریکٹر کے طور پر خدمات سرانجام دیں۔ ان کی دیگر خدمات میں وہ ملازمین کے ٹرسٹ اور فنڈ انویسٹمنٹ کمیٹی مانیٹری اتھارٹی آف برونائی دارالسلام کے بورڈ کے ممبر بھی رہے۔ مسٹرسفیان محمد جانی نے مانچسٹر یونیورسٹی (یو کے) سے اکنامکس اور سوشل اسٹیڈیز میں بیچلر کی ڈگری (آنرز) حاصل کر رکھی ہے۔ وہ سی ایف اے کا چارٹرڈ ہولڈر بھی ہیں۔

دیگر بورڈ ممبرشپ:

کوئی نہیں

مسٹرعارف احمد خان

مسٹرعارف احمد خان ایک سینئر سول ملازم ہیں جو پبلک ایڈمنسٹریشن میں 35 سال سے زیادہ تجربہ رکھتے ہیں۔ اپنے کیریئر کے دوران انہوں نے سیکرٹری خزانہ سیکرٹری، اکنامک افیئر ڈویژن، سیکرٹری داخلہ اور سیکرٹری موسمیاتی تبدیلی کی حیثیت سے اپنی خدمات انجام دیں۔ مسٹرخان ایڈیشنل چیف سیکرٹری، منصوبہ بندی اور ترقیاتی محکمہ کے طور پر حکومت سندھ میں اپنی خدمات انجام دیں۔ وہ 13-2012 میں سندھ کے سیکرٹری خزانہ بھی رہے۔ اس سے پہلے وہ حکومت سندھ کے ہوم سیکرٹری بھی رہے تھے۔

مسٹرخان کو مونٹریال، کینیڈا میں پاکستان کے قونصل جنرل اور ٹریڈ کمشنر کی حیثیت سے خدمات انجام دینے کا موقع بھی ملا اس کے ساتھ ساتھ مسٹرخان جنیوا میں انٹرنیشنل ٹریڈ سینٹر (آئی ٹی سی) میں پروگرام کارڈینیٹر کے طور پر بھی خدمات انجام دے چکے ہیں۔ مسٹرخان ایکسپورٹ پروموشن بیورو (اب ٹریڈ ڈیولپمنٹ اتھارٹی آف پاکستان) میں 05-2004 تک ڈائریکٹر جنرل کے عہدے پر فائز رہے۔ مسٹرخان نے ڈائریکٹر آف سندھ بینک، سندھ اینگرو کول مائننگ کمپنی لمیٹڈ، اسٹیٹ بینک آف پاکستان، پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ، پیئر انویسٹمنٹ کمپنی لمیٹڈ، پاکستان انٹرنیشنل ایئر لائن، پاکستان ٹیلی کمیونیکیشن کمپنی، پاکستان ایل این جی ٹرمینل لمیٹڈ، پاکستان ایل این جی لمیٹڈ، پاکستان سوفٹ ویئر ڈیولپمنٹ بورڈ، ایس این جی پی ایل، پارکو، نیشنل رسک ڈزاسٹر مینجمنٹ رسک مینجمنٹ، کراچی انفرااسٹرکچر ڈیولپمنٹ بورڈ، بے نظیر انکم سپورٹ بورڈ، نسٹ، نیوٹیک، پاکستان انسٹیٹیوٹ آف ڈیولپمنٹ اکنامکس، پی پی آر اے، یونیورسٹی آف میڈیکل سائنس، سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان، نیشنل اسکول آف پبلک پالیسی، ٹریڈ ڈیولپمنٹ اتھارٹی آف پاکستان اور فیصل آباد ڈیولپمنٹ کمپنی میں حکومت کی نمائندگی کی ہے۔

مسٹرخان کیوبک کی کونکورڈیا یونیورسٹی سے پبلک پالیسی میں ماسٹر ہیں۔

دیگر بورڈ ممبرشپ:

ڈائریکٹر، پاک عرب ریفائنری لمیٹڈ

سی ای او، ٹریڈ ڈیولپمنٹ اتھارٹی آف پاکستان

مسٹرایڈزون زوکری عدنان

مسٹرایڈزون زوکری عدنان نے 2005 میں برونائی انویسٹمنٹ ایجنسی میں شمولیت اختیار کی اور وہ اس وقت برونائی انویسٹمنٹ ایجنسی کے لسٹڈ ایسٹس ڈویژن کے ہیڈ کے طور پر خدمات سرانجام دے رہے ہیں۔ مسٹرایڈزون زوکری عدنان ایجنسی کے پورٹ فولیو ایڈوائزری کمیٹی کے 2012 سے رکن ہیں اور اس کے ساتھ ساتھ وہ منسٹری آف فنانس کے اسٹریٹیجک اہداف کے اقدامات میں بھی 2016 سے شامل ہیں۔

مسٹرایڈزون زوکری عدنان نے مانچسٹر یونیورسٹی سے اکاؤنٹنگ اور فنانس میں ماسٹر کی ڈگری حاصل کی ہوئی ہے۔ اس کے علاوہ وہ ایک ایف سی سی اے اور سی ایف اے بھی ہیں۔ وہ برونائی کے افتتاحی ٹاپ 100 لیڈرز پروگرام 2015 میں شریک تھے جن کو پرائم منسٹر آفس اور ڈیلیوری ایسوسی ایٹس کی طرف سے سہولیات فراہم کی گئیں تھیں اور اس وقت مسٹرایڈزون زوکری عدنان وزارتِ خزانہ کے لیڈرشپ پروگرام میں شریک ہیں۔

دیگر بورڈ ممبرشپ:

پروگریسو ایس ڈی این۔ بی ایچ ڈی (پروگریسو سیلولر ایس ڈی این۔ بی ایچ ڈی)

جریدونگ پارک اینڈ کنٹری کلب

برونو پراپرٹیز ایس ڈی این بی ایچ ڈی

کاروباری اور مالیاتی رپورٹنگ کا بنیادی ڈھانچہ

ڈائریکٹرز اس بات کا اعلان کرتے ہیں کہ:

- مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، کمپنی کی مجموعی صورتحال، اس کی کاروباری سرگرمیوں کے نتائج، کیش کے بہاؤ اور ایکوئٹی میں تبدیلیوں کے گوشواروں کی مجموعی صورتحال کو بالکل درستگی کے ساتھ ظاہر کرتے ہیں؛
- اکاؤنٹس کے درست روزنامچوں کو منظم طور پر برقرار رکھا گیا ہے؛
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ عمل میں لائی گئی ہیں، اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں؛
- پاکستان میں لاگو، بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کو مالیاتی گوشواروں کی تیاری میں ملحوظ رکھا گیا ہے اور ان سے کسی بھی قسم کے انحراف کو مناسب طور پر افشاء اور واضح کر دیا گیا ہے؛
- داخلی کنٹرول سسٹم کا نظام اپنی بناوٹ میں مستحکم ہے اور اس کا مؤثر طور پر نفاذ اور نگرانی عمل میں لائی جا رہی ہے؛
- کمپنی کی جانب سے آئندہ بھی اپنے کاروبار کو کامیابی سے جاری رکھنے کی صلاحیت میں کوئی شک نہیں ہے؛
- ٹیکسز، ڈیوٹیوں محصولات، اور چارجز کی شکل میں قانونی طور پر واجب الادا کسی بھی رقوم کو مکمل وضاحت کے ساتھ مالیاتی گوشواروں میں بیان کیا گیا ہے۔

کارپوریٹ گورننس

اسٹیٹ بینک آف پاکستان کے بی پی آر ڈی سرکلر نمبر 14 مورخہ 20 اکتوبر 2016 میں یہ تجویز پیش کی گئی کہ کوڈ آف کارپوریٹ کے لاگو ہونے کے حوالے سے پرڈینشیل ریگولیشن جی۔1 کی شرائط سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ذریعہ جاری گورننس (سی سی جی) DFIs پر لاگو نہیں ہوگی۔ تاہم پاک برونائی کارپوریٹ کے بہترین اصولوں پر عمل پیرا ہے اور اس کے بورڈ آف ڈائریکٹرز اچھی کارپوریٹ گورننس کے لیے بہترین طریقہ کار کو اپنانے اور ان پر عمل پیرا ہونے کے لیے پرعزم ہیں۔ ڈائریکٹرز انتہائی مسرت کے ساتھ یہ اعلان کرتے ہیں کہ:

- اسٹیٹمنٹ آف کمپلائنس کی منتخب کردہ کمپنیوں کے بیان کردہ بہترین طریقۂ کار سے کوئی انحراف نہیں ہوا ہے اور اس پر وہ عمل پیرا ہیں۔ (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019۔
- کمپنی کے ڈائریکٹرز کی کل تعداد 4 ہے جن کی درج بندی اس طرح ہے:

  مرد 3

  عورت 1
- حکومتِ پاکستان اور حکومتِ برونائی کے مابین طے شدہ معاہدے کے تحت ہے، کمپنی کے بورڈ آف ڈائریکٹرز میں چار ڈائریکٹرز شامل ہیں جو دونوں حکومتوں کے ذریعے سے نامزد ہیں۔ اس وقت بورڈ کی تشکیل مندرجہ ذیل ہے:

کیٹگری	نام	تفصیل
خودمختار ڈائریکٹر	کوئی نہیں	بی پی آر ڈی سرکلر نمبر 04 آف 2007 کے تحت بورڈ میں ایک آزاد ڈائریکٹر کی تقرری کے سلسلے میں کمپنی نے اسٹیٹ بینک آف پاکستان سے استثناء حاصل کیا ہوا ہے۔
نان ایگزیکٹیو ڈائریکٹرز	مسٹر محمد سفیان محمد جانی (چیئر مین)	حکومتِ برونائی کی جانب سے تقرر کردہ ڈائریکٹر
	مسٹرعارف احمد خان	حکومتِ پاکستان کی جانب سے تقرر کردہ ڈائریکٹر
	مسٹرایڈزون زوکری عدنان	حکومتِ برونائی کی جانب سے تقرر کردہ ڈائریکٹر
ایگزیکٹیو ڈائریکٹر	مسز عائشہ عزیز	حکومتِ پاکستان کی جانب سے تقرر کردہ ڈائریکٹر

بی پی آر ڈی سرکلر نمبر 04 آف 2007 کے تحت بورڈ میں ایک آزاد ڈائریکٹر کی تقرری کے سلسلے میں کمپنی نے اسٹیٹ بینک آف پاکستان سے استثناء حاصل کیا ہوا ہے۔

کمپنی کے ڈائریکٹرز اور ان کی دوسری کمپنیوں کے ساتھ ممبرشپ کی متعلقہ تفصیلات بمطابق 31 دسمبر 2019 تک درج ذیل ہے:

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے، 31 دسمبر 2019 کو ختم ہونے والے سال کے پاکستان برونائی انویسٹمنٹ کمپنی کے مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس ہورہی ہے۔ کمپنی کی مالیاتی کارکردگی کا مکمل جائزہ درج ذیل میں پیش ہے:

منتخب مالیاتی علامات

رقوم پاکستان روپے میں تا قتیکہ بیان شدہ نہ ہو۔

	2013	2014	2015	2016	2017	2018	2019
مجموعی اثاثے	35,508	32,901	29,115	34,391	29,869	48,793	**57,773**
موجودہ اثاثے	8,247	9,140	9,684	10,429	10,456	9,961	**10,549**
قرض/پیشگی	6,799	7,385	10,237	13,996	18,768	20,330	**18,771**
حتمی سرمایہ	27,431	24,247	16,850	16,658	7,679	26,117	**31,817**
حتمی مارک اپ آمدنی	438	468	553	507	553	719	**734**
نان مارک اپ آمدنی	707	907	1,230	1,237	588	222	**43**
قبل از ٹیکس منافع	917	1,106	1,300	1,333	671	503	**458**
بعد از ٹیکس منافع	706	905	937	962	470	276	**366**
آمدنی فی شیئر (پاکستانی روپے)	1.18	1.51	1.56	1.6	0.78	0.46	**0.61**
ڈیویڈنڈ کی ادائیگیاں (فیصد)	3.33%	3.33%	3.33%	5.00%	5.00%	5.00%	**5.00%**
حتمی انفیکشن کا تناسب (فیصد)	0.00%	0.00%	1.52%	1.54%	3.54%	1.39%	**1.07%**

معاشی سست روی کی وجہ سے 2019 کریڈٹ آف ٹیک کے لیے ایک سست سال تھا۔ بینکنگ سیکٹر کی ایڈوانس گروتھ میں کمی کے باعث وہ 21 فیصد سے کم ہوکر 2019 میں 3 فیصد رہ گئی۔ اس کمی کی وجوہات میں سے ایک وجہ طلب میں سست روی کو بھی قرار دیا جاسکتا ہے۔ مزید برآں، چونکہ بینکنگ سیکٹر کے خالص قرضوں کا انفیکشن 2018 کے آغاز میں 1.03 سے بڑھ کر 2019 کے آخر تک 1.74 فیصد ہوگیا ہے، جس کی وجہ سے بینک بھی اپنے قرضوں کے اہداف میں زیادہ محتاط بن گئے ہیں۔ یہ محتاط روایہ بینکاری کے پھیلاؤ میں جھلتا ہے، جو 2018 اور 2019 کے درمیان اوسطاً 2.8 فیصد سے بڑھ کر 3.1 فیصد ہوگیا ہے۔ اس رجحان کی وجہ سے پاک برونائی اپنے قرض مہیا کرنے کی سرگرمیوں میں پہلے سے زیادہ محتاط ہوگیا ہے۔ یہی وجہ ہے کہ رواں سال کمپنی کے مجموعی ایڈوانس پورٹ فولیو میں 7 فیصد کمی دیکھنے میں آئی ہے۔ تاہم یہ بات قابل ذکر ہے کہ، انڈسٹری کے رجحان کے بالکل برعکس بھی پاک برونائی کے قرضوں کا انفیکشن دراصل 2019 میں کم ہوا اور 2017 میں 3.5 فیصد تک ریکارڈ اضافے کے بعد سے مسلسل تیزی سے کم ہورہا ہے۔

2019 پاک برونائی کے لیے ایک مشکل سال رہا۔ اگرچہ ہماری پلاننگ سے کریڈٹ کی فراہمی اور بازیافتوں کا سلسلہ برقرار رہا، لیکن کیپیٹل مارکیٹ میں انتہائی اتار چڑھاؤ تھا جس نے ہمارے لیے رواں سال میں سب سے زیادہ چیلنج کھڑے کیے۔ درحقیقت پورے سال کو دو حصوں میں مؤثر طریقے سے تقسیم کیا جاسکتا ہے: جنوری اور اگست کے درمیان گروات کا دورانیہ جب مارکیٹ میں تقریباً 27 فیصد کمی واقع ہوئی، اور بازیافت کا دورانیہ اگست کے وسط سے سال کے آخر تک جس میں 42 فیصد تک اضافہ دیکھنے میں آیا۔ حصص کی قیمتوں میں تیزی سے ہوتی ہوئی کمی کے باعث، کمپنی نے سال رواں 2019 کی پہلی ششماہی کو 194 ملین پاکستانی روپے قبل از ٹیکس نقصان کے ساتھ بند کیا۔ تاہم اگست کے بعد سے بڑھتی ہوئی مارکیٹ نے ہمارے ایکویٹی پورٹ فولیو کو مؤثر انداز میں سنبھالنے کے لیے ہمیں تھوڑی سے مزید گنجائش فراہم کی۔ ہمارے ٹرسٹی شپ فنکشن سے فیس آمدنی کا ایک مستقل سلسلہ، ہماری ایکویٹی سرمایہ کاری سے حاصل ہونے والا منافع جس میں ہماری ذیلی کمپنیاں، اول مضاربہ اور پرائمس لیزنگ شامل ہیں، نے ہمیں پہلے سے ہوئی بڑے نقصان کو پورا کرنے میں کافی مدد فراہم کی۔ سال کے اختتام پر، کمپنی 2019 کی پہلی ششماہی میں ہونے والے نقصانات کو منافع کی صورت میں تبدیل کرنے میں کامیاب رہی ہے۔

ایک چھوٹا سے پورٹ فولیو ہونے کے باوجود بھی، ہم اپنے ایس ایم ای کارروائیوں پر فخر محسوس کرتے ہیں۔ بینکوں اور ڈی ایف آئی سی میں، پاک برونائی ان چند اداروں میں شامل ہے جو اسٹیٹ بینک آف پاکستان کے ایس ایم ایز کے مالی اعانت کے اہداف کو حاصل کرتے ہیں۔ مزید یہ کہ، پاک برونائی سب سے پہلا ادارہ ہے جو اسٹیٹ بینک آف پاکستان کی ورکنگ کیپیٹل فنانسنگ لائن اور اسٹیٹ بینک آف پاکستان کی کریڈٹ گارنٹی اسکیم برائے کاروباری خواتین (ایس بی پی۔ ڈبلیو ای) لائن کے تحت ادائیگیاں کرتے ہیں۔ اسٹیٹ بینک آف پاکستان ڈبلیو ای اسکیم کے تحت، پاک برونائی نے بلوچستان کے زیریں علاقوں میں بھی کاروبار شروع کیا۔ پاک برونائی نے ایس ایم ایز کے لیے بھی زرعی مالی اعانت فراہمی کیں۔ مزید برآں، ہمارے اس ایم ایز ڈویژن نے خصوصی افراد کے لیے اسمال انٹرپرائز فنانسنگ اور کریڈٹ گارنٹی اسکیم، ایس ایم ایز کی جدید کاری کے لیے ری فائنانس سہولت اور سندھ میں دھان کی چھال کی ملز میں رسائی بڑھانے کا منصوبہ بنایا ہے۔

ہم اپنی ذیلی کمپنی اول مضاربہ کی کارکردگی پر بھی فخر محسوس کرتے ہیں۔ جب ہم نے اس منصوبے کا آغاز کیا، تو ہمارا عزم تھا کہ اسے نجی ایکویٹی پر مبنی ڈھانچے کے طور پر استعمال کریں تاکہ اس کی سرمایہ کاری کو دوسری سرمایہ کاروں کے ساتھ بھی شیئر کیا جاسکے۔ ہمارا مقصد بحالی فنانسنگ کے طاق کاروبار کے طور پر اس کو استعمال کرنے کا تھا۔ اول مضاربہ بہت سارے ایسے منصوبوں میں مصروف ہے جن سے ہم توقع کرتے ہیں کہ مضاربہ بزنس ماڈل میں نئی جدت پیدا ہوگی۔ یہ وہ ذریعہ ہے جس کے بارے میں ہمارا خیال ہے کہ یہ ہماری مارکیٹ کے لیے انتہائی موزوں ہے جہاں نجی ایکویٹی اثاثوں سے متعلق پریشان لوگوں کی مالی اعانت بڑی حد تک دستیاب نہیں ہے۔ ہمارا دوسرا ذیلی ادارہ، پریمس لیزنگ، ایس ایم ایز کی مالی اعانت کرنے میں اپنے قدم بڑھا رہا ہے۔ اگرچہ پاک برونائی اپنے ایس ایم ای گروپ کے تحت نئے ایس ایم ای اثاثوں کی بکنگ جاری رکھے ہوئے ہے، جبکہ ڈیل کو پورا کرنے میں پرائمس لیزنگ نے اپنا اہم کردار ادا کررہا ہے، جو جاری بنیادوں پر ای صارفین کو جانچنے، قیمت لگانے اور نگرانی کرنے کے لیے اچھی طرح سے لیس ہے۔ ادارہ جاتی عزم مشکل وقت میں آزمایا جاتا ہے۔ 2019 ایسا ہی ایک مشکل سال تھا اور ہم اپنے طویل مدتی مفادات کے تحفظ میں کامیاب رہے ہیں۔ ہمیں ان چیلنجوں سے نمٹنے کی اپنی صلاحیتوں پر اعتماد ہے اور یہ چیلنج کچھ مزید وقت تک جاری رہ سکتے ہیں کیونکہ ہماری معیشت بہت ضروری ساختی اصلاحات سے گزر رہی ہے۔ ہمیں طویل المیعاد فوائد پر بھی بہت یقین ہے جو مستقبل میں اپنے اثرات اور نتائج دکھانے شروع کریں گے۔

ادارتی درجہ بندی

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ کو ایک بار پھر تصدیق شدہ ادارتی درجہ بندی فراہم کرتے ہوئے اسے 'AA+/A-1+' (ڈبل اے پلس/اے ون پلس) کی درجہ بندی سے نوازا ہے۔ 'AA+' کی طویل مدتی درجہ بندی اعلیٰ ساکھ کا معیار، تحفظ کے عوامل کی مضبوطی کی نشاندہی کرتی ہے۔ خطرہ معمولی ہے لیکن معاشی حالات کی وجہ سے وقتاً فوقتاً تھوڑا سا مختلف ہوسکتا ہے۔ A-1+ کی قلیل مدتی درجہ بندی بروقت ادائیگی کی اعلیٰ ترین یقینی کی علامات ہے۔ داخلی آپریٹنگ عوامل اور/یا فنڈز کے متبادل ذرائع تک رسائی سمیت مختصر المیعاد لیکویڈیٹی کو ظاہر کرتا ہے اور حکومت پاکستان کی مختصر مدتی ذمہ داریوں سے متعلق تفویض کردہ درجہ بندی پر اندازہ 'مستحکم' اور ممکنہ خطرات کی انتہائی پست توقع کی نشاندہی کرتی ہیں۔

ممکنہ خطرات سے نمٹنا

ہمارا ممکنہ خطرات سے نمٹنے کا بنیادی ڈھانچہ گزشتہ برسوں میں مسلسل جدت سے ہم آہنگ ہونے کے ساتھ ساتھ آئندہ کے لیے بھی تجدید اور بہتری کے عمل کو جاری رکھے ہوئے ہے۔ کریڈٹ کے ممکنہ خطرات سے نمٹنے کے لیے بورڈ کی جانب سے منظور شدہ پالیسیوں پر عمل درآمد کیا جاتا ہے۔ یہ واضح اور معینہ کریڈٹ کی منظوری کے طریقۂ کار، داخلی خطرات کی درجہ بندی کے استعمال، مجوزہ مطلوبہ دستاویزات، بعد از تقسیم کے انتظام، قرض کی سہولیات کی نگرانی اور اس کے ساتھ ساتھ میعادی جائزوں کی بدولت قرض لینے والوں کی اعتباری ساکھ کے مسلسل تجزیے کا احاطہ کرتی ہیں۔ کریڈٹ رسک مینجمنٹ نے کریڈٹ کے اعداد و شمار کے نمونے کے گزشتہ بنیاد پر تجزیے کے لیے ایک میکانکی طریقۂ کار بھی مرتب کیا ہے جو کہ وقت کے ساتھ ساتھ مزید بہتر ہوگا۔ کریڈٹ پورٹ فولیو کے حوالے سے فیصلے کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی رسک مینجمنٹ کمیٹی، کریڈٹ سے متعلقہ خطرات سے نمٹنے کے لیے کمپنی کو مجموعی رہنمائی فراہم کرتی ہے۔ کریڈٹ رسک مینجمنٹ ایک مشترکہ فعل ہے اور اس کے اہم ذیلی امور کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ اس کے کمپنی کی حکمت عملی یا یا اس کی ذیلی کمپنیوں پر کوئی اثرات مرتب نہ ہوسکیں۔

روزانہ کی بنیاد پر نگرانی کی جاتی ہے۔ بورڈ کی ممکنہ خطرات کی منتظم کمیٹی، کمپنی کے بازاری اور سیال پذیری سے متعلقہ خطرات، سرمائے کی ضروریات، اور مربوط ممکنہ خطرات سے تحفظ (جسے کاروباری ممکنہ خطرات سے تحفظ بھی کہا جاتا ہے) کے نظم و نسق کے حوالے سے مجموعی رہنمائی فراہم کرتی ہے۔ کمپنی کی مجموعی کاروباری مربوط ممکنہ خطرات کی پروفائل کا تجزیہ، بیسل (Basel) فریم ورک، داخلی سرمائے کی ضرورت کے تجزیاتی عمل، اور دباؤ کے معائنے کا استعمال کرتے ہوئے عمل میں لایا جاتا ہے۔

13 Years Performance at a Glance

PKR in Million

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet													
Investments	**31,817**	26,117	7,679	16,658	16,850	24,247	27,431	7,121	25,741	9,868	8,416	2,688	1,956
Advances	**18,771**	20,330	18,768	13,996	10,237	7,386	6,800	5,776	4,647	2,468	1,732	1,063	254
Borrowings	**45,152**	36,890	13,976	20,493	14,544	18,090	26,392	2,417	23,360	5,943	5,297	186	1,150
Deposits and other accounts	**620**	725	4,751	2,913	4,218	5,164	567	2,825	979	844	395	–	–
Total Assets	**57,773**	48,793	29,869	34,391	29,115	32,901	35,508	14,046	32,544	14,369	12,131	5,529	4,362
Net Assets	**10,549**	9,960	10,456	10,429	9,684	9,139	8,246	8,581	7,928	7,343	6,306	5,281	3,136
Paid up Capital	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	5,000	5,000	3,000
Profit & Loss													
Mark up income	**5,042**	2,507	1,462	1,591	1,832	2,503	1,407	2,912	2,395	1,698	971	672	177
Mark up expense	**4,307**	1,788	908	1,084	1,279	2,036	969	2,045	1,469	778	207	132	1
Non mark up income	**43**	222	588	1,237	1,230	907	706	406	284	212	254	86	67
Non mark up expense	**332**	341	293	314	304	272	219	201	203	165	133	119	58
Gross income	**5,085**	2,729	2,050	2,828	3,062	3,410	2,113	3,318	2,679	1,910	1,225	758	245
Profit before provision and tax	**445**	599	849	1,430	1,479	1,102	925	1,072	1,007	963	885	507	187
Provisions	**(13)**	96	178	97	179	(4)	8	(4)	87	81	218	134	–
Profit before tax	**458**	503	671	1,333	1,300	1,106	917	1,076	920	882	667	373	187
Profit after tax	**366**	276	470	962	937	905	706	784	604	581	447	222	141
Dividend paid	**300**	300	300	300	200	200	200	1,000	200	–	–	–	–
Investors information													
Profit before tax ratio	**9.01%**	18.43%	32.73%	47.14%	42.46%	32.43%	43.40%	32.43%	34.34%	46.18%	54.45%	49.21%	76.33%
Gross spread ratio	**14.56%**	28.68%	37.82%	31.87%	30.19%	18.70%	31.13%	29.77%	38.62%	54.18%	78.68%	80.36%	99.44%
Return on assets	**0.69%**	0.70%	1.46%	3.03%	3.02%	2.65%	2.85%	3.37%	2.57%	4.38%	5.06%	4.49%	3.23%
Return on equity	**3.57%**	2.70%	4.50%	9.57%	9.96%	10.41%	8.39%	9.50%	7.91%	8.51%	7.72%	5.28%	4.50%
Earning asset to total asset ratio	**95.64%**	95.29%	96.90%	96.21%	94.67%	96.38%	97.06%	94.06%	97.03%	95.27%	97.67%	95.59%	90.33%
EPS (Earning per share) (PKR)	**0.61**	0.46	0.78	1.60	1.56	1.51	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Gross Infection Ratio	**3.10%**	2.87%	5.00%	3.17%	3.00%	0.03%	0.04%	0.04%	0.06%	0.27%	16.04%	0.00%	0.00%
Net Infection Ratio	**1.07%**	1.39%	3.54%	1.54%	1.52%	0.00%	0.00%	0.00%	-0.38%	-0.03%	14.83%	0.00%	0.00%
Capital Adequacy Ratio (CAR)	**27.27%**	24.50%	30.62%	25.59%	26.44%	33.80%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout	**5.00%**	5.00%	5.00%	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

* four months of operations

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Independent Auditor's Review Report

To the members of Pak Brunei Investment Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pak Brunei Investment Company Limited (the Company) for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Chartered Accountants
Karachi

Dated: April 1, 2020

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Brunei Investment Company Limited

Year ended December 31, 2019

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan shall not be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices on corporate governance. Accordingly, this Statement is being presented to comply with the best practices of Corporate Governance i.e. Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are four (4) as per the following:
   Male: 03
   Female: 01

2. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
Non-Executive Directors	Mr. Sofian Mohammad Jani (Chairman)	Nominated by the Government of Brunei
	Mr. Arif Ahmed Khan *	Nominated by the Government of Pakistan
	Mr. Edzwan Zukri Pehin Dato Haji Adanan	Nominated by the Government of Brunei

*On March 19, 2019, Mr. Arif Ahmed Khan was nominated as a director of the company by the Government of Pakistan with immediate effect. The fit and proper clearance in this regard has been received from State Bank of Pakistan.

The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. 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.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and the Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board meets the criteria of requirement of Directors' Training program.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below.-

a) Audit Committee of the Board

Name of Director	Category
Mr. Arif Ahmed Khan	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Edzwan Zukri Adanan	Member

c) Human Resource & Remuneration Committee

Name of Director	Category
Mr. Edzwan Zukri Adanan	Chairman
Mr. Arif Ahmed Khan	Member
Ms. Ayesha Aziz	Member

b) Credit and Risk Management Committee

Name of Director	Category
Mr. Arif Ahmed Khan	Chairman
Mr. Edzwan Zukri Adanan	Member
Ms. Ayesha Aziz	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following-

S.No.	Name of the Committee	Frequency of the meetings held during the year
a)	Audit Committee	Four times during year the prior to approval of the quarterly, half-yearly and annual financial statements of the Company by the Board. No meeting was held in the third quarter of the financial year.
b)	Human Resource and Remuneration Committee	Twice during the year
c)	Risk and Credit Management Committee	Twice during the year

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with other than the exception noted in the paragraph 14 above.

Sofian Mohammad Jani
Chairman

Karachi: March 02, 2020

Statement of Internal Controls

The Board of Directors is ultimately responsible for the internal control system. It is the responsibility of the Company's management to establish and maintain an effective internal control system for an efficient working environment and to evaluate its efficacy by identifying control objectives, reviewing significant policies and procedures and monitoring its operating effectiveness.

The Company's internal control system has been designed to provide reasonable assurance regarding the effectiveness and efficiency of the Company's operations, reliability of financial information and compliance with applicable laws and regulations. All internal control systems have inherent limitations that they may not be able to prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing processes that include identification, evaluation and management of significant risks faced by the Company.

The control activities are being closely monitored across the Company by Internal Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. Internal Audit Department covers all activities in general and key risks areas in particular. The Audit Committee of the Board regularly reviews all significant and material findings of the internal and external auditors. Regular follow up reporting upon the audit finding is done by Compliance Department to the Audit Committee which ensures timely implementations to mitigate identified risks and to safeguard the interest of the Company.

An Annual Assessment on internal controls over financial reporting was conducted by the Internal Audit Department of the company, which was duly endorsed by Audit Committee of the Board. The observations identified and controls recommended in the report will be taken care of and necessary steps are being taken for their timely resolution.

The Company endeavours to follow the State Bank of Pakistan's guidelines on Internal Controls. The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and implemented. Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System, including Internal Controls over Financial Reporting, is adequate and has been effectively implemented and monitored. The Board also endorses the above evaluation.

Mobin Siddiqui
Head – Internal Audit

Abdul Hafeez
Chief Financial Officer

Ayesha Aziz
Managing Director

March 02, 2020

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Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion
We have audited the annexed unconsolidated financial statements of Pak Brunei Investment Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon
Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements
Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 05, 2020

Unconsolidated

Statement of Financial Position

As at December 31, 2019

2019	2018		Note	2019	2018
(USD in '000)				(Rupees in '000)	
		ASSETS			
837	1,042	Cash and balances with treasury banks	5	**129,571**	161,339
1,059	299	Balances with other banks	6	**163,909**	46,355
29,061	–	Lendings to financial institutions	7	**4,500,000**	–
205,473	168,662	Investments	8	**31,816,997**	26,116,936
121,225	131,289	Advances	9	**18,771,370**	20,329,737
878	76	Fixed assets	10	**136,022**	11,711
28	31	Intangible assets	11	**4,275**	4,739
1,350	2,052	Deferred tax assets	12	**209,112**	317,742
10,684	11,654	Other assets	13	**1,654,466**	1,804,568
2,505	–	Non-current assets classified as held-for-sale	14	**387,745**	–
373,100	315,105			**57,773,467**	48,793,127
		LIABILITIES			
–	–	Bills payable		**–**	–
291,590	238,237	Borrowings	15	**45,152,000**	36,890,373
4,004	4,685	Deposits and other accounts	16	**620,000**	725,403
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Subordinated debt		**–**	–
–	–	Deferred tax liabilities		**–**	–
9,377	7,859	Other liabilities	17	**1,452,073**	1,216,866
304,971	250,781			**47,224,073**	38,832,642
68,129	64,324	**NET ASSETS**		**10,549,394**	9,960,485
		REPRESENTED BY			
38,749	38,748	Share capital	18	**6,000,000**	6,000,000
9,558	9,086	Reserves		**1,480,107**	1,406,995
(974)	(4,348)	Deficit on revaluation of assets	19	**(150,898)**	(673,212)
20,796	20,838	Unappropriated profit		**3,220,185**	3,226,702
68,129	64,324			**10,549,394**	9,960,485
		CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 43 forms an integral part of these unconsolidated financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Unconsolidated

Profit and Loss Account

For the Year ended December 31, 2019

2019	2018		Note	2019	2018
(USD in '000)				(Rupees in '000)	
32,558	16,190	Mark-up / return / interest earned	21	**5,041,574**	2,506,962
27,816	11,544	Mark-up / return / interest expensed	22	**4,307,293**	1,787,629
4,742	4,646	Net mark-up / interest income		**734,281**	719,333
		Non mark-up / interest income			
460	481	Fee and commission income	23	**71,154**	74,433
1,269	1,297	Dividend income		**196,469**	200,872
(1,507)	(437)	Loss on securities	24	**(233,293)**	(67,641)
54	92	Other income	25	**8,326**	14,206
276	1,433	Total non-markup / interest income		**42,656**	221,870
5,018	6,079	Total income		**776,937**	941,203
		Non mark-up / interest expenses			
2,102	2,134	Operating expenses	26	**325,525**	330,373
42	–	Sindh Workers' Welfare Fund	27	**6,441**	10,938
2,144	2,134	Total non mark-up / interest expenses		**331,966**	341,311
2,874	3,945	Profit before provisions		**444,971**	599,892
(85)	623	Provisions and write offs - net	28	**(13,219)**	96,393
–	–	Extraordinary / unusual items		**–**	–
2,959	3,322	**Profit before taxation**		**458,190**	503,499
598	1,470	Taxation	29	**92,629**	227,585
2,361	1,852	**Profit after taxation**		**365,561**	275,914
USD				(Rupees)	
0.00393	0.00297	**Basic and diluted earning per share**	30	**0.61**	0.46

The annexed notes 1 to 43 forms an integral part of these unconsolidated financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Unconsolidated
Statement of Comprehensive Income
For the year ended December 31, 2019

2019 (USD in '000)	2018 (USD in '000)		2019 (Rupees in '000)	2018 (Rupees in '000)
2,361	1,852	Profit after taxation for the year	**365,561**	275,914
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
3,373	(3,045)	Movement in deficit on revaluation of investments - net of tax	**522,314**	(471,468)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
7	(1)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	**1,034**	(185)
5,741	(1,194)	**Total comprehensive income / (loss)**	**888,909**	(195,739)

The annexed notes 1 to 43 forms an integral part of these unconsolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated
Cash Flow Statement
For the Year ended December 31, 2019

2019 (USD in '000)	2018 (USD in '000)		Note	2019 (Rupees in '000)	2018 (Rupees in '000)
		CASH FLOWS FROM OPERATING ACTIVITIES			
2,959	3,252	Profit before taxation		**458,190**	503,499
1,269	1,297	Less: Dividend income		**196,469**	200,872
1,690	1,955			**261,721**	302,627
		Adjustments:			
243	48	Depreciation		**37,669**	7,460
7	8	Amortisation		**1,137**	1,248
76	–	Interest expense - lease liability against right-of-use assets		**11,832**	–
42	71	Provision for Sindh Workers' Welfare Fund	27	**6,441**	10,938
(85)	623	(Provision) / reversal of provision	28	**(13,219)**	96,393
(12)	–	Gain on sale of fixed assets	25	**(1,790)**	(34)
271	750			**42,070**	116,005
1,961	2,705			**303,791**	418,632
		Increase in operating assets			
(29,060)	11,114	Lendings to financial institutions		**(4,500,000)**	1,720,909
–	106	Held-for-trading securities		**–**	16,421
9,593	(10,220)	Advances		**1,485,378**	(1,582,522)
(47)	(7,480)	Others assets (excluding advance taxation)		**(7,309)**	(1,158,231)
(19,514)	(6,480)			**(3,021,931)**	(1,003,423)
		Increase in operating liabilities			
53,353	147,980	Borrowings from financial institutions		**8,261,627**	22,914,290
(681)	(25,999)	Deposits		**(105,403)**	(4,025,761)
887	3,357	Other liabilities (excluding current taxation)		**137,334**	519,865
53,559	125,338			**8,293,558**	19,408,394
(208)	–	Rentals paid during the year		**(32,280)**	–
(2,486)	(1,829)	Income tax paid		**(385,017)**	(283,199)
33,312	119,734	Net cash generated from operating activities		**5,158,121**	18,540,404
		CASH FLOWS FROM INVESTING ACTIVITIES			
(31,119)	(123,989)	Net investments in available-for-sale securities		**(4,818,551)**	(19,199,402)
(804)	386	Net investments in held-to-maturity securities		**(124,458)**	59,812
1,274	1,292	Dividends received		**197,227**	200,114
(254)	(15)	Investments in operating fixed assets		**(39,253)**	(2,393)
(4)	(21)	Investments in operating intangible assets		**(673)**	(3,206)
86	1	Proceeds from sale of fixed assets		**13,373**	207
(30,821)	(122,346)	Net cash used in investing activities		**(4,772,335)**	(18,944,868)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,937)	(1,937)	Dividend paid		**(300,000)**	(300,000)
(1,937)	(1,937)	Net cash used in financing activities		**(300,000)**	(300,000)
554	(4,549)	**Increase / (decrease) in cash and cash equivalents**		**85,786**	(704,464)
1,341	5,890	Cash and cash equivalents at beginning of the year		**207,694**	912,158
1,895	1,341	**Cash and cash equivalents at end of the year**	31	**293,480**	207,694

The annexed notes 1 to 43 forms an integral part of these unconsolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated
Statement of Changes in Equity
For the year ended December 31, 2019

	Share capital	Capital reserve: Statutory reserve (a)	Surplus / (deficit) on revaluation of investments	Revenue reserve: Unappropriated profit	Total
	(Rupees in '000)				
As at January 1, 2018	6,000,000	1,351,812	(201,744)	3,306,156	10,456,224
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2018	–	–	–	275,914	275,914
Other comprehensive loss					
- Remeasurement loss on defined benefit obligations - net of tax	–	–	–	(185)	(185)
- Movement in deficit on revaluation of investments - net of tax	–	–	(471,468)	–	(471,468)
	–	–	(471,468)	275,729	(195,739)
Transfer to statutory reserve	–	55,183	–	(55,183)	–
Transactions with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2017 @ Re.0.50 per share	–	–	–	(300,000)	(300,000)
Balance as at December 31, 2018	**6,000,000**	**1,406,995**	**(673,212)**	**3,226,702**	**9,960,485**
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2019	–	–	–	365,561	365,561
Other comprehensive loss					
- Remeasurement loss on defined benefit obligations - net of tax	–	–	–	1,034	1,034
- Movement in deficit on revaluation of investments - net of tax	–	–	522,314	–	522,314
	–	–	522,314	366,595	888,909
Transfer to statutory reserve	–	73,112	–	(73,112)	–
Transactions with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2018 @ Re.0.50 per share	–	–	–	(300,000)	(300,000)
Balance as at December 31, 2019	**6,000,000**	**1,480,107**	**(150,898)**	**3,220,185**	**10,549,394**

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 43 forms an integral part of these unconsolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Notes to and Forming part of the Unconsolidated Financial Statements
For the Year ended December 31, 2019

1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (December 31, 2018: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRSs, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 40, Investment Property, for banking companies / DFIs till further instructions. Further, the SECP, through S.R.O. 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, for banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 for banks and DFIs to accounting periods beginning on or after January 1, 2021, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current year

2.3.1 During the current year, IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Company's unconsolidated financial statements is disclosed in note 4.1.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and, therefore, not detailed in these unconsolidated financial statements.

2.4 **Standards, interpretations and amendments to the accounting and reporting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretations:

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 3: 'Business combinations' (amendments)	January 1, 2020
- IAS 1: 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8: 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020
- IFRS 9: 'Financial Instruments'	January 1, 2021*

The management is in the process of assessing the impact of these standards and amendments on the unconsolidated financial statements of the Company.

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Company which are exposed to credit risk.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant impact on the Company's operations and are therefore not detailed in these unconsolidated financial statements.

2.5 **Critical accounting estimates and judgments**

The preparation of the unconsolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

i) classification and valuation of investments (notes 4.4 and 8);
ii) classification and provisioning against loans and advances (notes 4.6 and 9);
iii) accounting for defined benefit plan (notes 4.14 and 33); and
iv) lease liability and right-of-use assets (notes 17, 10 and 4.7.2).

2.6 **Separate financial statements**

These unconsolidated financial statements represent the separate financial statements of the Company in which investment in subsidiaries and associates are stated at cost. The consolidated financial statements of the Company and its subsidiaries are presented separately.

3 BASIS OF MEASUREMENT

3.1 **Accounting convention**

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 **US Dollar equivalent**

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs 154.85 to US Dollars has been used for 2019 and 2018 as it was the prevalent rate on December 31, 2019.

3.3 **Functional and presentation currency**

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change mentioned in note 4.1 below.

4.1 During the year, IFRS 16: 'Leases' became applicable to the Company. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17: 'Leases', IFRIC 4: 'Determining whether an arrangement contains a lease', SIC 15: 'Operating leases - incentive', and SIC 27: 'Evaluating the substance of transactions involving the legal form of a lease'. IFRS 16 introduces an on balance sheet lease accounting model for leases entered by the lessee. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating lease.

The Company has adopted IFRS 16 from January 1, 2019, using the modified retrospective approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of the standard.

On adoption of IFRS 16, the Company has recognised lease liabilities in respect of leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 13.16% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 1, 2019
	(Rupees in '000)	
Total lease liability recognised	**92,888**	82,732

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

At the date of initial application, the Company has reassessed its operating sublease on the basis of remaining contractual terms and conditions of the head lease and the sublease. Based on the assessment, the Company has reclassified its operating sublease arrangement as a finance lease and has accounted for the sublease as a new finance lease entered into at the date of initial application as per the requirements of IFRS 16.

The recognised right-of-use assets are of the following types:

	January 1, 2019
	(Rupees in '000)
Building	**144,212**

The effects of this change in accounting policy are as follows:

Impact on the unconsolidated statement of financial position:	
- Increase in fixed assets - right-of-use assets	**144,212**
- Decrease in other assets - advances, deposits, advance rent and other prepayments	**67,378**
- Increase in advances - lease receivable	**5,898**
	82,732
- Increase in other liabilities - lease liability against right-of-use assets	**82,732**
Decrease in net assets	**–**

While implementing IFRS 16, the Company has used a single discount rate methodology for a portfolio of leases with similar characteristics.

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.3 Lendings to / borrowings from financial and other institutions

The Company enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the unconsolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements

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

4.4 Investments (other than in subsidiaries and associates)

4.4.1 Classification

The Company classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading

These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.4.2 Initial measurement

All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

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

4.4.3 Subsequent measurement

Held-for-trading

These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the unconsolidated profit and loss account.

Held-to-maturity

These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'unconsolidated statement of changes in equity' and is taken to the unconsolidated profit and loss account when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The cost of investment is determined on a weighted average basis. A decline in the carrying value is charged to the unconsolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the unconsolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

4.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognised as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the unconsolidated profit and loss account in the period in which disposal is made.

4.6 Advances

Advances are stated net of specific and general provisions which are charged to the unconsolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Company also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained where required as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

4.7 Fixed assets and depreciation

4.7.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the unconsolidated profit and loss account using the straight line method at the rates stated in note 10.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the unconsolidated profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the unconsolidated profit and loss account in the period in which disposal is made.

4.7.2 Lease liability and right-of-use assets

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects that the lessee will exercise that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty to exercise extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payments. The corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in unconsolidated profit and loss account if the carrying amount of right-of-use assets has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions, the same is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the standalone price for the increase in scope adjusted to reflect the circumstances of the particular contract, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use assets.

The right-of-use assets is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use assets is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.8 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 11.1. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the unconsolidated profit and loss account in the period in which these arise.

4.9 Impairment

4.9.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed therefrom and recognised in the unconsolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the unconsolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For 'significance', a threshold of 30% and for 'prolonged' a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the unconsolidated statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the unconsolidated profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the unconsolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the unconsolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the unconsolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.9.2 Impairment of investments in subsidiaries and associates

The Company considers that a decline in the recoverable value of its investments in subsidiaries and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the unconsolidated profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries and associates is credited to the unconsolidated profit and loss account.

4.9.3 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the unconsolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.10 Assets classified as held-for-sale

The Company classifies an asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held-for-sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the unconsolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.11 Assets acquired in satisfaction of claims

The Company occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.12 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the unconsolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.12.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax relating to items recognised in other comprehensive income (OCI) is charged / credited to OCI.

4.13 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.14 Staff retirement benefits

Defined benefit plan - staff gratuity fund

The Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the unconsolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2019.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the unconsolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the unconsolidated profit and loss account.

Defined contribution plan - staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Company and the employees at the rate of 10% of basic salary.

4.15 Financial instruments

Financial assets and liabilities carried on the unconsolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the unconsolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the unconsolidated profit and loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.16 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.17 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the unconsolidated financial statements at committed amounts.

4.18 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.
- Dividend income is recognised when the Company's right to receive dividend is established.
- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.
- Rental income is recorded when due.

4.19 Earnings per share

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

4.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the unconsolidated profit and loss account.

4.21 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the unconsolidated financial statements in the period in which such dividends are declared / transfers are made.

4.22 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Board of Directors and Chief Executive Officer have been identified as the chief operating decision-makers who are responsible for allocating resources and assessing the performance of the operating segments.

4.22.1 Business segments

Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales

This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

4.22.2 Geographical segments

The operations of the Company are currently based only in Pakistan.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
		(Rupees in '000)	
With State Bank of Pakistan in			
Local currency current account	5.1	**129,571**	161,339

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 4 dated May 22, 2004.

6 BALANCES WITH OTHER BANKS

	Note	2019	2018
		(Rupees in '000)	
In Pakistan			
In deposit accounts	6.1	**163,909**	46,355

6.1 These carry mark-up at rates ranging from 8% to 11.25% per annum (2018: 6.50% to 8.30% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2019	2018
		(Rupees in '000)	
Repurchase agreement lendings (reverse repo)	7.1	**4,500,000**	–
		4,500,000	–

7.1 These carry mark-up at rates ranging from 13.40% to 13.50% and will mature latest by January 13, 2020.

7.2 Particulars of lending

	2019	2018
	(Rupees in '000)	
In local currency	**4,500,000**	–
In foreign currency	**–**	–
	4,500,000	–

7.3 Securities held as collateral against lendings to financial institutions

(Rupees in '000)

	2019			2018		
	Held by the company	**Further given as collateral**	**Total**	Held by the company	Further given as collateral	Total
Pakistan Investment Bonds	**4,500,000**	**(4,500,000)**	**–**	–	–	–
Total	**4,500,000**	**(4,500,000)**	**–**	–	–	–

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

	Note	2019				2018			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held-for-trading securities		**–**	**–**	**–**	**–**	–	–	–	–
		–	**–**	**–**	**–**	–	–	–	–
Available-for-sale securities									
Federal government securities	8.3	**25,169,133**	**–**	**(38,526)**	**25,130,607**	19,817,801	–	(326,260)	19,491,541
Ordinary shares		**1,647,175**	**(70,025)**	**(108,124)**	**1,469,026**	2,140,824	(210,979)	(391,638)	1,538,207
Non-government debt securities		**2,850,083**	**(269,110)**	**(18,230)**	**2,562,743**	2,635,582	(225,725)	(3,684)	2,406,173
Units of mutual funds		**548,786**	**–**	**(21,995)**	**526,791**	802,419	–	(124,776)	677,643
Preference shares	8.4	**3,250**	**(3,250)**	**–**	**–**	3,250	(3,250)	–	–
		30,218,427	**(342,385)**	**(186,875)**	**29,689,167**	25,399,876	(439,954)	(846,358)	24,113,564
Held-to-maturity securities									
Commercial paper		**124,458**	**–**	**–**	**124,458**	–	–	–	–
		124,458	**–**	**–**	**124,458**	–	–	–	–
Subsidiaries	**8.5**	**2,003,372**	**–**	**–**	**2,003,372**	2,003,372	–	–	2,003,372
Total investments		**32,346,257**	**(342,385)**	**(186,875)**	**31,816,997**	27,403,248	(439,954)	(846,358)	26,116,936

8.2 Investments by segments:

(Rupees in '000)

	Note	2019				2018			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Federal government securities									
Market Treasury Bills		**14,727,442**	**–**	**(32,789)**	**14,694,653**	996,157	–	(617)	995,540
Pakistan Investment Bonds		**10,441,691**	**–**	**(5,737)**	**10,435,954**	18,821,644	–	(325,643)	18,496,001
		25,169,133	**–**	**(38,526)**	**25,130,607**	19,817,801	–	(326,260)	19,491,541
Ordinary Shares									
Listed companies		**1,625,844**	**(48,694)**	**(108,124)**	**1,469,026**	2,095,493	(189,648)	(391,638)	1,514,207
Unlisted companies		**21,331**	**(21,331)**	**–**	**–**	45,331	(21,331)	–	24,000
		1,647,175	**(70,025)**	**(108,124)**	**1,469,026**	2,140,824	(210,979)	(391,638)	1,538,207
Preference shares		**3,250**	**(3,250)**	**–**	**–**	3,250	(3,250)	–	–
Non-government debt securities									
Listed		**1,206,404**	**(16,136)**	**(18,230)**	**1,172,038**	1,078,798	(16,392)	(3,684)	1,058,722
Unlisted		**1,643,679**	**(252,974)**	**–**	**1,390,705**	1,556,784	(209,333)	–	1,347,451
		2,850,083	**(269,110)**	**(18,230)**	**2,562,743**	2,635,582	(225,725)	(3,684)	2,406,173
Units of mutual funds		**548,786**	**–**	**(21,995)**	**526,791**	802,419	–	(124,776)	677,643
Commercial paper		**124,458**	**–**	**–**	**124,458**	–	–	–	–
Subsidiaries									
Awwal Modaraba		**898,372**	**–**	**–**	**898,372**	898,372	–	–	898,372
Awwal Modaraba Management Limited		**105,000**	**–**	**–**	**105,000**	105,000	–	–	105,000
Primus Leasing Limited		**1,000,000**	**–**	**–**	**1,000,000**	1,000,000	–	–	1,000,000
	8.5	**2,003,372**	**–**	**–**	**2,003,372**	2,003,372	–	–	2,003,372
Total investments		**32,346,257**	**(342,385)**	**(186,875)**	**31,816,997**	27,403,248	(439,954)	(846,358)	26,116,936

8.2.1 Investments given as collateral

(Rupees in '000)

	2019			2018		
	Cost / amortised	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Surplus / (deficit)	Carrying value
Market Treasury Bills	**11,020,434**	**(24,964)**	**10,995,470**	17,122,100	(194,249)	16,927,851
Pakistan Investment Bonds	**10,171,890**	**(9,681)**	**10,162,209**	–	–	–
Term finance certificates / sukuks certificates	**739,824**	**–**	**739,824**	739,824	–	739,824
	21,932,148	**(34,645)**	**21,897,503**	17,861,924	(194,249)	17,667,675

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield of 12.89% to 13.15% (2018: 8.61%) per annum and will mature within 10 months (2018: 3 months). Pakistan Investment Bonds carry mark-up ranging between 7.75% to 14.69% (2018: 7.00% to 12.00%) per annum on a semi-annual basis and will mature within 10 years (2018: 8 years). Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs 10 each which carry dividend at the rate of 3 months Kibor + 1% per annum.

8.5 Summary of financial information of subsidiaries

(Rupees in '000)

	Percentage of holding 2019	Percentage of holding 2018	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	2019	2018
Investment in subsidiaries										
Awwal Modaraba Management Limited	**100.00**	100.00	Pakistan	120,956	39,908	22,072	(17,646)	(19,046)	**105,000**	105,000
Awwal Modaraba*	**89.78**	89.78	Pakistan	1,234,332	49,575	185,381	111,383	111,383	**898,372**	898,372
Primus Leasing Limited	**100.00**	100.00	Pakistan	1,289,462	277,201	151,677	66,273	66,273	**1,000,000**	1,000,000
									2,003,372	2,003,372

* The details for Awwal Modaraba have been provided based on its audited financial statements for the year ended June 30, 2019.

8.6 Provision for diminution in value of investments

	2019	2018
	(Rupees in '000)	
8.6.1 Opening balance	**439,954**	364,171
Charge / reversals		
Charge for the year	**292,902**	103,144
Reversal during the year	**(390,471)**	(27,361)
	(97,569)	75,783
Closing balance	**342,385**	439,954

8.6.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2019 Non-performing investments	2019 Provision	2018 Non-performing investments	2018 Provision
Domestic				
Loss	**269,110**	**269,110**	269,366	225,725

8.7 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

(Rupees in '000)

	2019	2018
	Cost	
Federal government securities - government guaranteed		
Market Treasury Bills	**14,727,442**	996,157
Pakistan Investment Bonds	**10,441,691**	18,821,644
	25,169,133	19,817,801
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	**84,893**	47,198
Commercial banks	**66,486**	147,970
Power generation and distribution	**385,809**	350,045
Cement	**309,843**	249,528
Chemicals	**128,983**	126,093
Automobile assembler	**–**	24,153
Engineering	**139,145**	373,776
Fertilizer	**–**	20,698
Food and personal care products	**203,772**	227,501
Cable and electrical goods	**84,458**	222,952
Pharmaceuticals	**–**	35,582
Textile composite	**206,577**	228,732
Textile weaving	**–**	16,391
Glass and ceramics	**12,497**	9,778
Investment banks / investment companies / securities companies	**3,381**	15,096
	1,625,844	2,095,493

(Rupees in '000)

	2019 Cost	2019 Breakup value	2018 Cost	2018 Breakup value
Unlisted companies				
OBS Pakistan (Private) Limited	**–**	**–**	24,000	38,569
Pakistan Mercantile Exchange Limited	**21,331**	**623**	21,331	(2,566)
	21,331	**623**	45,331	36,003

(Rupees in '000)

	2019	2018
	Cost	
Non-government debt securities		
Listed		
- AAA	**290,268**	462,406
- AA+, AA, AA-	**800,000**	600,000
- A+, A, A-	**100,000**	–
- CCC and below	**16,136**	–
- Unrated	**–**	16,392
	1,206,404	1,078,798
Unlisted		
- AA+, AA, AA-	**1,099,583**	1,049,855
- A+, A, A-	**291,198**	253,715
- BBB+, BBB, BBB-	**147,398**	–
- Unrated	**105,500**	253,214
	1,643,679	1,556,784
Preference shares		
Trust Investment Bank Limited	**3,250**	3,250
Units of mutual funds - listed		
Unrated	**548,786**	802,419
	548,786	802,419
Equity securities		
Listed		
Oil and gas marketing / exploration companies		
Sui Northern Gas Pipelines Limited	**63,907**	47,198
Oil and Gas Development Company Limited	**20,986**	–
Commercial banks		
Bank Alfalah Limited	**–**	918
Bank of Punjab	**–**	6,554
MCB Bank Limited	**27,570**	32,915
Habib Bank Limited	**38,916**	107,583
Power generation and distribution		
The Hub Power Company Limited	**–**	43,900
K-Electric Limited	**24,562**	106,900
Kot Addu Power Company Limited	**119,715**	54,141
Nishat Power Limited	**241,532**	145,104
Cement		
Cherat Cement Company Limited	**–**	39,386
D.G. Khan Cement Company Limited	**55,622**	123,268
Fauji Cement Company Limited	**87,456**	40,213
Lucky Cement Limited	**16,369**	11,090
Maple Leaf Cement Factory Limited	**150,396**	35,571
Chemicals		
Agritech Limited	**49,506**	49,506
Berger Paints Pakistan Limited	**26,328**	41,660
Buxly Paints Limited	**–**	11,117
ICI Pakistan Limited	**53,149**	23,810
Automobile assembler		
Ghandara Nissan Limited	**–**	24,153
Engineering		
Aisha Steel Mills Limited	**22,471**	35,940
Amreli Steels Limited	**–**	78,108
Crescent Steel and Allied Products Limited	**–**	90,312
International Industries Limited	**19,390**	106,960
Mughal Iron and Steel Industries Limited	**17,812**	20,873
International Steels Limited	**79,472**	41,583

(Rupees in '000)

	2019	2018
	Cost	
Fertilizer		
Fauji Fertilizer Bin Qasim Limited	**–**	10,311
Fauji Fertilizer Company Limited	**–**	10,387
Food and personal care products		
Al Shaheer Corporation Limited	**–**	31,160
Frieslandcampina Engro Pakistan Limited	**117,650**	80,220
Bunny's Limited	**86,122**	116,121
Cable and electrical goods		
Pak Elektron Limited	**84,458**	222,952
Pharmaceuticals		
Ferozsons Laboratories Limited	**–**	35,582
Textile composite		
Kohinoor Textile Mills Limited	**30,456**	107,407
Nishat (Chunian) Limited	**57,664**	34,396
Towellers Limited	**57,841**	55,422
Nishat Mills Limited	**60,616**	31,507
Textile weaving		
Zephyr Textile Limited	**–**	16,391
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	**12,497**	9,778
Investment banks / investment companies / securities companies		
Pakistan Stock Exchange Limited	**–**	11,845
Jahangir Siddique Company Limited	**130**	–
Trust Investment Bank Limited	**3,251**	3,251
	1,625,844	2,095,493
Unlisted		
OBS Pakistan (Private) Limited	**–**	24,000
Pakistan Mercantile Exchange Limited	**21,331**	21,331
	21,331	45,331
8.8 Particulars relating to held to maturity securities are as follows:		
Non-government debt securities		
Unlisted and unrated		
Commercial paper	**124,458**	–

8.8.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to PKR 124.458 million (December 31, 2018: Nil).

9 ADVANCES

(Rupees in '000)

	Note	Performing		Non-performing		Total	
		2019	2018	**2019**	2018	**2019**	2018
Loans, cash credits, running finances, etc.	9.1	**18,569,932**	20,046,892	**595,472**	592,529	**19,165,404**	20,639,421
Advances - gross		**18,569,932**	20,046,892	**595,472**	592,529	**19,165,404**	20,639,421
Provision against advances	9.4						
- Specific		**–**	–	**394,034**	309,684	**394,034**	309,684
- General		**–**	–	**–**	–	**–**	–
		–	–	**394,034**	309,684	**394,034**	309,684
Advances - net of provision		**18,569,932**	20,046,892	**201,438**	282,845	**18,771,370**	20,329,737

9.1 This includes net investment in finance lease as disclosed below:

(Rupees in '000)

	2019				2018			
	Not later than one year	Later than one year and less than five years	Over five years	Total	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	430,221	470,163	–	900,384	570,165	774,688	–	1,344,853
Residual value	166,761	189,646	–	356,407	211,519	190,338	–	401,857
Minimum lease payments	596,982	659,809	–	1,256,791	781,684	965,026	–	1,746,710
Financial charges for future periods	(96,061)	(69,978)	–	(166,039)	(110,204)	(110,906)	–	(221,110)
Present value of minimum lease payments	500,921	589,831	–	1,090,752	671,480	854,120	–	1,525,600

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 33.33% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 10.67% to 24.00% per annum (2018: 11.00% to 20.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly installments. The assets are pledged in favour of the Company.

9.2 Particulars of advances (gross)

	2019	2018
	(Rupees in '000)	
In local currency	19,165,404	20,639,421
In foreign currencies	–	–
	19,165,404	20,639,421

9.3 Advances include Rs. 595.472 million (2018: Rs. 592.529 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

		2019		2018	
Category of classification	Note	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic					
Other Assets Especially Mentioned	9.3.1	8,706	870	12,451	1,245
Substandard		11,459	2,865	–	–
Doubtful		8,188	4,094	81,477	29,739
Loss		567,119	386,205	498,601	278,700
Total		595,472	394,034	592,529	309,684

9.3.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 8.706 million (December 31, 2018: Rs. 12.451 million).

9.4 Particulars of provision against advances

(Rupees in '000)

	2019			2018		
	Specific	General	Total	Specific	General	Total
Opening balance	309,684	–	309,684	287,826	1,248	289,074
Charge for the year	94,693	–	94,693	193,853	–	193,853
Reversals during the year	(10,343)	–	(10,343)	(171,995)	(1,248)	(173,243)
	84,350	–	84,350	21,858	(1,248)	20,610
Amounts written off	–	–	–	–	–	–
Closing balance	394,034	–	394,034	309,684	–	309,684

9.4.1 Particulars of provision against advances

(Rupees in '000)

	2019			2018		
	Specific	General	Total	Specific	General	Total
In local currency	394,034	–	394,034	309,684	–	309,684
In foreign currencies	–	–	–	–	–	–
	394,034	–	394,034	309,684	–	309,684

9.4.2 The Company has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 01 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 180.915 million (December 31, 2018: Rs. 230.901 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.5 Details of loans written-off of Rs.500,000 and above
During the years ended December 31, 2019 and 2018, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2019	2018
		(Rupees in '000)	
Property and equipment	10.1	136,022	11,711
		136,022	11,711

10.1 Property and equipment

(Rupees in '000)

	Note	2019 Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2019								
Cost		–	43,629	16,506	29,783	18,805	409	109,132
Recognition of right-of-use assets on adoption of IFRS 16	4.1	144,212	–	–	–	–	–	144,212
Accumulated depreciation		–	(42,890)	(14,666)	(24,341)	(15,115)	(409)	(97,421)
Net book value		144,212	739	1,840	5,442	3,690	–	155,923
Year ended December 31, 2019								
Opening net book value		144,212	739	1,840	5,442	3,690	–	155,923
Additions		–	2,975	1,219	5,807	19,350	–	29,351
Disposal		(9,902)	–	–	–	(1,681)	–	(11,583)
Depreciation charge for the year		(28,141)	(1,089)	(892)	(3,595)	(3,952)	–	(37,669)
Closing net book value	10.1.2	106,169	2,625	2,167	7,654	17,407	–	136,022
At December 31, 2019								
Cost		134,310	46,604	17,725	35,590	36,474	409	271,112
Accumulated depreciation		(28,141)	(43,979)	(15,558)	(27,936)	(19,067)	(409)	(135,090)
Net book value	10.1.2	106,169	2,625	2,167	7,654	17,407	–	136,022
Rate of depreciation (percentage)		19.22% - 59.38%	20%	20%	20%-33.33%	25%	50%	–

(Rupees in '000)

	Note	2018 Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2018							
Cost		43,241	15,586	27,919	18,805	391	105,942
Accumulated depreciation		(42,654)	(14,175)	(21,125)	(11,726)	(281)	(89,961)
Net book value		587	1,411	6,794	7,079	110	15,981
Year ended December 2018							
Opening net book value		587	1,411	6,794	7,079	110	15,981
Additions		388	937	1,864	–	174	3,363
Disposals		–	(17)	–	–	(156)	(173)
Depreciation charge for the year		(236)	(491)	(3,216)	(3,389)	(128)	(7,460)
Closing net book value	10.1.2	739	1,840	5,442	3,690	–	11,711
At December 31, 2018							
Cost		43,629	16,506	29,783	18,805	409	109,132
Accumulated depreciation		(42,890)	(14,666)	(24,341)	(15,115)	(409)	(97,421)
Net book value	10.1.2	739	1,840	5,442	3,690	–	11,711
Rate of depreciation (percentage)		20%	20%	20%-33.33%	25%	50%	–

10.1.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
Vehicle	11,350	1,142	1,142	As per employment policy	Ayesha Aziz - Managing Director and Chief Executive Officer (related party)
2019	**11,350**	**1,142**	**1,142**		
2018	328	32	58		

10.1.2 The cost of fully depreciated fixed assets that are still in the Company's use is as follows:

	Note	2019	2018
		(Rupees in '000)	
Leasehold improvements		**42,464**	42,321
Furniture and fixtures		**13,840**	13,638
Electrical, office and computer equipment		**17,378**	14,882
Vehicles		**3,114**	4,649
		76,796	75,490

11 INTANGIBLE ASSETS

	Note	2019	2018
Intangible assets	11.1	**2,777**	3,285
Capital work-in-progress	11.2	**1,498**	1,454
		4,275	4,739

11.1 Intangible assets

	Note	2019 Computer software	Total
		(Rupees in '000)	
At January 1, 2019			
Cost		**18,421**	18,421
Accumulated amortisation		**(15,136)**	(15,136)
Net book value		**3,285**	3,285
Year ended December 31, 2019			
Opening net book value		**3,285**	3,285
Additions		**629**	629
Amortisation charge		**(1,137)**	(1,137)
Closing net book value		**2,777**	2,777
At December 31, 2019			
Cost	11.1.1	**19,050**	19,050
Accumulated amortisation		**(16,273)**	(16,273)
Net book value		**2,777**	2,777
Rate of amortisation (percentage)		**33.33%**	
Useful life (in years)		**3**	

	Note	2018 Computer software	2018 Total
		(Rupees in '000)	
At January 1, 2018			
Cost		14,660	14,660
Accumulated amortisation		(13,888)	(13,888)
Net book value		772	772
Year ended December 2018			
Opening net book value		772	772
Additions		3,761	3,761
Amortisation charge		(1,248)	(1,248)
Closing net book value		3,285	3,285
At December 31, 2018			
Cost	11.1.1	18,421	18,421
Accumulated amortisation		(15,136)	(15,136)
Net book value		3,285	3,285
Rate of amortisation (percentage)		33.33%	
Useful life (in years)		3	

11.1.1 The cost of fully amortised assets still in use amounts to Rs 14.662 million (2018: Rs 13.137 million).

11.2 Capital work-in-progress

	2019	2018
	(Rupees in '000)	
Software	**1,498**	1,454

12 DEFERRED TAX ASSETS

(Rupees in '000)

	2019			
	At January 1, 2019	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 2019
Deductible temporary differences on				
- Post retirement employee benefits	671	–	–	671
- Provision for diminution in the value of investments	99,035	(8,562)	–	90,473
- Provision against advances, other assets, etc.	89,809	24,461	–	114,270
- Deficit on revaluation of investments	173,146	–	(137,169)	35,977
- Accelerated tax depreciation	3,284	276	–	3,560
- Lease liability against right-of-use asset	–	36,315	–	36,315
- Carry forward of alternate corporate tax	–	49,910	–	49,910
- Capital loss on investments	–	5,746	–	5,746
- Provision for bonus	9,926	(2,676)	–	7,250
	375,871	105,470	(137,169)	344,172
Taxable temporary differences on				
- Net investment in finance lease	(52,802)	28,401	–	(24,401)
- Post retirement employee benefits	–	–	(422)	(422)
- Right-of-use assets	–	(30,789)	–	(30,789)
- Amortisation of discount on investments	(5,327)	(74,121)	–	(79,448)
	(58,129)	(76,509)	(422)	(135,060)
	317,742	28,961	(137,591)	209,112

(Rupees in '000)

	2018			
	At January 1, 2019	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 2019
Deductible temporary differences on				
- Post retirement employee benefits	595	–	76	671
- Provision for diminution in the value of investments	88,915	10,120	–	99,035
- Provision against advances, other assets, etc.	86,722	3,087	–	89,809
- Deficit on revaluation of investments	35,530	–	137,616	173,146
- Unrealised loss on revaluation	578	(578)	–	–
- Accelerated tax depreciation	2,100	1,184	–	3,284
- Provision for bonus	–	9,926	–	9,926
	214,440	23,739	137,692	375,871
Taxable temporary differences on				
- Amortisation of discount on investments	(9,492)	(43,310)	–	(52,802)
- Net investment in finance lease	(17,397)	12,070	–	(5,327)
	(26,889)	(31,240)	–	(58,129)
	187,551	(7,501)	137,692	317,742

13 OTHER ASSETS

	Note	2019	2018
		(Rupees in '000)	
Income/ mark-up accrued in local currency		**928,777**	891,736
Advances, deposits, advance rent and other prepayments		**5,396**	72,632
Advance taxation (payments less provisions)		**532,867**	269,440
Advance against subscription of term finance certificates		**–**	350,000
Receivable against sale of shares		**49,002**	164,044
Receivable from related parties	13.1	**23,115**	22,598
Non-banking asset acquired in satisfaction of claims	13.2	**106,215**	28,525
Receivable from AWT Investments Limited		**–**	4,835
Lease receivable under IFRS-16		**8,378**	–
Dividend receivable		**–**	758
Receivable from defined benefit plan	33.4	**716**	–
		1,654,466	1,804,568
Less: Provision held against other assets		**–**	–
		1,654,466	1,804,568

13.1 Receivable from related parties

	2019	2018
Receivable from Awwal Modaraba Management Limited (subsidiary)	**19,892**	4,712
Receivable from Awwal Modaraba (subsidiary)	**1,502**	9,192
Receivable from Primus Leasing Company Limited (subsidiary)	**1,721**	8,694
	23,115	22,598

13.1.1 This includes lease receivable against sublease under IFRS-16 amounting to Rs. 2.572 million and Rs. 0.411 million from Awwal Modaraba Management Limited and Primus Leasing Limited respectively.

13.2 Non-banking asset acquired in satisfaction of claims

	2019	2018
	(Rupees in '000)	
Opening balance	**28,525**	–
Additions during the year	**77,690**	28,525
Disposals during the year	**–**	–
Closing balance	**106,215**	28,525

The details of additions in non-banking asset acquired in satisfaction of claims during the year are as follows:

Atlas Cables (Private) Limited:
The property was acquired to settle the obligations of Atlas Cables (Private) Limited that includes the following:

- Rental aggregating to Rs. 24.836 million;
- Payment of installment of principal amounting to Rs. 18.062 million; and
- Amount due by Atlas Cables (Private) Limited towards Company's subsidiary Awwal Modaraba aggregating to Rs. 33.352 million. This amount was duly paid by the Company to Awwal Modaraba.

14 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

This relates to land, building and machinery which have been classified as 'Non-current assets held for sale' as at December 31, 2019. The Company has entered into an agreement with a buyer to dispose of these properties. It is expected that the process of sale of these properties will be completed in the near future.

15 BORROWINGS

	Note	2019	2018
		(Rupees in '000)	
Secured			
Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	15.2	**5,078,020**	5,347,670
- Power Plants Using Renewable Energy (PPRE) scheme		**152,690**	183,156
- Finance for Storage of Agriculture Produce (FSAP) scheme		**235,068**	320,981
- Finance under working capital		**68,000**	–
		5,533,778	5,851,807
Repurchase agreement borrowings	15.3	**5,333,511**	4,954,100
Borrowings from banks	15.4	**29,445,521**	16,301,946
Total secured		**40,312,810**	27,107,853
Unsecured			
Letters of placement:			
- Primus Leasing Limited (subsidiary)	15.5	**260,000**	583,174
- Awwal Modaraba (subsidiary)	15.6	**200,000**	–
- Others	15.7	**4,379,190**	9,199,346
		45,152,000	36,890,373

15.1 Particulars of borrowings with respect to currencies

	2019	2018
	(Rupees in '000)	
In local currency	**45,152,000**	36,890,373
In foreign currencies	**–**	–
	45,152,000	36,890,373

15.2 The Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges from 2.00% to 8.40% per annum (2018: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 9 years (2018: 10 years).

15.3 These represent borrowings from various financial institutions at mark-up rates ranging from 13.20% to 13.60% per annum (2018: 5.49% to 10.51% per annum). Market Treasury Bills having a face value of Rs. 5,820 million (2018: Rs. 5,000 million) have been given as collateral against these borrowings.

15.4 These carry mark-up at rates ranging from 11% to 14% per annum (2018: 6.09% to 10.94% per annum) and are repayable within 4 year (2018: 5 years). These are secured against hypothecation of receivables and floating charge over term finance certificates, Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 740 million (2018: 740 million), Rs 14,445 million (2018: Rs 12,122 million) and Rs: 9,225 million (2018: Rs: Nil) respectively.

15.5 These carry mark-up at the rate of 12.75% per annum (2018: 10.00% per annum) and are repayable within 1 month (2018: 3 months).

15.6 These carry mark-up at the rate of 12% per annum (2018: Nil) and are repayable within 7 months (2018: Nil).

15.7 These carry mark-up at rates ranging from 9.5 % to 14.00 % per annum (2018: 10.50% to 11.30% per annum) and are repayable within 3 years (2018: 2 months).

16 DEPOSITS AND OTHER ACCOUNTS

		2019			2018		
	Note	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		(Rupees in '000)					
Customers							
- Certificate of investments (COIs)	16.1	**620,000**	**–**	**620,000**	725,403	–	725,403
		620,000	**–**	**620,000**	725,403	–	725,403

16.1 Composition of deposits

	2019	2018
	(Rupees in '000)	
- Public sector entities	**500,000**	500,403
- Private sector	**120,000**	225,000
	620,000	725,403

17 OTHER LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**795,366**	283,901
Unearned commission and income on bills discounted		**22,745**	25,976
Accrued expenses		**39,767**	54,707
Brokerage / commission payable		**3,170**	1,613
Payable against purchase of shares		**15,758**	362,031
Lease liability against right-of-use assets		**92,888**	–
Security deposits against advances		**353,372**	382,649
Provision for Sindh Worker's Welfare Fund		**100,908**	94,467
Payable to defined benefit plan - related party	33.4	**–**	261
Others		**28,099**	11,261
		1,452,073	1,216,866

18 SHARE CAPITAL

18.1 Authorised capital

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

18.2 Issued, subscribed and paid-up capital

		Ordinary shares		
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000

18.3 As at December 31, 2019, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2018: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2018: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2019	2018
		(Rupees in '000)	
Deficit on revaluation of			
- Available-for-sale securities	8.2	**(186,875)**	(846,358)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		**35,977**	173,146
		(150,898)	(673,212)

20 CONTINGENCIES AND COMMITMENTS

	Note	2019	2018
		(Rupees in '000)	
- Guarantees	20.1	**1,102,446**	765,541
- Commitments	20.2	**10,945,709**	7,234,311
- Other contingent liabilities	20.3	**–**	–
		12,048,155	7,999,852
20.1 Guarantees			
Financial guarantees		**1,102,446**	765,541
20.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		**331,320**	335,802
Commitments in respect of:			
- repo transactions	20.2.1	**9,877,213**	5,004,044
- forward lendings	20.2.2	**737,176**	1,894,465
		10,945,709	7,234,311
20.2.1 Commitments in respect of repo transactions			
Repurchase of government securities		**5,342,579**	5,004,044
Reverse repurchase of government securities		**4,534,634**	–
		9,877,213	5,004,044
20.2.2 Commitments in respect of forward lendings			
Undrawn formal standby facilities, credit lines and other commitments to lend		**737,176**	1,894,465

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Company without the risk of incurring significant penalty or expense.

20.3 Other contingent liabilities

20.3.1 In 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs 200 million for damages against the Company for alleged non-performance of underwriting commitment in respect of issue of shares at a premium. The legal advisors of the Company are of the opinion that the Company has a strong case and that the matter will most likely be decided in favour of the Company.

20.3.2 The returns of income of the Company from tax years 2008 to 2019 had been filed with the tax authorities. From tax year 2008 upto tax year 2017, these returns have been revised and additional tax demands have been raised of which Rs. 559.245 million are outstanding as at December 31, 2019. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Company is contesting these demands and appeals have been filed by the Company against the same which are pending adjudication at various legal and appellate forums. The Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 13). The management is confident that the matters will eventually be decided in favour of the Company and that the Company will be able to adjust amounts in respect of matters decided against the Company (if any) against the tax refunds currently being claimed by it.

20.3.3 In 2018, the Company signed an agreement with Army Welfare Trust (AWT) which included an indemnity in favour of AWT for a period of 3 years from December 14, 2016 against any financial liability which may arise out of any fraudulent act carried out during the tenure of the Company's management of Primus Investment Management Limited (PIML). The Company has received a notice of demand for indemnification from AWT Investments Limited (AWTIL) under the aforesaid agreement for an amount of Rs. 34.362 million. The Company has also received a notice of demand for indemnification from AWT on December 13, 2019. The Company, through its legal counsel has responded to the said notice on January 28, 2020. As per advice of the legal counsel, the Company has a strong case in this matter and chances of any successful claim against the Company appear to be unlikely.

21 MARK-UP / RETURN / INTEREST EARNED

	Note	2019	2018
		(Rupees in '000)	
On:			
a) Loans and advances		**1,951,776**	1,358,138
b) Investments		**2,690,690**	1,093,217
c) Lendings to financial institutions		**391,251**	52,611
d) Balances with banks		**7,857**	2,996
		5,041,574	2,506,962

22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**120,998**	184,353
Interest expense on lease liability against right-of-use assets		**10,838**	–
Borrowings		**4,175,457**	1,603,276
		4,307,293	1,787,629

23 FEE AND COMMISSION INCOME

Advisory / arrangement fee		**–**	12,263
Processing fee income		**1,849**	4,868
Participation fee		**3,079**	1,979
Commitment fee		**11,038**	6,811
Commission on letters of credit		**–**	7
Trustee fee		**54,393**	47,988
Front end fee		**795**	517
		71,154	74,433

24 (LOSS) / GAIN ON SECURITIES

Realised	24.1	**(233,293)**	(67,641)
		(233,293)	(67,641)

24.1 Realised (loss) / gain on:			
Federal government securities		**148,136**	(5,934)
Shares		**(346,598)**	(65,101)
Non-government debt securities		**640**	(119)
Commercial paper		**(140)**	–
Mutual funds		**(35,331)**	3,513
		(233,293)	(67,641)

25 OTHER INCOME

	Note	2019	2018
		(Rupees in '000)	
Rent on property		**5,200**	150
Gain on sale of fixed assets - net		**1,790**	34
Gain on sale of software		**–**	14,000
Others		**1,336**	22
		8,326	14,206

26 OPERATING EXPENSES

Total compensation expense		**186,530**	181,911
Property expense			
Rent and taxes		**–**	31,016
Insurance		**5,188**	6,861
Utilities cost		**3,458**	1,476
Security		**1,679**	3,817
Repairs and maintenance (including janitorial charges)		**4,803**	10,590
Depreciation	10.1	**29,230**	236
		44,358	53,996
Information technology expenses			
Software maintenance		**10,979**	6,182
Hardware maintenance		**2,255**	743
Depreciation	10.1	**2,237**	2,017
Amortisation	11.1	**1,137**	1,248
		16,608	10,190
Other operating expenses			
Directors' fees and allowances		**6,040**	3,072
Fees and subscription		**1,416**	651
Legal and professional charges		**11,434**	15,622
Travelling and conveyance		**31,316**	32,597
Brokerage commission		**11,977**	9,587
Depreciation	10.1	**6,202**	5,207
Training and development		**469**	603
Postage and courier charges		**400**	387
Communication		**2,408**	2,271
Stationery and printing		**891**	2,368
Marketing, advertisement and publicity		**408**	348
Donations	26.2	**–**	1,565
Auditors' remuneration	26.3	**1,519**	5,642
Others		**3,549**	4,356
		78,029	84,276
		325,525	330,373

26.1 The Company does not have any material outsourcing arrangements.

26.2 Details of donations

	Note	2019	2018
		(Rupees in '000)	
Donations individually exceeding Rs 500,000			
Aman Health Care Foundation Centre		–	1,500
Donations individually not exceeding Rs 500,000		–	65
		–	1,565

26.3 Auditors' remuneration

	Note	2019	2018
Audit fee for annual financial statements		815	743
Half yearly review fee		300	275
Special certifications and sundry advisory services		160	4,150
Out-of-pocket expenses		244	474
		1,519	5,642

27 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund	27.1	6,441	10,938

27.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in the unconsolidated financial statements amounting to Rs 100.908 million which includes a provision of Rs 6.441 million for the current year.

28 PROVISIONS AND WRITE OFFS - NET

	Note	2019	2018
		(Rupees in '000)	
Provision for diminution in value of investments - net	8.6.1	(97,569)	75,783
Provisions against loans and advances	9.4	84,350	20,610
		(13,219)	96,393

29 TAXATION

Current	29.1	120,906	167,523
Prior years	29.2	684	52,561
Deferred	12	(28,961)	7,501
		92,629	227,585

29.1 Current tax charge for the year represents Alternate Corporate Tax (ACT), tax deducted on capital gains and tax liability under fixed tax regime.

29.2 This includes Rs Nil (2018: 22.155 million) in respect of super tax for rehabilitation of temporarily displaced person at the rate of nil (2018: 3%) of the taxable income for Tax Year 2018 (accounting year ended December 31, 2017).

29.3 Relationship between tax expense and accounting profit

	2019	2018
	(Rupees in '000)	
Accounting profit before tax	458,190	503,499
Tax rate	29%	29%
Tax on accounting profit	132,875	146,015
Tax effect of:		
Income chargeable to tax at special rate	(20,532)	(901)
Income exempt from tax	(74)	(1,035)
Permanent differences	28,373	19,318
Super tax for the current year	–	12,715
Prior year charge	684	52,561
Effect of change in tax rate	–	(1,876)
Excess of ACT over NTR	(49,910)	–
Others	1,213	788
	92,629	227,585

30 BASIC EARNINGS PER SHARE

	2019	2018
	(Rupees in '000)	
Profit for the year	365,561	275,914
	Number of shares	
Weighted average number of ordinary shares	600,000	600,000
	Rupees	
Basic earnings per share	0.61	0.46

30.1 Diluted earnings per share
Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.

31 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000)	
Cash and balance with treasury banks	5	129,571	161,339
Balance with other banks	6	163,909	46,355
		293,480	207,694

32 STAFF STRENGTH

		2019	2018
		(Number)	
Permanent		57	57
On Company's contract		19	20
Outsourced	32.1	20	25
Company's own staff strength at the end of the year		96	102

32.1 This includes 12 (2018:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

33 DEFINED BENEFIT PLAN

33.1 General description

As mentioned in note 4.14, the Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

33.2 Number of employees under the defined benefit plan

	2019	2018
	(Numbers)	
The number of employees covered under the defined benefit plan as at December 31	**74**	75

33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019	2018
	(Per annum)	
Discount rate	**11.25%**	13.25%
Expected rate of salary increase	**11.25%**	13.25%

33.4 Reconciliation of payable to / (receivable from) defined benefit plan

	Note	2019	2018
		(Rupees in '000)	
Present value of obligation	33.6	**61,583**	50,177
Fair value of plan assets	33.7	**(62,299)**	(49,916)
(Receivable) / Payable		**(716)**	261

33.5 Movement in defined benefit obligations

	Note	2019	2018
Obligations at the beginning of the year		**261**	(4,103)
Current service cost	33.8.1	**6,810**	6,327
Actual contributions by the Company		**(6,065)**	(2,224)
Benefits paid by the Company to outgoing members		**(266)**	–
Re-measurement (gain) / loss recognised in OCI		**(1,456)**	261
Obligation at the end of the year		**(716)**	261

33.6 Movement in payable under defined benefit scheme

	Note	2019	2018
Opening balance		**49,260**	42,980
Charge for the year		**6,893**	6,652
Interest cost on defined benefit obligation		**6,840**	3,741
Re-measurement gain recognised in OCI during the year	33.8.2	**(1,144)**	(3,196)
Benefits paid by the Company to outgoing members		**(266)**	(917)
Closing balance		**61,583**	49,260

33.7 Movement in fair value of plan assets

	Note	2019	2018
		(Rupees in '000)	
Fair value at the beginning of the year		**48,999**	47,083
Interest income on plan assets		**6,923**	4,066
Contribution by the Company - net		**6,065**	2,224
Actual benefits paid from the fund during the year		**–**	(917)
Re-measurements: gain / (loss)	33.8.2	**312**	(3,457)
Fair value at the end of the year		**62,299**	48,999

33.8 Charge for defined benefit plan

33.8.1 Cost recognised in unconsolidated profit and loss account

	2019	2018
Current service cost	**6,892**	6,652
Net interest income on defined benefit asset / liability	**(82)**	(325)
	6,810	6,327

33.8.2 Re-measurements recognised in OCI during the year

	2019	2018
Loss / (gain) on obligation		
- financial assumptions	**(551)**	1,099
- experience adjustments	**(593)**	(4,295)
	(1,144)	(3,196)
Return on plan assets over interest income	**(312)**	3,457
Total re-measurements (gain) / loss recognised in OCI	**(1,456)**	261

33.9 Components of plan assets

	2019	2018
Cash and cash equivalents - net	**257**	31
Government securities	**62,042**	42,246
Mutual funds	**–**	7,639
	62,299	49,916

33.9.1 Description of risks

The defined benefit plan exposes the Company to the following risks:

Withdrawal risks This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks This is the risk that the final salary at the time of cessation of service is greater than what was assumed.

33.10 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	2019	2018
	(Rupees in '000)	
1% increase in discount rate	**(5,465)**	(4,480)
1% decrease in discount rate	**6,300**	5,169
1 % increase in expected rate of salary increase	**6,544**	5,360
1 % decrease in expected rate of salary increase	**(5,764)**	(4,714)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the unconsolidated statement of financial position.

	(Rupees in '000)
33.11 Expected contributions to be paid to the funds in the next financial year	**2,425**

33.12 The expected charge for the next financial year commencing January 1, 2020 works out to Rs 2.425 million (2018: Rs 6.925 million).

33.13 Maturity profile

The weighted average duration of the obligation is 10 years (2018: 9 years).

33.14 Funding policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

34 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2018: 10% per annum) of basic salaries are made both by the Company and employees. Contributions made to the provident fund during the year are as follows:

	2019	2018
	(Rupees in '000)	
Contribution made by the Company	**8,245**	7,500
Contribution made by employees	**8,245**	7,500
	16,490	15,000

35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

35.1 Total Compensation Expense

(Rupees in '000)

	2019					
	Directors					
Items	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	1,879	–	3,740	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	22,101	58,263	28,998
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	6,334	15,341	7,629
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,183	2,482	1,239
Contribution to defined contribution plan	–	–	–	1,524	3,074	1,547
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	400	2,005	1,293
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	1,713	3,442	1,478
- TDA	–	–	–	824	56	45
- Fuel	–	–	–	403	2,987	2,212
- others	–	–	421	8	446	534
Total	1,879	–	4,161	34,490	88,096	44,975
Number of Persons	1	–	3	1	12	11

(Rupees in '000)

	2018					
	Directors					
Items	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	893	–	1,804	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	19,567	52,510	24,953
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	1,631	3,930	1,634
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,073	2,180	1,044
Contribution to defined contribution plan	–	–	–	1,349	2,765	1,354
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	663	2,325	1,162
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	–	–	–
- TDA	–	–	–	1,631	3,041	1,447
- Fuel	–	–	–	586	154	111
- others	–	–	375	386	2,614	2,079
	–	–	–	211	438	546
Total	893	–	2,179	27,097	69,957	34,330
Number of Persons	1	–	2	1	11	11

The term "Key Management Personnel" means the following functional responsibilities:

(a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.

(b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

35.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019				
		Meeting Fees and Allowances Paid				
			For Board Committees			
Sr. No.	Name of Director	For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	1,879	–	–	–	1,879
2	Mr. Arif Ahmed Khan*	1,148	–	–	–	1,148
3	Mr. Edzwan Zukri Adanan	1,879	–	–	–	1,879
4	Mr. Tariq Mahmood Pasha	713	–	–	–	713
	Total Amount Paid	5,619	–	–	–	5,619

* During the year, Mr. Arif Ahmed Khan was appointed as a director on the Board in the 51st BOD meeting dated April 29, 2019.

		2018				
		Meeting Fees and Allowances Paid				
			For Board Committees			
Sr. No.	Name of Director	For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	893	–	–	–	893
2	Mr. Tariq Mahmood Pasha	911	–	–	–	911
3	Mr. Edzwan Zukri Adanan	893	–	–	–	893
	Total Amount Paid	2,697	–	–	–	2,697

36 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

36.1 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates / sukuks certificates	Investments in listed debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the prices announced by the Pakistan Stock Exchange Limited.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

(Rupees in '000)

	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	25,130,607	–	25,130,607
Shares	1,469,026	–	–	1,469,026
Non-Government debt securities	–	2,562,743	–	2,562,743
Units of mutual funds	–	526,791	–	526,791
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	9,877,213	–	9,877,213

(Rupees in '000)

	2018			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	19,491,541	–	19,491,541
Shares	1,514,207	–	–	1,514,207
Non-Government debt securities	–	2,406,173	–	2,406,173
Units of mutual funds	–	677,643	–	677,643
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	5,004,044	–	5,004,044

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

(Rupees in '000)

	2019			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit & Loss Account				
Net Mark-up / return / profit	–	447,167	287,114	734,281
Non mark-up / return / interest income	71,156	(28,500)	–	42,656
Total income	71,156	418,667	287,114	776,937
Total expenses	30,423	178,787	122,756	331,966
Provisions	–	(91,081)	77,862	(13,219)
Profit before tax	40,733	330,961	86,496	458,190
Unconsolidated Statement of Financial Position				
Cash and bank balances	26,859	158,245	108,376	293,480
Investments	–	31,816,997	–	31,816,997
Lendings to financial institutions	–	4,500,000	–	4,500,000
Advances - performing	–	455,106	18,114,826	18,569,932
Advances - non-performing	–	30,412	171,026	201,438
Others	3,356	1,413,214	975,050	2,391,620
Total assets	30,215	38,373,974	19,369,278	57,773,467
Borrowings	–	26,790,469	18,361,531	45,152,000
Subordinated debt	–	–	–	–
Deposits & other accounts	–	367,880	252,120	620,000
Others	–	859,407	592,666	1,452,073
Total liabilities	–	28,017,756	19,206,317	47,224,073
Equity	–	6,257,865	4,291,529	10,549,394
Total equity and liabilities	–	34,275,621	23,497,846	57,773,467
Contingencies and commitments	–	6,065,020	5,983,135	12,048,155

(Rupees in '000)

	2018			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit and Loss Account				
Net mark-up / return / profit	–	67,758	651,575	719,333
Non mark-up / return / interest income	74,433	147,437	–	221,870
Total income	74,433	215,195	651,575	941,203
Total expenses	26,992	78,037	236,282	341,311
Provisions	–	76,810	19,583	96,393
Profit before tax	47,441	60,348	395,710	503,499
Unconsolidated Statement of Financial Position				
Cash and bank balances	5,665	101,748	100,281	207,694
Investments	–	26,116,936	–	26,116,936
Advances - performing	–	484,405	19,562,487	20,046,892
Advances - non-performing	–	11,304	271,541	282,845
Others	1,301	530,673	1,606,786	2,138,760
Total assets	6,966	27,245,066	21,541,095	48,793,127
Borrowings	–	18,579,125	18,311,248	36,890,373
Deposits and other accounts	–	365,335	360,068	725,403
Others	–	612,851	604,015	1,216,866
Total liabilities	–	19,557,311	19,275,331	38,832,642
Equity	6,966	7,687,755	2,265,764	9,960,485
Total equity and liabilities	6,966	27,245,066	21,541,095	48,793,127
Contingencies and commitments	–	5,004,044	2,995,808	7,999,852

37.2 Segment details with respect to geographical location

The operations of the Company are currently based only in Pakistan.

38 TRUST ACTIVITIES

The Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / Sukuk Issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Company is meeting all its obligations and duties in accordance with the provisions of respective trust documents. The Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as DST under the Debt Securities Trustees Regulations, 2017 (DST Regulation, 2017).

Currently, the Company is acting as a trustee to the Term Finance Certificates and Sukuk issued by Agha Steel Industries Limited, Agritech Limited, Air Link Communications Limited, Al-Baraka Bank (Pakistan) Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, The Bank of Punjab, Dubai Islami Bank Pakistan Limited, Engro Polymer & Chemicals Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, HUBCO Power Company Limited, International Brands Limited, Jahangir Siddiqui & Co. Limited, Javedan Corporation Limited, JS Bank Limited, K-Electric Limited, Khushali Microfinance Bank Limited, Neelum Jehlum Hydro Power Company Limited, Pak Elektron Limited, Pak Water & Power Development Authority (WAPDA), Pak Water & Power Development Authority (WAPDA-Dasu Project), Pakistan International Airlines, Pakistan Services Limited, Secure Logistics Group, Silk Bank Limited, Sindh Nooriabad Power Co. Pvt. Limited (Phase-I), Sindh Nooriabad Power Company Pvt. Limited (Phase-II), Soneri Bank Limited, Summit Bank Limited, TPL Properties Pvt. Limited, U Microfinance Bank Limited, and WAPDA 3rd SUKUK Company. The combined value of the debt securities as at December 31, 2019 amounted to Rs. 434,264 million (2018: Rs. 388,088 million).

39 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited), KSB Pumps Company Limited, Al-Shaheer Corporation Limited, employees' defined benefit and defined contribution plan, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are made in accordance with the actuarial valuations / terms of scheme. Remuneration to executives is disclosed in note 35 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

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

(Rupees in '000)

	2019				2018			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
Investments								
Opening balance	–	–	2,003,372	–	–	–	2,003,372	–
Investment made during the year	–	–	–	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–	–	–	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–	–	–
Transfer in / (out)	–	–	–	–	–	–	–	–
Classified as held-for-sale	–	–	–	–				
Closing balance	–	–	2,003,372	–	–	–	2,003,372	–
Advances								
Opening balance	–	75,591	–	–	–	58,252	–	–
Addition during the year	–	6,859	–	–	–	29,803	–	–
Repaid during the year	–	(31,856)	–	–	–	(12,464)	–	–
Transfer in / (out) - net	–	30,483	–	–	–	–	–	–
Closing balance	–	81,077	–	–	–	75,591	–	–
Other assets								
Interest / mark-up accrued	–	–	372	–	–	–	990	–
Lease receivable under IFRS-16	–	–	2,983	–	–	–	–	–
Receivable from defined benefit plan	–	–	–	716	–	–	–	–
Others	–	–	19,760	–	–	–	21,608	–
	–	–	23,115	716	–	–	22,598	–
Borrowings	–	–	–	–	–	–	–	–
Opening balance	–	–	583,174	14,346	–	–	–	–
Borrowings during the year	–	–	4,409,462	398,129	–	–	1,921,857	428,564
Settled during the year	–	–	(4,532,636)	(346,461)	–	–	(1,338,683)	(414,218)
Transfer in / (out) - net	–	–	–	–	–	–	–	–
Closing balance	–	–	460,000	66,014	–	–	583,174	14,346
Deposits and other accounts								
Opening balance	–	–	–	–	–	–	–	–
Received during the year	–	–	–	–	–	–	1,580,000	–
Withdrawn during the year	–	–	–	–	–	–	(1,580,000)	–
Closing balance	–	–	–	–	–	–	–	–
Other Liabilities	–	–	–	–	–	–	–	–
Interest / mark-up payable	–	–	12,478	1,379	–	–	3,994	114
Other liabilities	–	–	–	–	–	–	–	261
	–	–	12,478	1,379	–	–	3,994	375
Income								
Mark-up / return / interest earned	–	2,062	1,997	–	–	2,551	–	–
Dividend income	–	–	144,905	–	–	–	152,875	–
Net gain on sale of securities	–	–	–	–	–	–	14,000	–
Gain on sale of intangibles	–	–	–	–	–	–	–	–
Expense								
Mark-up / return / interest paid	–	–	62,295	3,673	–	–	40,145	–
Operating expenses	4,669	111,655	–	–	3,072	76,244	–	–
Reimbursement of expenses	–	1,235	–	–	–	5,616	–	–
Expenses charged	–	–	26,480	–	–	–	47,901	–

39.1 These denote administrative expenses charged by the Company under the cost sharing agreement entered into between the Company and its subsidiaries (namely Primus Leasing Limited, Awwal Modaraba Management Limited and Awwal Modaraba).

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,000,000	6,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,805,912	7,316,166
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	7,805,912	7,316,166
Eligible Tier 2 Capital	–	–
Total Eligible Capital (Tier 1 + Tier 2)	7,805,912	7,316,166
Risk Weighted Assets (RWAs):		
Credit Risk	21,592,476	23,817,108
Market Risk	5,274,038	4,381,901
Operational Risk	1,756,822	1,664,869
Total	28,623,336	29,863,878
Common Equity Tier 1 Capital Adequacy ratio	27.27%	24.50%
Tier 1 Capital Adequacy Ratio	27.27%	24.50%
Total Capital Adequacy Ratio	27.27%	24.50%

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

The paid-up capital and CAR of the Company stands at Rs. 6 billion and 27.27% of its risk weighted exposure as at December 31, 2019.

The Company uses Standardised approach for calculations of Credit and Market Risk Weighted Assets while Basic Indicator approach is used to calculate Operational Risk Weighted assets.

	2019	2018
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	12.50%	11.90%

	2019	2018
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,805,912	7,316,166
Total Exposures	57,136,948	49,144,614
Leverage Ratio - Percentage	13.66%	14.89%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,538,009	5,625,751
Total Net Cash Outflow	7,136,150	8,561,213
Liquidity Coverage Ratio - Percentage	63.59%	65.71%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	25,529,648	19,869,638
Total Required Stable Funding	22,140,524	21,364,065
Net Stable Funding Ratio - Percentage	115.31%	93.00%

40.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2020/03/BaselIII2019Disclosure-Standalone.pdf

41 RISK MANAGEMENT

The Risk Management Framework (the Framework) of the Company provides principles for identifying, assessing and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk
The Company generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.
Market risk	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company.
Liquidity risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities
The Board of Directors (the Board) is accountable for the overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and ensuring that these are properly implemented. Furthermore, the Board approves the appointment of senior management personnel who are capable of managing the risk activities conducted by the Company.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Company while MOOR function overviews market, liquidity and operational risks of the Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Company, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for Credit Committee members. CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group exposures, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the statement of financial position as a whole. MOOR is responsible for monitoring and reporting of market and liquidity risk as it arises from our trading, investing and lending activities. MOOR also conducts Risk and Self Assessment exercises and maintains Company wide risk registers to monitor operational risks embedded in the Company operations and ensure that sufficient controls are in place against such risks.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

41.1 Credit risk
Credit risk, i.e. the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework. The Company has adopted Standardised Approach of Basel II Accord.

The Company manages 3 principal sources of credit risk:

i) Sovereign credit risk
When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk
When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a standalone basis. Two internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits
In the normal course of its business, the Company's Treasury utilises products such as reverse repos and call lendings to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Company.

Reflecting a preference for minimising the exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

Credit administration
Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics
To ensure a prudent distribution of asset portfolio, the Company manages its lendings and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing
The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Company and assessing its resulting effect on capital adequacy.

Regular monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

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

41.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	**4,500,000**	–	–	–	–	–
	4,500,000	–	–	–	–	–

41.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	–	157,433	**58,320**	58,320	**58,320**	58,320
Textile	**45,514**	45,514	**45,514**	45,514	**45,514**	45,514
Electronics and electrical appliances	**105,500**	118,000	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	43,641	**43,641**	43,641	**43,641**	–
Transport, Storage and Communication	**16,135**	16,391	**16,135**	16,391	**16,135**	16,391
Financial institution	**2,763,751**	2,254,603	–	–	–	–
	2,974,541	2,635,582	**269,110**	269,366	269,110	225,725
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	**2,974,541**	2,635,582	**269,110**	269,366	**269,110**	225,725
	2,974,541	2,635,582	**269,110**	269,366	**269,110**	225,725

41.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**233,609**	684,253	**2,813**	–	**281**	–
Textile	**3,965,123**	4,348,680	**30,276**	43,725	**26,586**	36,676
Chemical and Pharmaceuticals	**2,670,152**	2,081,853	–	54	–	54
Cement	**1,200,000**	1,200,000	–	–	–	–
Sugar	**913,559**	751,522	**21,998**	21,998	–	–
Automobile and transportation equipment	**1,821**	2,543	**1,184**	196	**296**	98
Electronics and electrical appliances	**1,547,379**	1,880,376	**2,059**	2,059	**2,059**	2,059
Construction	**642,754**	869,415	–	–	–	–
Power (Electricity), Gas, Water, Sanitary	**2,685,313**	2,107,164	**138,073**	138,073	**47,384**	20,352
Transport, Storage and Communication	**346,746**	410,443	**73,443**	60,464	**60,385**	27,605
Financial	**230,515**	437,947	–	–	–	–
Services	**43,575**	971,572	–	–	–	–
Individuals	**161,055**	176,367	–	–	–	–
Packaging	**946,133**	953,151	–	–	–	–
Engineering	**43,720**	525,632	–	–	–	–
Food and beverages	**1,657,966**	1,094,078	**308,567**	307,859	**239,983**	205,678
Steel and engineering	**497,012**	1,567,512	**6,270**	6,270	**6,270**	6,270
Information Technology	**323,567**	399,678	**10,789**	10,789	**10,789**	10,789
Others	**1,055,405**	177,235	–	1,042	–	103
	19,165,404	20,639,421	**595,472**	592,529	**394,034**	309,684
Credit risk by public / private sector						
Public / Government	**24,854**	50,123	–	–	–	–
Private	**19,140,550**	20,589,298	**595,472**	592,529	**394,034**	309,684
	19,165,404	20,639,421	**595,472**	592,529	**394,034**	309,684

41.1.4 Contingencies and Commitments

	2019	2018
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	**5,000**	5,000
Textile	**235,253**	1,147,989
Chemical and Pharmaceuticals	**75,497**	20,650
Construction	**935,374**	965,541
Power (Electricity), Gas, Water, Sanitary	**768,768**	513,218
Transport, Storage And Communication	–	10,300
Financial	**9,877,213**	5,004,044
Services	**4,500**	–
Packaging	**144,231**	100,450
Engineering	–	10,170
Food and beverages	**780**	2,080
Steel and engineering	**39**	205,410
Others	**1,500**	15,000
	12,048,155	7,999,852
Credit risk by public / private sector		
Public / Government	**5,004,044**	5,004,044
Private	**7,044,111**	2,995,808
	12,048,155	7,999,852

41.1.5 Concentration of advances

The Company's top 10 exposures on the basis of total funded and non-funded exposures are as following:

	2019	2018
	(Rupees in '000)	
Funded	**6,691,455**	7,073,746
Non Funded	**1,102,446**	765,541
Total Exposure	**7,793,901**	7,839,287

The sanctioned limits against these top 10 exposures aggregated to Rs.8,867 million (2018: Rs.7,846 million).

41.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

	2019				
		Utilisation			
	Disbursements	**Punjab**	**Sindh**	**Balochistan**	**Islamabad**
Province / Region					
Punjab	**3,409,412**	**3,409,412**	**–**	**–**	**–**
Sindh	**4,154,954**	**–**	**4,154,954**	**–**	**–**
Balochistan	**900,000**	**–**	**–**	**900,000**	**–**
Islamabad	**–**	**–**	**–**	**–**	**–**
Total	**8,464,366**	**3,409,412**	**4,154,954**	**900,000**	**–**

(Rupees in '000)

	2018				
		Utilisation			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	7,860,134	7,860,134	–	–	–
Sindh	3,018,302	–	3,018,302	–	–
Balochistan	1,300,000	–	–	1,300,000	–
Islamabad	–	–	–	–	–
Total	12,178,436	7,860,134	3,018,302	1,300,000	–

41.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Company is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Company classifies its assets in banking and trading books as per instructions from the SBP. The Company's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking book and are treated as per SBP requirements.

The Company's trading book consists of investments in government securities, listed equities and mutual funds. The Company actively measures, controls and manages market risk in its trading book on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Company measures market risk using various techniques like duration analysis for interest rate risk in banking book, Value-at-Risk for adverse price movement, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Results are also communicated to the Board of Directors every quarter and to Board's Risk Management Committee on a half-yearly basis. Market risk is effectively managed at the portfolio level. The Company has adopted Standardised Approach of Basel II Accord.

41.2.1 Statement of Financial Position split by trading and banking books - Basel II Specific

(Rupees in '000)

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
Cash and balances with treasury banks	**129,571**	**–**	**129,571**	161,339	–	161,339
Balances with other banks	**163,909**	**–**	**163,909**	46,355	–	46,355
Lendings to financial institutions	**4,500,000**	**–**	**4,500,000**	–	–	–
Investments	**4,690,573**	**27,126,424**	**31,816,997**	4,433,545	21,683,391	26,116,936
Advances	**18,771,370**	**–**	**18,771,370**	20,329,737	–	20,329,737
Fixed assets	**136,022**	**–**	**136,022**	11,711	–	11,711
Intangible assets	**4,275**	**–**	**4,275**	4,739	–	4,739
Deferred tax assets	**209,112**	**–**	**209,112**	317,742	–	317,742
Other assets	**1,654,466**	**–**	**1,654,466**	1,804,568	–	1,804,568
Non-current assets classified as held-for-sale	**387,745**	**–**	**387,745**	–	–	–
	30,647,043	**27,126,424**	**57,773,467**	27,109,736	21,683,391	48,793,127

41.2.2 Foreign exchange risk

Foreign exchange risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	2019				2018			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet**	**Net foreign currency**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet	Net foreign currency
United States Dollar	**6**	**–**	**–**	**6**	6	–	–	6
	6	**–**	**–**	**6**	6	–	–	6

(Rupees in '000)

	2019		2018	
	Banking book	**Trading book**	**Banking book**	**Trading book**
Impact of 1% change in foreign exchange rates on				
- Unconsolidated profit and loss account	**0.00006**	**–**	0.00043	–

41.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in prices of individual stocks or the levels of equity indices. The Company's equity investments are either classified as available-for-sale (AFS) and held for trading (HFT). The objective of the AFS portfolio is to maintain a medium term view of capital gains and dividend income while the Company takes advantage of short-term capital gains through its HFT portfolio investments. It is managed by the Company through its internal investment policy which is duly approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The Company also applies stress tests on the equity portfolio which is part of the Company's overall market risk exposure limit on the banking book.

(Rupees in '000)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Unconsolidated profit and loss account	–	–	–	–
- Other comprehensive income	–	(113,653)	–	(141,831)

41.2.4 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity dates and for off-balance sheet instruments is based on settlement dates. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the Company also conducts interest rate sensitivity analysis in the banking book using the Duration Gap analysis based on its interest rate sensitive assets and interest rate sensitive liabilities. The Company also uses parallel shift in interest rates to determine the impact of adverse rate changes on investments in government securities.

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.

- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Company's equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

(Rupees in '000)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Unconsolidated profit and loss account	2,427	–	(3,568)	–
- Other comprehensive income	–	(102,441)	–	(355,814)

41.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	2019											
	Effective yield/ interest rate %	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	129,571	–	–	–	–	–	–	–	–	–	129,571
Balances with other banks	6.50% to 8.30%	163,909	163,909	–	–	–	–	–	–	–	–	–
Lending to financial institutions	–	4,500,000	4,500,000	–	–	–	–	–	–	–	–	–
Investments	7.00% to 14.29%	31,816,997	974,033	11,194,675	901,102	14,734,609	2,874	–	8,732	1,784	–	3,999,189
Advances	2.00% to 20.00%	18,771,370	5,557,371	4,836,193	2,357,029	1,166,020	1,063,881	916,031	1,410,561	1,263,658	39,569	161,056
Other assets		1,015,384	–	–	–	–	–	–	–	–	–	1,015,384
		56,397,230	11,195,313	16,030,868	3,258,131	15,900,629	1,066,755	916,031	1,419,293	1,265,442	39,569	5,305,200
Liabilities												
Borrowings	2.00% to 11.30%	45,152,000	23,682,677	8,800,255	6,578,134	1,511,668	1,014,752	955,937	1,384,785	1,223,791	–	–
Deposits and other accounts	10.00% to 10.50%	620,000	–	120,000	500,000	–	–	–	–	–	–	–
Other liabilities	–	1,328,420	–	–	–	–	–	–	–	–	–	1,328,420
		47,100,420	23,682,677	8,920,255	7,078,134	1,511,668	1,014,752	955,937	1,384,785	1,223,791	–	1,328,420
On-balance sheet gap		9,296,811	(12,487,365)	7,110,613	(3,820,003)	14,388,960	52,004	(39,906)	34,508	41,651	39,569	3,976,780
Non financial net assets		1,252,583										
Net assets		10,549,394										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,433,766	2,461	27,859	–	–	1,102,446	–	–	301,000	–	–
Commitments in respect of:												
- forward foreign exchange contracts		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		737,176	82,605	10,341	644,230	–	–	–	–	–	–	–
- repo transactions		9,877,213	9,877,213	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		12,048,155	9,962,279	38,200	644,230	–	1,102,446	–	–	301,000	–	–
Total yield / interest risk sensitivity gap			(2,525,086)	7,148,813	(3,175,773)	14,388,960	1,154,450	(39,906)	34,508	342,651	39,569	3,976,780
Cumulative yield / interest risk sensitivity gap			(2,525,086)	4,623,727	1,447,953	15,836,914	16,991,363	16,951,458	16,985,966	17,328,617	17,368,186	21,344,966

(Rupees in '000)

	2018											
	Effective yield/ interest rate %	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	161,339	–	–	–	–	–	–	–	–	–	161,339
Balances with other banks	6.50% to 8.30%	46,355	46,355	–	–	–	–	–	–	–	–	–
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	7.00% to 14.29%	26,116,936	1,480,892	18,030,515	1,066,594	1,306,937	–	2,772	–	10,004	–	4,219,222
Advances	2.00% to 20.00%	20,329,737	6,418,412	4,561,985	3,454,449	438,526	1,018,136	987,429	1,546,733	1,727,700	–	176,367
Other assets		1,156,603	–	–	–	–	–	–	–	–	–	1,156,603
		47,810,970	7,945,659	22,592,500	4,521,043	1,745,463	1,018,136	990,201	1,546,733	1,737,704	–	5,713,531
Liabilities												
Borrowings	2.00% to 11.30%	36,890,373	6,160,572	21,025,628	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	–
Deposits and other accounts	10.00% to 10.50%	725,403	225,000	500,403	–	–	–	–	–	–	–	–
Other liabilities	–	1,096,423	–	–	–	–	–	–	–	–	–	1,096,423
		38,712,199	6,385,572	21,526,031	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	1,096,423
On-balance sheet gap		9,098,771	1,560,087	1,066,469	351,189	1,353,836	75,938	29,901	8,754	35,489	–	4,617,108
Non financial net assets		861,714										
Net assets		9,960,485										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,101,343	–	–	68,478	237,000	30,324	765,541	–	–	–	–
Commitments in respect of:												
- forward government securities transactions		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		1,894,465	72,620	–	798,660	1,023,185	–	–	–	–	–	–
- repo transactions		5,004,044	5,004,044	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,999,852	5,076,664	–	867,138	1,260,185	30,324	765,541	–	–	–	–
Total yield / interest risk sensitivity gap			6,636,751	1,066,469	1,218,327	2,614,021	106,262	795,442	8,754	35,489	–	4,617,108
Cumulative yield / interest risk sensitivity gap			6,636,751	7,703,220	8,921,547	11,535,568	11,641,830	12,437,272	12,446,026	12,481,515	12,481,515	17,098,623

41.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry's best practices. The Company also gathers operational risk losses to determine strengths and sufficiency of its internal controls.

The Company has developed a Business Continuity Plan applicable to all its functional areas and the plan is rehearsed at least twice in a year.

Furthermore, the Company's operations are relatively simple as compared to a large scale commercial bank. The Company only operates with its head office in Karachi with a liaison office in Lahore. Given simple operations and small scale, Company uses Basic Indicator Approach (BIA) to determine capital charge under Basel II.

41.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Company's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Company's main funding source is the inter-bank money market. Changes in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding sources. Efficient and accurate planning plays a critical role in liquidity management. The Company's MIS provides information on expected cash inflows / outflows which allows the Company to take timely decisions based on future requirements. The Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio, etc. Other sources are also identified for which early warning indicators have been created and are being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

41.4.1 Maturities of assets and liabilities - based on contractual maturities of assets and liabilities of the Company

(Rupees in '000)

	2019													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	129,571	1,045	7,315	7,315	16,719	97,179	–	–	–	–	–	–	–	–
Balances with other banks	163,909	1,321	9,247	9,247	21,135	122,959	–	–	–	–	–	–	–	–
Lendings to financial institutions	4,500,000	–	–	–	4,500,000	–	–	–	–	–	–	–	–	–
Investments	31,816,997	–	–	271,035	146,576	146,576	678,344	146,636	13,433,761	3,937,247	901,493	10,220	239,894	11,905,215
Advances	18,771,370	170,383	785,193	78,344	1,246,211	882,319	1,127,205	2,656,321	966,188	1,023,105	3,063,545	2,201,387	2,872,297	1,698,872
Fixed assets	136,022	92	643	643	1,470	6,003	3,049	13,477	7,441	13,717	26,220	32,411	30,855	–
Intangible assets	4,275	15	114	116	264	264	264	814	1,278	1,146	–	–	–	–
Deferred tax assets	209,112	4,258	30,737	30,737	60,411	6,735	18,041	24,374	–	93,245	3,558	2,384	(38,125)	(27,243)
Other assets	1,654,466	6,422	44,956	44,956	102,757	652,181	34,646	609,054	77,942	67,180	–	96	–	14,275
Non-current assets classified as held-for-sale	387,745	–	–	–	–	–	–	387,745	–	–	–	–	–	–
	57,773,467	183,536	878,205	442,393	6,095,544	1,914,216	1,861,549	3,838,421	14,486,610	5,135,640	3,994,816	2,246,498	3,104,921	13,591,119
Liabilities														
Borrowings	45,152,000	3,731	8,386,820	12,505,901	285,187	1,949,929	267,240	4,544,146	4,328,804	1,636,965	4,747,953	3,822,554	1,447,285	1,225,485
Deposits and other accounts	620,000	–	–	–	–	100,000	20,000	500,000	–	–	–	–	–	–
Other liabilities	1,452,073	119,833	63,907	471,232	38,351	199,198	59,245	188,892	14,967	12,836	132,387	66,150	83,523	1,552
	47,224,073	123,564	8,450,727	12,977,133	323,538	2,249,127	346,485	5,233,038	4,343,771	1,649,801	4,880,340	3,888,704	1,530,808	1,227,037
Net assets	10,549,394	59,972	(7,572,522)	(12,534,740)	5,772,006	(334,911)	1,515,064	(1,394,617)	10,142,839	3,485,839	(885,524)	(1,642,206)	1,574,113	12,364,082
Share capital	6,000,000													
Reserves	1,480,107													
Unappropriated profit	3,220,185													
Deficit on revaluation of assets	(150,898)													
	10,549,394													

(Rupees in '000)

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	161,339	1,301	9,108	9,108	20,818	121,004	–	–	–	–	–	–	–	–
Balances with other banks	46,355	487	2,610	2,610	5,967	34,681	–	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	26,116,936	–	16,632	–	1,231,542	139,074	287,168	620,253	135,711	2,238,575	1,123	1,115	855,290	20,590,453
Advances	20,329,737	19,329	538,347	1,047,605	1,610,340	368,030	403,292	2,283,292	1,319,981	980,655	3,204,125	2,783,897	3,269,901	2,500,943
Fixed assets	11,711	425	461	461	461	344	1,562	3,843	1,431	1,562	1,156	5	–	–
Intangible assets	4,739	15	114	116	264	264	264	1,278	1,278	1,146	–	–	–	–
Deferred tax assets	317,742	2,804	4,672	4,672	5,875	78,764	16,834	43,074	63,179	63,179	26,268	3,588	4,833	–
Other assets	1,804,568	102	207,344	13,031	339,766	628,115	119,563	106,948	43,500	181,221	161,376	602	–	3,000
	48,793,127	24,463	779,288	1,077,603	3,215,033	1,370,276	828,683	3,058,688	1,565,080	3,466,338	3,394,048	2,789,207	4,130,024	23,094,396
Liabilities														
Borrowings	36,890,373	–	3,568,714	5,301	4,661,557	6,826,734	1,123,894	11,332,368	–	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215
Deposits and other accounts	725,403	–	–	–	225,000	–	500,403	–	–	–	–	–	–	–
Other liabilities	1,216,866	–	420,400	47,199	116,388	140,204	68,050	79,528	29,452	41,262	141,686	106,588	24,623	1,486
	38,832,642	–	3,989,114	52,500	5,002,945	6,966,938	1,692,347	11,411,896	29,452	1,657,876	2,883,884	1,566,888	1,875,101	1,703,701
Net assets	9,960,485	24,463	(3,209,826)	1,025,103	(1,787,912)	(5,596,662)	(863,664)	(8,353,208)	1,535,628	1,808,462	510,164	1,222,319	2,254,923	21,390,695
Share capital	6,000,000													
Reserves	1,406,995													
Unappropriated profit	3,226,702													
Deficit on revaluation of assets	(673,212)													
	9,960,485													

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

(Rupees in '000)

	2019									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	129,571	32,393	97,179	–	–	–	–	–	–	–
Balances with other banks	163,909	40,950	122,959	–	–	–	–	–	–	–
Lendings to financial institutions	4,500,000	4,500,000	–	–	–	–	–	–	–	–
Investments	31,816,997	417,611	824,920	146,636	17,371,008	901,493	10,220	239,894	11,905,215	–
Advances	18,771,370	2,280,131	2,009,524	2,656,321	1,989,293	3,063,545	2,201,387	2,872,297	1,698,872	–
Fixed assets	136,022	2,849	9,052	13,477	21,158	26,220	32,411	30,855	–	–
Intangible assets	4,275	509	528	814	2,424	–	–	–	–	–
Deferred tax assets	209,112	126,143	24,776	24,374	93,245	3,558	2,384	(38,125)	(27,243)	–
Other assets	1,654,466	199,092	686,827	609,054	145,122	–	96	–	14,275	–
Non-current assets classified as held-for-sale	387,745	–	–	387,745	–	–	–	–	–	–
	57,773,467	7,599,678	3,775,765	3,838,421	19,622,250	3,994,816	2,246,498	3,104,921	13,591,119	–
Liabilities										
Borrowings	45,152,000	21,181,639	2,217,169	4,544,146	5,965,769	4,747,953	3,822,554	1,447,285	1,225,485	–
Deposits and other accounts	620,000	–	120,000	500,000	–	–	–	–	–	–
Other liabilities	1,452,073	693,323	258,443	188,892	27,803	132,387	66,150	83,523	1,552	–
	47,224,073	21,874,962	2,595,612	5,233,038	5,993,572	4,880,340	3,888,704	1,530,808	1,227,037	–
Net assets	10,549,394	(14,275,284)	1,180,153	(1,394,617)	13,628,678	(885,524)	(1,642,206)	1,574,113	12,364,082	–
Share capital	6,000,000									
Reserves	1,480,107									
Unappropriated profit	3,220,185									
Deficit on revaluation of assets	(150,898)									
	10,549,394									

(Rupees in '000)

	2018									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	161,339	40,335	121,004	–	–	–	–	–	–	–
Balances with other banks	46,355	11,674	34,681	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	26,116,936	1,248,174	426,242	620,253	2,374,286	1,123	1,115	855,290	20,590,453	–
Advances	20,329,737	3,215,621	771,322	2,283,292	2,300,636	3,204,125	2,783,897	3,269,901	2,500,943	–
Fixed assets	11,711	1,808	1,906	3,843	2,993	1,156	5	–	–	–
Intangible assets	4,739	509	528	1,278	2,424	–	–	–	–	–
Deferred tax assets	317,742	18,023	95,598	43,074	126,358	26,268	3,588	4,833	–	–
Other assets	1,804,568	560,243	747,678	106,948	224,721	161,376	602	–	3,000	–
	48,793,127	5,096,387	2,198,959	3,058,688	5,031,418	3,394,048	2,789,207	4,130,024	23,094,396	–
Liabilities										
Borrowings	36,890,373	8,235,572	7,950,628	11,332,368	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215	–
Deposits and other accounts	725,403	225,000	500,403	–	–	–	–	–	–	–
Other liabilities	1,216,866	583,987	208,254	79,528	70,714	141,686	106,588	24,623	–	1,486
	38,832,642	9,044,559	8,659,285	11,411,896	1,687,328	2,883,884	1,566,888	1,875,101	1,702,215	1,486
Net assets	9,960,485	(3,948,172)	(6,460,326)	(8,353,208)	3,344,090	510,164	1,222,319	2,254,923	21,392,181	(1,486)
Share capital	6,000,000									
Reserves	1,406,995									
Unappropriated profit	3,226,702									
Deficit on revaluation of assets	(673,212)									
	9,960,485									

42 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2019 of Re. **0.50** per share (2018: Re.0.50 per share), amounting to Rs. **300** million (2018: Rs.300 million) at their meeting held on **March 2, 2020**, for approval of the members at the annual general meeting to be held on **April 30, 2020**. The unconsolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2020.

43 GENERAL

43.1 Figures in these unconsolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Annexure - I

Statement showing written-off loans or any other financial relief of rupees five hundred thousand or above provided

During the year ended December 31, 2019

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ mark-up	Other than Interest/ mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
	Nil.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Consolidated Financial Statements

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Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Opinion
We have audited the annexed consolidated financial statements of Pak Brunei Investment Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon
Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 05, 2020

Consolidated
Statement of Financial Position

As at December 31, 2019

2019	2018		Note	2019	2018
(USD in '000)				(Rupees in '000)	
		ASSETS			
865	1,817	Cash and balances with treasury banks	5	**133,913**	281,404
1,393	1,066	Balances with other banks	6	**215,671**	165,057
29,376	354	Lendings to financial and other institutions	7	**4,548,879**	54,879
192,535	155,724	Investments	8	**29,813,625**	24,113,564
132,643	139,586	Advances	9	**20,539,412**	21,614,581
994	184	Fixed assets	10	**153,931**	28,477
40	44	Intangible assets	11	**6,198**	6,871
1,256	2,032	Deferred tax assets	12	**194,453**	314,708
11,366	12,280	Other assets	13	**1,760,072**	1,901,552
2,504	–	Non-current assets classified as held-for-sale	14	**387,745**	–
372,972	313,087			**57,753,899**	48,481,093
		LIABILITIES			
–	–	Bills payable		**–**	–
288,619	234,471	Borrowings	15	**44,692,000**	36,307,199
4,004	4,684	Deposits and other accounts	16	**620,000**	725,403
11,307	8,936	Other liabilities	17	**1,750,958**	1,383,916
303,930	248,091			**47,062,958**	38,416,518
69,042	64,996	**NET ASSETS**		**10,690,941**	10,064,575
		REPRESENTED BY			
38,748	38,748	Share capital	18	**6,000,000**	6,000,000
9,558	9,086	Reserves		**1,480,107**	1,406,995
21,695	21,496	Unappropriated profit		**3,359,371**	3,328,566
(974)	(4,348)	Deficit on revaluation of assets	19	**(150,898)**	(673,212)
69,027	64,982	Total equity attributable to the equity holders of the Holding Company		**10,688,580**	10,062,349
15	14	Non-controlling interest		**2,361**	2,226
69,042	64,996			**10,690,941**	10,064,575
		CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

President/Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**

Consolidated
Profit and Loss Account

For the Year ended December 31, 2019

2019	2018		Note	2019	2018
(USD in '000)				(Rupees in '000)	
34,004	7,172	Mark-up / return / interest earned	21	**5,265,454**	2,659,085
27,416	11,285	Mark-up / return / interest expensed	22	**4,245,372**	1,747,484
6,588	5,887	Net mark-up / interest income		**1,020,082**	911,601
		Non mark-up / interest income			
964	1,281	Fee and commission income	23	**149,267**	198,413
333	310	Dividend income		**51,564**	47,997
(1,507)	(437)	Loss on securities	24	**(233,293)**	(67,658)
50	2	Other income	25	**7,796**	235
(160)	1,156	Total non-markup / interest income / expense		**(24,666)**	178,987
6,428	7,043	Total income		**995,416**	1,090,588
		Non mark-up / interest expenses			
3,021	2,964	Operating expenses	26	**467,766**	458,976
62	94	Sindh Workers' Welfare Fund	27	**9,568**	14,539
3,083	3,058	Total non mark-up / interest expenses		**477,334**	473,515
3,345	3,985	Profit before provisions		**518,082**	617,073
(55)	656	Provisions and write offs-net	28	**(8,559)**	101,605
3,400	3,329	**Profit before taxation**		**526,641**	515,468
797	1,576	Taxation	29	**123,428**	243,996
2,603	1,753	**Profit after taxation**		**403,213**	271,472
		Attributable to:			
2,601	1,751	Equity holders of the Holding Company		**402,883**	271,099
2	2	Non-controlling interest		**330**	373
2,603	1,753			**403,213**	271,472
USD				(Rupees)	
0.00434	0.00292	**Basic and diluted earning per share**	30	**0.67**	0.45

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

President/Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**

Consolidated
Statement of Comprehensive Income
For the year ended December 31, 2019

2019	2018		2019	2018
(USD in '000)			(Rupees in '000)	
		Profit after taxation for the year attributable to:		
2,601	1,751	Equity holders of the Holding Company	**402,883**	271,099
2	2	Non-controlling interest	**330**	373
2,603	1,753		**403,213**	271,472
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
3,373	(3,045)	Movement in deficit on revaluation of investments - net of tax	**522,314**	(471,468)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
7	(1)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	**1,034**	(185)
5,983	(1,293)	**Total comprehensive income / (loss)**	**926,561**	(200,181)

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated
Cash Flow Statement
For the Year ended December 31, 2019

2019	2018		Note	2019	2018
(USD in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
3,401	3,329	Profit before taxation		**526,641**	515,468
333	310	Less: Dividend income		**51,564**	47,997
3,068	3,019			**475,077**	467,471
		Adjustments:			
296	74	Depreciation		**45,832**	11,505
9	10	Amortisation		**1,346**	1,485
72	–	Interest expense - lease liability against right-of-use assets		**11,107**	–
(6)	–	Interest income on lease receivable		**(876)**	–
62	94	Provision for Sindh Workers' Welfare Fund	27	**9,568**	14,539
(55)	655	(Provision) / reversal of provision and write-offs	28	**(8,559)**	101,605
(12)	1	Gain on sale of fixed assets	25	**(1,790)**	(34)
366	834			**56,628**	129,100
3,434	3,853			**531,705**	596,571
		(Increase) / decrease in operating assets			
(29,022)	10,953	Lendings to financial institutions		**(4,494,000)**	1,696,030
–	1,679	Held-for-trading securities		**–**	260,019
6,423	(14,908)	Advances		**994,537**	(2,308,495)
(81)	(7,492)	Others assets (excluding advance taxation)		**(12,536)**	(1,160,088)
(22,680)	(9,768)			**(3,511,999)**	(1,512,534)
		Increase/ (decrease) in operating liabilities			
54,149	144,214	Borrowings from financial institutions		**8,384,801**	22,331,116
(681)	(25,998)	Deposits		**(105,403)**	(4,025,761)
1,700	4,074	Other liabilities (excluding current taxation)		**263,186**	630,913
55,168	122,290			**8,542,584**	18,936,268
(229)	–	Rentals paid		**(35,482)**	–
(2,622)	(1,929)	Taxes paid		**(406,020)**	(298,688)
33,071	114,446	Net cash generated from operating activities		**5,120,788**	17,721,617
		CASH FLOWS FROM INVESTING ACTIVITIES			
(31,118)	(123,989)	Net investments in available-for-sale securities		**(4,818,551)**	(19,199,402)
(805)	386	Net investments in held-to-maturity securities		**(124,458)**	59,812
338	305	Dividends received		**52,322**	47,239
(191)	(98)	Investments in operating fixed assets		**(29,581)**	(15,167)
(4)	(33)	Investments in operating intangible assets		**(673)**	(5,041)
22	1	Proceeds from sale of fixed assets		**3,471**	207
(31,758)	(123,428)	Net cash used in investing activities		**(4,917,470)**	(19,112,352)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,937)	(1,937)	Dividend paid to equity shareholders of the Holding Company		**(300,000)**	(300,000)
(1)	(2)	Dividend paid to non-controlling interests		**(195)**	(325)
(1,938)	(1,939)	Net cash used in financing activities		**(300,195)**	(300,325)
(625)	(10,921)	**Decrease in cash and cash equivalents**		**(96,877)**	(1,691,060)
2,883	13,804	Cash and cash equivalents at beginning of the year		**446,461**	2,137,521
2,258	2,883	**Cash and cash equivalents at end of the year**	31	**349,584**	446,461

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated
Statement of Changes in Equity
For the year ended December 31, 2019

		Capital reserve		Revenue reserve		
	Share capital	Statutory reserve (a)	Surplus / Deficit on revaluation of investments	Unappropriated profit	Non-controlling interest	Total
	(Rupees in '000)					
As at January 1, 2018	6,000,000	1,351,812	(201,744)	3,412,835	2,178	10,565,081
Total comprehensive income / (loss) for the year						
Profit after taxation for the year ended December 31, 2018	–	–	–	271,099	373	271,472
Other comprehensive loss						
Remeasurement loss on defined benefit obligations - net of tax -	–	–	–	(185)	–	(185)
- Movement in deficit on revaluation of investments - net of tax	–	–	(471,468)	–	–	(471,468)
	–	**–**	**(471,468)**	**270,914**	**373**	**(200,181)**
Transfer to statutory reserve	–	55,183	–	(55,183)	–	–
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year ended December 31, 2017 @ Re.0.50 per share	–	–	–	(300,000)	–	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 1.48 per certificate	–	–	–	–	(325)	(325)
Balance as at December 31, 2018	**6,000,000**	**1,406,995**	**(673,212)**	**3,328,566**	**2,226**	**10,064,575**
Total comprehensive income for the year						
Profit after taxation for the year ended December 31, 2019	–	–	–	402,883	330	403,213
Other comprehensive income						
- Remeasurement gain on defined benefit obligations - net of tax -	–	–	–	1,034	–	1,034
- Movement in deficit on revaluation of investments - net of tax	–	–	522,314	–	–	522,314
	–	**–**	**522,314**	**403,917**	**330**	**926,561**
Transfer to statutory reserve	–	73,112	–	(73,112)	–	–
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year ended December 31, 2018 @ Re.0.50 per share	–	–	–	(300,000)	–	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 0.890 per certificate	–	–	–	–	(195)	(195)
Balance as at December 31, 2019	**6,000,000**	**1,480,107**	**(150,898)**	**3,359,371**	**2,361**	**10,690,941**

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Notes to the Consolidated Financial Statements
For the Year ended December 31, 2019

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company
Pak Brunei Investment Company Limited (the Holding Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Holding Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Holding Company is in operation with 2 offices (December 31, 2018: 2) one located in Karachi and the other in Lahore.

Subsidiaries

Awwal Modaraba Management Limited (AMML) - 100% holding
Awwal Modaraba Management Limited (AMML) was incorporated in Pakistan on June 05, 2014 as an unlisted public company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Subsequently, it was registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. AMML is a wholly owned subsidiary of Pak Brunei Investment Company Limited (the Holding Company) with its registered office situated at Horizon Vista, Commercial-10, Block-4, Scheme-5, Clifton, Karachi, Pakistan.

The principal activity of AMML is to engage in the business of floatation of Modarabas and to function as a Modaraba Company within the meaning of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Presently, AMML is managing Awwal Modaraba only which is a perpetual Modaraba engaged in providing working capital, term finance, ijarah, musharika, morabaha and other shariah compliant instruments to credit worthy customers. Awwal Modaraba is listed on the Pakistan Stock Exchange Limited.

Subsequent to the year end, the Securities and Exchange Commission of Pakistan (SECP) has appointed Awwal Modaraba Management Limited as the Management Company of KASB Modaraba, First Prudential Modaraba and First Pak Modaraba with effect from February 3, 2020.

Primus Leasing Limited (PLL) - 100% holding
Primus Leasing Limited ("PLL") was incorporated in Pakistan as a public unlisted company on July 13, 2017 under the Companies Act, 2017. The registered office of PLL is situated at Horizon Vista, Commercial-10, Block-4, Scheme-5, Clifton, Karachi. The PLL is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP). The PLL has two offices with one located in Karachi and the other in Lahore.

The principal objective of PLL is to carry on and undertake the business of leasing of assets for any purpose whatsoever including but not being limited to industrial, commercial, agricultural and other development purposes on such terms, covenants and conditions and at such rentals as may be deemed fit.

Awwal Modaraba - 99.78% holding
Awwal Modaraba has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. Awwal Modarba is managed by the Awwal Modaraba Management Limited (Management Company), a company wholly owned by Pak Brunei Investment Company Limited (Holding Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from 10 February 2016. The registered office of Awwal Modarba is situated at 6th Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No.5, Clifton, Karachi.

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing Working Capital, Term Finance, Ijarah, Musharika, Morabaha, advisory services and other Shari'ah compliant investment / instrument to clients which include distressed assets with high potential of turnaround, project finance, infrastructure and high growth companies and is listed on Pakistan Stock Exchange Limited (PSX).

2 BASIS OF PRESENTATION

2.1 Statement of compliance
These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRSs or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 40, Investment Property, for banking companies / DFIs till further instructions. Further, the SECP, through S.R.O. 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, for banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 for banks and DFIs to accounting periods beginning on or after January 1, 2021, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Standards, interpretations and amendments to accounting and reporting standards that are effective in the current year
During the current year, IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Group consolidated financial statements is disclosed in note 4.1.

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to be not relevant or to not have any significant impact on the Group consolidated financial statements and are therefore not detailed in these consolidated financial statements.

2.4 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

2.4.1 The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretations:

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 3 - Definition of a Business (Amendments)	January 1, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2021*

The management is in the process of assessing the impact of these standards and amendments on the consolidated financial statements of the Group.

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Group which are exposed to credit risk.

2.4.2 There are certain other new and amended standards and interpretations that are mandatory for the Group accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant impact on the Group operations and are therefore not detailed in these consolidated financial statements.

2.5 Critical accounting estimates and judgments
The preparation of the consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assump tions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:
i) classification and valuation of investments (notes 4.5 and 8);
ii) classification and provisioning against loans and advances (notes 4.7 and 9);
iii) accounting for defined benefit plan (notes 4.15 and 33); and
iv) Lease liability and right-of-use assets (notes 4.8.2, 10 and 17).

3 BASIS OF MEASUREMENT

3.1 Accounting convention
These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of the consolidated financial statements. For the purpose of conversion to US Dollars, the rate of Rs 154.85 to US Dollars has been used for 2019 and 2018 as it was the prevalent rate on December 31, 2019.

3.3 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change mentioned in note 4.1 below.

4.1 During the year, IFRS 16: 'Leases' became applicable to the Group. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17: 'Leases', IFRIC 4: 'Determining whether an arrangement contains a lease', SIC 15: 'Operating leases - incentive', and SIC 27: 'Evaluating the substance of transactions involving the legal form of a lease'. IFRS 16 introduces an on balance sheet lease accounting model for leases entered by the lessee. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating lease.

The Group has adopted IFRS 16 from January 1, 2019, using the modified retrospective approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of the standard.

On adoption of IFRS 16, the Group has recognised lease liabilities in respect of leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Group's incremental weighted average borrowing rate of 13.16% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 1, 2019
	(Rupees in '000)	
Total lease liability recognised	**94,289**	85,910

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The Group has reassessed its operating sublease on the basis of remaining contractual terms and conditions of the head lease and the sublease. Based on the assessment, the Group has classified its operating sublease arrangement as a finance lease and has accounted for the sublease as a new finance lease entered into at the reporting date as per the requirements of IFRS 16.

The recognised right-of-use assets are of the following types:

	January 1, 2019
	(Rupees in '000)
Building	**153,288**

The effect of this change in accounting policy is as follows:

Impact on the consolidated statement of financial position:	
- Increase in fixed assets - right-of-use assets	**153,288**
- Decrease in other assets - advances, deposits, advance rent and other prepayments	**67,378**
- Increase in other assets - advances taxation	**–**
	85,910
- Increase in other liabilities - lease liability against right-of-use assets	**85,910**
Decrease in net assets	**–**

While implementing IFRS 16, the Group has used a single discount rate methodology for a portfolio of leases with similar characteristics.

4.2 Basis of consolidation

Subsidiary is an entity which is controlled by the Holding Company. Control is said to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements of the Group incorporate the financial statements of the Holding Company and those of the subsidiaries from the date the control of the subsidiary by the Group commences until the date the control ceases to exist. The assets, liabilities, income and expenses of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying values of the Group's investments in subsidiaries are eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-Controlling Interest (NCI) represents that part of the net results of operations and net assets of the subsidiaries that is not owned by the Group and is measured at the proportionate share of net assets of the acquiree.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Holding Company using accounting policies which are consistent with those applied by the Holding Company in the preparation of its consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

4.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.4 Lendings to / borrowings from financial and other institutions

The Group enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements

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

4.5 Investments

4.5.1 Classification

The Group classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading

These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.5.2 Initial measurement

All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

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

4.5.3 Subsequent measurement

Held-for-trading

These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the consolidated profit and loss account.

Held-to-maturity

These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'consolidated statement of changes in equity' and is taken to the consolidated profit and loss account when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The cost of investment is determined on a weighted average basis. A decline in the carrying value is charged to the consolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the consolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

4.6 Investments in associates

Associates are entities over which the Group has a significant influence but over which control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments in associates are initially recognised at cost plus investor's share of the profit or loss of the investees subsequent to the date of acquisition less impairment in value (if any). The investor's share of profit or loss of associates is recognised in the consolidated profit and loss account.

4.7 Advances

Advances are stated net of specific and general provisions which are charged to the consolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Group also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained where required as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

Diminishing Musharaka is a partnership agreement between the Group and its customers for financing plant and machinery. The receivable is recorded to the extent of the Group's share in the purchase of assets.

4.8 Fixed assets and depreciation

4.8.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the consolidated profit and loss account using the straight line method at the rates stated in note 10.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the consolidated profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the consolidated profit and loss account in the period in which disposal is made.

4.8.2 Lease liability and right-of-use assets

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects that the lessee will exercise that option. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Group reassesses the reasonable certainty to exercise extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payments. The corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in consolidated profit and loss account if the carrying amount of right-of-use assets has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions, the same is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the standalone price for the increase in scope adjusted to reflect the circumstances of the particular contract, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use assets.

The right-of-use assets are initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.8.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.9 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 11.1. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the consolidated profit and loss account in the period in which these arise.

4.10 Impairment

4.10.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed therefrom and recognised in the consolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the consolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For 'significance', a threshold of 30% and for 'prolonged' a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the consolidated statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the consolidated profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the consolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the consolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the consolidated profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.10.2 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the consolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.11 Assets classified as held-for-sale

The Group classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the consolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.12 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.13 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.13.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax relating to items recognised in other comprehensive income (OCI) is charged / credited to OCI.

4.14 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.15 Staff retirement benefits

4.15.1 Defined benefit plan - staff gratuity fund

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2019.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the consolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the consolidated profit and loss account.

Defined contribution plan - staff provident fund

The Holding Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Holding Company and the employees at the rate of 10% of basic salary.

4.15.2 Staff retirement benefits of the subsidiaries

Staff gratuity scheme - subsidiaries

Awwal Modaraba and AMML operate an unfunded gratuity scheme for their employees for which provision is recognised on the basis of one month's basic salary for each year of completed service with the subsidiaries.

PLL, currently, does not offer any such benefits to its employees.

Staff provident fund - subsidiaries

Awwal modaraba, PLL and AMML operate a contributory provident scheme for which Awwal modaraba, PLL and AMML and their employees make equal monthly contributions at the rate of 10% of basic salary.

4.16 Financial instruments

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, lendings to financial and other institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the consolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the consolidated profit and loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.17 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.18 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the consolidated financial statements at committed amounts.

4.19 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.
- Dividend income is recognised when the Group's right to receive dividend is established.
- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Income from Diminishing Musharika is recognised on an accrual basis.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.
- Rental income is recorded when due.
- Income recognised by Awwal Modaraba from Shari'ah non-compliant avenues is not recognised in the consolidated profit and loss account and is classified as charity payable.

4.20 Earnings per share

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

4.21 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

4.22 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the consolidated financial statements in the period in which such dividends are declared / transfers are made.

4.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Board of Directors and Chief Executive Officer of the Holding Company have been identified as the chief operating decision-makers who are responsible for allocating resources and assessing the performance of the operating segments.

4.23.1 Business segments

Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales

This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

4.23.2 Geographical segments

The operations of the Group are currently based only in Pakistan.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
		(Rupees in '000)	
With State Bank of Pakistan in:			
Local currency current account	5.1	**129,595**	161,349
With National Bank of Pakistan in:			
Local currency deposit account	5.2	**4,318**	120,055
		133,913	281,404

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

5.2 This carries mark-up at 8.00% per annum (2018: 5.00% to 6.15%).

6 BALANCES WITH OTHER BANKS

	Note	2019	2018
		(Rupees in '000)	
In Pakistan			
- In deposit accounts	6.1	**215,511**	160,077
- In current account		**160**	4,980
		215,671	165,057

6.1 These carry mark-up at rates ranging from 4.1% to 12.25% per annum (2018: 3.40% to 8.50% per annum).

7 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

	Note	2019	2018
		(Rupees in '000)	
Investments against repurchase agreements	7.1	4,548,879	54,879

7.1 These carry mark-up at rates ranging from 13.40% to 13.50% and will mature latest by January 13, 2020.

On January 16, 2018, Awwal Modaraba has entered into an agreement with a shareholder of a company (the investee company) for the purchase of 2,051,150 shares of the investee company. Concurrently, Awwal Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares transferred in the name of Awwal Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price. The outstanding amount as at December 31, 2019 aggregated to Rs 48.879 million (2018: 54.879 million).

7.2 Particulars of lendings

	2019	2018
	(Rupees in '000)	
In local currency	4,548,879	54,879
In foreign currencies	–	–
	4,548,879	54,879

7.3 Securities held as collateral against lendings to financial and other institutions

(Rupees in '000)

	2019			2018		
	Held by the group	Further given as collateral	Total	Held by the group	Further given as collateral	Total
Pakistan Investment Bonds	4,500,000	(4,500,000)	–	–	–	–

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

	Note	2019				2018			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Available-for-sale securities									
Federal government securities	8.3	25,169,133	–	(38,526)	25,130,607	19,817,801	–	(326,260)	19,491,541
Ordinary shares		1,647,175	(70,025)	(108,124)	1,469,026	2,140,824	(210,979)	(391,638)	1,538,207
Non-government debt securities		2,850,083	(269,110)	(18,230)	2,562,743	2,635,582	(225,725)	(3,684)	2,406,173
Units of mutual funds		548,786	–	(21,995)	526,791	802,419	–	(124,776)	677,643
Preference shares	8.4	3,250	(3,250)	–	–	3,250	(3,250)	–	–
		30,218,427	(342,385)	(186,875)	29,689,167	25,399,876	(439,954)	(846,358)	24,113,564
Held-to-maturity securities									
Commercial paper		124,458	–	–	124,458	–	–	–	–
		124,458	–	–	124,458	–	–	–	–
Total investments		30,342,885	(342,385)	(186,875)	29,813,625	25,399,876	(439,954)	(846,358)	24,113,564

8.2 Investments by segments:

(Rupees in '000)

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Federal government securities								
Market Treasury Bills	14,727,442	–	(32,789)	14,694,653	996,157	–	(617)	995,540
Pakistan Investment Bonds	10,441,691	–	(5,737)	10,435,954	18,821,644	–	(325,643)	18,496,001
	25,169,133	–	(38,526)	25,130,607	19,817,801	–	(326,260)	19,491,541
Ordinary Shares								
Listed companies	1,625,844	(48,694)	(108,124)	1,469,026	2,095,493	(189,648)	(391,638)	1,514,207
Unlisted companies	21,331	(21,331)	–	–	45,331	(21,331)	–	24,000
	1,647,175	(70,025)	(108,124)	1,469,026	2,140,824	(210,979)	(391,638)	1,538,207
Preference shares	3,250	(3,250)	–	–	3,250	(3,250)	–	–
Non-government debt securities								
Listed	1,206,404	(16,136)	(18,230)	1,172,038	1,078,798	(16,392)	(3,684)	1,058,722
Unlisted	1,643,679	(252,974)	–	1,390,705	1,556,784	(209,333)	–	1,347,451
	2,850,083	(269,110)	(18,230)	2,562,743	2,635,582	(225,725)	(3,684)	2,406,173
Units of mutual funds	548,786	–	(21,995)	526,791	802,419	–	(124,776)	677,643
Commercial paper	124,458	–	–	124,458	–	–	–	–
Total investments	30,342,885	(342,385)	(186,875)	29,813,625	25,399,876	(439,954)	(846,358)	24,113,564

8.2.1 Investments given as collateral

(Rupees in '000)

	2019			2018		
	Cost / amortised cost	Surplus / (deficit)	Carrying value	Cost / amortised cost	Surplus / (deficit)	Carrying value
Market Treasury Bills	11,020,434	(24,964)	10,995,470	17,122,100	(194,249)	16,927,851
Pakistan Investment Bonds	10,171,890	(9,681)	10,162,209	–	–	–
Term finance certificates / sukuks certificates	739,824	–	739,824	739,824	–	739,824
	21,932,148	(34,645)	21,897,503	17,861,924	(194,249)	17,667,675

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield of 12.89% to 13.15% (2018: 8.61%) per annum and will mature within 10 months (2018: 3 months). Pakistan Investment Bonds carry mark-up ranging between 7.75% to 14.69% (2018: 7.00% to 12.00%) per annum on a semi-annual basis and will mature within 10 years (2018: 8 years). Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs 10 each which carry dividend at the rate of 3 months Kibor + 1% per annum.

8.5 Provision for diminution in value of investments

	2019	2018
	(Rupees in '000)	
8.5.1 Opening balance	439,954	364,171
Charge / reversals		
Charge for the year	292,902	103,144
Reversal during the year	(390,471)	(27,361)
	(97,569)	75,783
Closing balance	342,385	439,954

8.5.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2019 Non-performing investments	2019 Provision	2018 Non-performing investments	2018 Provision
Domestic				
Loss	269,110	269,110	269,366	225,725

8.6 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

(Rupees in '000)

	2019	2018
	Cost	
Federal government securities - government guaranteed		
Market Treasury Bills	14,727,442	996,157
Pakistan Investment Bonds	10,441,691	18,821,644
	25,169,133	19,817,801
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	84,893	47,198
Commercial banks	66,486	147,970
Power generation and distribution	385,809	350,045
Cement	309,843	249,528
Chemicals	128,983	126,093
Automobile assembler	–	24,153
Engineering	139,145	373,776
Fertilizer	–	20,698
Food and personal care products	203,772	227,501
Cable and electrical goods	84,458	222,952
Insurance	–	–
Pharmaceuticals	–	35,582
Textile composite	206,577	228,732
Textile weaving	–	16,391
Glass and ceramics	12,497	9,778
Investment banks / investment companies / securities companies	3,381	15,096
	1,625,844	2,095,493

(Rupees in '000)

	2019 Cost	2019 Breakup value	2018 Cost	2018 Breakup value
Unlisted companies				
OBS Pakistan (Private) Limited	–	–	24,000	38,569
Pakistan Mercantile Exchange Limited	21,331	623	21,331	(2,566)
	21,331	623	45,331	36,003

(Rupees in '000)

	2019	2018
	Cost	
Non-government debt securities		
Listed		
- AAA	290,268	462,406
- AA+, AA, AA-	800,000	600,000
- A+, A, A-	100,000	–
- CCC and below	16,136	–
- Unrated	–	16,392
	1,206,404	1,078,798
Unlisted		
- AA+, AA, AA-	1,099,583	1,049,855
- A+, A, A-	291,198	253,715
- BBB+, BBB, BBB-	147,398	–
- Unrated	105,500	253,214
	1,643,679	1,556,784
Preference shares		
Trust Investment Bank Limited	3,250	3,250
Units of mutual funds - listed		
Unrated	548,786	802,419
Equity securities		
Listed		
Oil and gas marketing companies		
Sui Northern Gas Pipelines Limited	63,907	47,198
Oil and Gas Development Company Limited	20,986	–
Commercial banks		
Bank Alfalah Limited	–	918
Bank of Punjab	–	6,554
MCB Bank Limited	27,570	32,915
Habib Bank Limited	38,916	107,583
Power generation and distribution		
The Hub Power Company Limited	–	43,900
K-Electric Limited	24,562	106,900
Kot Addu Power Company Limited	119,715	54,141
Nishat Power Limited	241,532	145,104
Cement		
Cherat Cement Company Limited	–	39,386
D.G. Khan Cement Company Limited	55,622	123,268
Fauji Cement Company Limited	87,456	40,213
Lucky Cement Limited	16,369	11,090
Maple Leaf Cement Factory Limited	150,396	35,571
Chemicals		
Agritech Limited	49,506	49,506
Berger Paints Pakistan Limited	26,328	41,660
Buxly Paints Limited	–	11,117
ICI Pakistan Limited	53,149	23,810
Balance c/f	976,014	920,834

(Rupees in '000)

	2019	2018
	Cost	
Balance b/f	**976,014**	920,834
Automobile assembler		
Ghandara Nissan Limited	–	24,153
Engineering		
Aisha Steel Mills Limited	**22,471**	35,940
Amreli Steels Limited	–	78,108
Crescent Steel and Allied Products Limited	–	90,312
International Industries Limited	**19,390**	106,960
Mughal Iron and Steel Industries Limited	**17,812**	20,873
International Steels Limited	**79,472**	41,583
Fertilizer		
Fauji Fertilizer Bin Qasim Limited	–	10,311
Fauji Fertilizer Company Limited	–	10,387
Food and personal care products		
Al Shaheer Corporation Limited	–	31,160
Frieslandcampina Engro Pakistan Limited	**117,650**	80,220
Bunny's Limited	**86,122**	116,121
Cable and electrical goods		
Pak Elektron Limited	**84,458**	222,952
Pharmaceuticals		
Ferozsons Laboratories Limited	–	35,582
Textile composite		
Kohinoor Textile Mills Limited	**30,456**	107,407
Nishat (Chunian) Limited	**57,664**	34,396
Towellers Limited	**57,841**	55,422
Nishat Mills Limited	**60,616**	31,507
Textile weaving		
Zephyr Textile Limited	–	16,391
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	**12,497**	9,778
Investment banks / investment companies / securities companies		
Pakistan Stock Exchange Limited	–	11,845
Jahangir Siddique Company Limited	**130**	–
Trust Investment Bank Limited	**3,251**	3,251
	1,625,844	2,095,493
Unlisted		
OBS Pakistan (Private) Limited	–	24,000
Pakistan Mercantile Exchange Limited	**21,331**	21,331
	21,331	45,331

8.7 Particulars relating to held to maturity securities are as follows:

Non-government debt securities		
Unlisted and unrated		
Commercial paper	**124,458**	–

8.7.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to PKR 124.458 million (December 31, 2018: Nil).

9 ADVANCES

(Rupees in '000)

	Note	Performing 2019	Performing 2018	Non-performing 2019	Non-performing 2018	Total 2019	Total 2018
Loans, cash credits, running finances, etc.	9.1	**19,581,084**	20,594,638	**595,472**	592,529	**20,176,556**	21,187,167
Islamic financing and related assets	9.2	**766,922**	742,470	**–**	–	**766,922**	742,470
Advances - gross		**20,348,006**	21,337,108	**595,472**	592,529	**20,943,478**	21,929,637
Provision against advances	9.5						
- Specific		**–**	–	**394,034**	309,684	**394,034**	309,684
- General		**10,032**	5,372	**–**	–	**10,032**	5,372
		10,032	5,372	**394,034**	309,684	**404,066**	315,056
Advances - net of provision		**20,337,974**	21,331,736	**201,438**	282,845	**20,539,412**	21,614,581

9.1 This includes net investment in finance lease as disclosed below:

(Rupees in '000)

	2019				2018			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	**847,603**	**957,239**	**–**	**1,804,842**	733,757	1,023,041	–	1,756,798
Residual value	**191,576**	**415,923**	**–**	**607,499**	211,519	319,223	–	530,742
Minimum lease payments	**1,039,179**	**1,373,162**	**–**	**2,412,341**	945,276	1,342,264	–	2,287,540
Financial charges future periods	**(188,627)**	**(129,778)**	**–**	**(318,405)**	(151,107)	(140,184)	–	(291,291)
Present value of minimum lease payments	**850,552**	**1,243,384**	**–**	**2,093,936**	794,169	1,202,080	–	1,996,249

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 33.33% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 10.67% to 24.00% per annum (2018: 11.00% to 20.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are pledged in favour of the Group.

9.2 This includes contractual rentals receivable on musharika and diminishing musharika finance facilities provided under long-term arrangements the details of which are provided below:

(Rupees in '000)

	2019				2018			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Principal repayments in respect of:								
- Musharika finance (note 9.2.1)	**278,311**	**53,611**	**–**	**331,922**	356,836	85,634	–	442,470
- Diminishing Musharika finance (note 9.2.2)	**182,222**	**202,778**	**50,000**	**435,000**	20,000	257,222	22,778	300,000
	460,533	**256,389**	**50,000**	**766,922**	376,836	342,856	22,778	742,470
Profit repayments in respect of:								
- Musharika finance (note 9.2.1)	**46,133**	**5,401**	**–**	**51,534**	32,879	10,197	–	43,076
- Diminishing Musharika finance (note 9.2.2)	**44,305**	**159,256**	**38,485**	**242,046**	40,920	83,488	1,504	125,912
	90,438	**164,657**	**38,485**	**293,580**	73,799	93,685	1,504	168,988
	550,971	**421,046**	**88,485**	**1,060,502**	450,635	436,541	24,282	911,458

9.2.1 The Group has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Group and the customers ranges from 74.4% to 99% (2018: 74.4% to 99%) and 1% to 25.6% (2018: 1% to 25.6%) respectively. The customers have either transferred the titles of the assets in the name of the Group or the assets are held in trust by Agent, being related party of the Group, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Group to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 512.86 million (2018: Rs. 512.86 million) in aggregate. The Group has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 533.67 million (2018: Rs. 533.67 million). Further, in case of a customer, the Group holds 42 million (2018: Rs 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account as a security.

These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by February 17, 2020.

9.2.2 The Group has provided Diminishing Musharika Finance facilities to its corporate cus tomers for various purposes. The facilities are secured against various collaterals which mainly include first (exclusive) mortgage charge on land and first hypothecation charge over all present and future current and fixed assets of the Company with 25% margin over the facility amount as well as Pledge of shares of a listed company with 30% margin over the market value of these shares (this pledge may be replaced by corporate guarantee of a reputable private company equivalent to the facility amount with a 25% margin).

These facilities carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by September 3, 2020.

9.3 Particulars of advances (gross)

	2019	2018
	(Rupees in '000)	
In local currency	**20,943,478**	21,929,637
In foreign currencies	**–**	–
	20,943,478	21,929,637

9.4 Advances include Rs. 595.472 million (2018: Rs. 592.529 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2019 Non Performing Loans	2019 Provision	2018 Non Performing Loans	2018 Provision
Domestic					
Other Assets Especially Mentioned	9.4.1	**8,706**	**870**	12,451	1,245
Substandard		**11,459**	**2,865**	–	–
Doubtful		**8,188**	**4,094**	81,477	29,739
Loss		**567,119**	**386,205**	498,601	278,700
Total		**595,472**	**394,034**	592,529	309,684

9.4.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 8.706 million (December 31, 2018: Rs. 12.451 million).

9.5 Particulars of provision against advances

(Rupees in '000)

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
Opening balance	**309,684**	**5,372**	**315,056**	287,826	1,408	289,234
Charge for the year	**94,693**	**4,660**	**99,353**	193,853	5,212	199,065
Reversals during the year	**(10,343)**	**–**	**(10,343)**	(171,995)	(1,248)	(173,243)
	84,350	**4,660**	**89,010**	21,858	3,964	25,822
Amounts written off	**–**	**–**	**–**	–	–	–
Closing balance	**394,034**	**10,032**	**404,066**	309,684	5,372	315,056

9.5.1 Particulars of provision against advances

(Rupees in '000)

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
In local currency	**394,034**	**10,032**	**404,066**	309,684	5,372	315,056
In foreign currencies	**–**	**–**	**–**	–	–	–
	394,034	**10,032**	**404,066**	309,684	5,372	315,056

9.5.2 The Group has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 01 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 180.915 million (December 31, 2018: Rs. 230.901 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.5.3 The State Bank of Pakistan vide its circular no. 9 of 2017 dated December 22, 2017 removed the requirement of maintaining general reserve equal to 1% against secured Small Enterprise (SE) portfolio, while general reserve to be maintained against unsecured SE portfolio has been reduced from 2% to 1%. Currently, the Group does not have any unsecured SE portfolio.

9.6 Details of loans written-off of Rs.500,000 and above
During the years ended December 31, 2019 and December 31, 2018, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2019	2018
		(Rupees in '000)	
Capital work-in-progress		**–**	4,528
Property and equipment	10.1	**153,931**	23,949
		153,931	28,477

10.1 Property and equipment

(Rupees in '000)

	Note	2019 Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2019								
Cost		–	48,261	22,462	33,285	23,092	470	127,570
Recognition of right-of-use assets on adoption of IFRS 16		153,288	–	–	–	–	–	153,288
Accumulated depreciation		–	(43,816)	(17,367)	(25,498)	(16,487)	(453)	(103,621)
Net book value		153,288	4,445	5,095	7,787	6,605	17	177,237
Year ended December 31, 2019								
Opening net book value		153,288	4,445	5,095	7,787	6,605	17	177,237
Additions		–	2,975	1,440	5,906	23,788	–	34,109
Disposals	10.1.1	(9,902)	–	–	–	(1,681)	–	(11,583)
Depreciation charge for the year		(31,227)	(2,015)	(1,708)	(5,009)	(5,856)	(17)	(45,832)
Closing net book value	10.1.2	112,159	5,405	4,827	8,684	22,856	–	153,931
At December 31, 2019								
Cost		143,386	51,236	23,902	39,191	45,199	470	303,384
Accumulated depreciation		(31,227)	(45,831)	(19,075)	(30,507)	(22,343)	(470)	(149,453)
Net book value	10.1.2	112,159	5,405	4,827	8,684	22,856	–	153,931
Rate of depreciation (percentage)		19.22% - 59.38%	20%	20%	20% - 50%	25%	50%	–

(Rupees in '000)

	Note	2018 Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2018							
Cost		43,241	18,297	31,116	23,028	452	116,134
Accumulated depreciation		(42,654)	(16,148)	(20,866)	(12,138)	(310)	(92,116)
Net book value		587	2,149	10,250	10,890	142	24,018
Year ended December 31, 2018							
Opening net book value		587	2,149	10,250	10,890	142	24,018
Additions		5,020	4,182	2,169	64	174	11,609
Disposals		–	(17)	–	–	(156)	(173)
Depreciation charge for the year		(1,162)	(1,219)	(4,632)	(4,349)	(143)	(11,505)
Closing net book value	10.1.2	4,445	5,095	7,787	6,605	17	23,949
At December 31, 2018							
Cost		48,261	22,462	33,285	23,092	470	127,570
Accumulated depreciation		(43,816)	(17,367)	(25,498)	(16,487)	(453)	(103,621)
Net book value	10.1.2	4,445	5,095	7,787	6,605	17	23,949
Rate of depreciation (percentage)		20%	20%	20% - 50%	25%	50%	–

10.1.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
Vehicle	11,350	1,142	1,142	As per employment policy	Ayesha Aziz - Managing Director and Chief Executive Officer (related party)
2019	**11,350**	**1,142**	**1,142**		
2018	296	15	40		

10.1.2 The cost of fully depreciated fixed assets that are still in the Group's use is as follows:

	Note	2019	2018
		(Rupees in '000)	
Leasehold improvements		**42,464**	42,321
Furniture and fixtures		**13,840**	13,638
Electrical, office and computer equipment		**17,378**	14,882
Vehicles		**3,114**	4,649
		76,796	75,490

11 INTANGIBLE ASSETS

	Note	2019	2018
Intangible assets	11.1	**4,685**	5,402
Capital work-in-progress	11.2	**1,513**	1,469
		6,198	6,871

11.1 Intangible assets

	Note	Computer software 2019	2018
		(Rupees in '000)	
At January 1			
Cost		**20,870**	15,289
Accumulated amortisation		**(15,468)**	(13,983)
Net book value		**5,402**	1,306
Year ended December 31			
Opening net book value		**5,402**	1,306
Additions		**629**	5,581
Amortisation charge		**(1,346)**	(1,485)
Closing net book value		**4,685**	5,402
At December 31			
Cost	11.1.1	**21,499**	20,870
Accumulated amortisation		**(16,814)**	(15,468)
Net book value		**4,685**	5,402
Rate of amortisation (percentage)		**33.33%**	
Useful life (in years)		**3**	

11.1.1 The cost of fully amortised assets still in use amounts to Rs 14.662 million (2018: Rs 13.137 million).

11.2 Capital work-in-progress

	2019	2018
	(Rupees in '000)	
Software	**1,513**	1,469

12 DEFERRED TAX ASSETS

(Rupees in '000)

	2019			
	At January 1, 2019	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 2019
Deductible temporary differences on:				
- Post retirement employee benefits	**671**	**–**	**(422)**	**249**
- Provision for diminution in the value of investments	**99,035**	**(8,562)**	**–**	**90,473**
- Provision against advances, other assets, etc.	**91,367**	**24,461**	**–**	**115,828**
- Deficit on revaluation of investments	**173,146**	**–**	**(137,169)**	**35,977**
- Net investment in finance lease	**2,578**	**4,241**	**–**	**6,819**
- Tax losses carried forward	**–**	**1,058**	**–**	**1,058**
- Preliminary expenses	**2,053**	**(684)**	**–**	**1,369**
- Lease liability against right-of-use asset	**–**	**36,553**	**–**	**36,553**
- Capital loss on investments	**–**	**5,746**	**–**	**5,746**
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	**588**	**61,413**	**–**	**62,001**
- Provision for bonus	**9,926**	**(2,645)**	**–**	**7,281**
	379,364	**121,581**	**(137,591)**	**363,354**
Taxable temporary differences on:				
- Amortization of discount on investments	**(60,707)**	**(74,121)**	**–**	**(134,828)**
- Accelerated tax depreciation	**(3,949)**	**891**	**–**	**(3,058)**
- Right-of-use assets	**–**	**(31,015)**	**–**	**(31,015)**
	(64,656)	**(104,245)**	**–**	**(168,901)**
	314,708	**17,336**	**(137,591)**	**194,453**

(Rupees in '000)

	2018			
	At January 1, 2018	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 2018
Deductible temporary differences on				
- Post retirement employee benefits	595	–	76	671
- Provision for diminution in the value of investments	88,915	10,120	–	99,035
- Provision against advances, other assets, etc.	86,770	4,597	–	91,367
- Deficit on revaluation of investments	35,530	–	137,616	173,146
- Unrealised loss on revaluation	578	(578)	–	–
- Net investment in finance lease	(9,492)	12,070	–	2,578
- Preliminary expenses	2,831	(778)	–	2,053
- Tax losses carried forward	117	(117)	–	–
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	340	248	–	588
- Provision for bonus	–	9,926	–	9,926
	206,184	35,488	137,692	379,364
Taxable temporary differences on				
- Amortization of discount on investments	(17,397)	(43,310)	–	(60,707)
- Accelerated tax depreciation	1,663	(5,612)	–	(3,949)
- Short-term investments - net	(944)	944	–	–
	(16,678)	(47,978)	–	(64,656)
	189,506	(12,490)	137,692	314,708

13 OTHER ASSETS

	Note	2019	2018
		(Rupees in '000)	
Income / mark-up accrued in local currency		**977,669**	926,168
Advances, deposits, advance rent and other prepayments		**8,820**	79,458
Advance taxation (payments less provisions)		**542,728**	277,473
Advance against subscription of term finance certificates		**–**	350,000
Receivable against sale of shares		**49,002**	164,044
Receivable against advisory fee		**66,544**	70,291
Lease receivable under IFRS-16		**8,378**	–
Non-banking asset acquired in satisfaction of claims	13.1	**106,215**	28,525
Receivable from AWT Investments Limited		**–**	4,835
Dividend receivable		**–**	758
Receivable from defined benefit plan	33	**716**	–
		1,760,072	1,901,552
Less: Provision held against other assets		**–**	–
		1,760,072	1,901,552

13.1 Non-banking asset acquired in satisfaction of claims

	2019	2018
Opening balance	**28,525**	–
Additions during the year	**77,690**	28,525
Disposals during the year	**–**	–
Closing balance	**106,215**	28,525

The details of additions in non-banking asset acquired in satisfaction of claims are as follows:

Atlas Cables (Private) Limited:
The property was acquired to settle the obligations of Atlas Cables (Private) Limited:

- Rental aggregating to Rs. 24.836 million;
- Payment of installment of principal amounting to Rs. 18.062 million; and
- Amount due by Atlas Cables (Private) Limited towards Company's subsidiary Awwal Modaraba aggregating to Rs. 33.352 million. This amount was duly paid by the Holding Company to Awwal Modaraba.

14 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

This relates to land, building and machinery which have been classified as 'Non-current assets held for sale' as at December 31, 2019. The Group has entered into an agreement with a buyer to dispose of these properties. It is expected that the process of sale of these properties will be completed in the near future.

15 BORROWINGS

	Note	2019	2018
		(Rupees in '000)	
Secured			
Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	15.2	**5,078,020**	5,347,670
- Power Plants Using Renewable Energy (PPRE) scheme		**152,690**	183,156
- Finance for Storage of Agriculture Produce (FSAP) scheme		**235,068**	320,981
- Finance under working capital		**68,000**	–
		5,533,778	5,851,807
Repurchase agreement borrowings	15.3	**5,333,511**	4,954,100
Borrowings from banks	15.4	**29,445,521**	16,301,946
Total secured		**40,312,810**	27,107,853
Unsecured			
Letters of placement	15.5	**4,379,190**	9,199,346
		44,692,000	36,307,199

15.1 Particulars of borrowings with respect to currencies

	2019	2018
In local currency	**44,692,000**	36,307,199
In foreign currencies	**–**	–
	44,692,000	36,307,199

15.2 The Holding Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Holding Company at the due date by directly debiting the current account maintained by the Holding Company with SBP. The rate of return ranges from 2.00% to 8.40% per annum (2018: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 9 years (2018: 10 years).

15.3 These represent borrowings from various financial institutions at mark-up rates ranging from 13.20% to 13.60% per annum (2018: 5.49% to 10.51% per annum). Market Treasury Bills having a face value of Rs. 5,820 million (2018: Rs. 5,000 million) have been given as collateral against these borrowings.

15.4 These carry mark-up at rates ranging from 11% to 14% per annum (2018: 6.09% to 10.94% per annum) and are repayable within 4 year (2018: 5 years). These are secured against hypothecation of receivables and floating charge over term finance certificates, Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 740 million (2018: 740 million), Rs 14,445 million (2018: Rs 12,122 million) and Rs: 9,225 million (2018: Rs: Nil) respectively.

15.5 These carry mark-up at the rate of 12.75% per annum (2018: 10.50% to 11.30% per annum) and are repayable within 1 month (2018: 3 months).

16 DEPOSITS AND OTHER ACCOUNTS

	2019 In local currency	2019 In foreign currencies	2019 Total	2018 In local currency	2018 In foreign currencies	2018 Total
	(Rupees in '000)					
Customers						
- Certificate of investments (COIs)	**620,000**	**–**	**620,000**	725,403	–	725,403

16.1 Composition of deposits

	Note	2019	2018
		(Rupees in '000)	
- Public sector entities		**500,000**	500,403
- Private sector		**120,000**	225,000
		620,000	725,403

17 OTHER LIABILITIES

	Note	2019	2018
Mark-up / return / interest payable in local currency		**782,889**	279,907
Unearned commission and income on bills discounted		**22,745**	25,976
Accrued expenses		**71,960**	78,335
Brokerage / commission payable		**3,170**	1,613
Payable against purchase of shares		**15,758**	362,031
Lease liability against right-of-use assets		**94,289**	–
Security deposits against advances		**604,464**	511,534
Provision for Sindh Worker's Welfare Fund	27.1	**113,034**	103,466
Payable to defined benefit plan		**–**	261
Sindh sales tax payable on modaraba management fee	17.1	**7,180**	5,515
Taxation payable		**614**	223
Unclaimed dividend		**160**	155
Others		**34,695**	14,900
		1,750,958	1,383,916

17.1 AMML has recorded a provision in respect of Sindh Sales Tax (SST) on management fee at the rate of 14% per annum from July 1, 2015 to June 30, 2016 and at the rate of 13% subsequently. However, certain other Modaraba Management Companies have filed petitions in the Sindh High Court (SHC) challenging the orders passed by various income tax authorities regarding the applicability of tax on modaraba management company's remuneration which is currently pending adjudication. In view of the pendency of such matter with the SHC, AMML has not recovered from Awwal modaraba and has, hence, not paid / discharged SST on management fee. However, a full provision has been maintained there against in these consolidated financial statements.

18 SHARE CAPITAL

18.1 Authorised capital

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

18.2 Issued, subscribed and paid-up capital

		Ordinary shares		
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000

18.3 As at December 31, 2019, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2018: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2018: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2019	2018
		(Rupees in '000)	
Deficit on revaluation of			
- Available-for-sale securities	8.2	**(186,875)**	(846,358)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		**35,977**	173,146
		(150,898)	(673,212)

20 CONTINGENCIES AND COMMITMENTS

	Note	2019	2018
- Guarantees	20.1	**1,102,446**	765,541
- Commitments	20.2	**10,957,509**	7,246,111
- Other contingent liabilities	20.3	**–**	–
		12,059,955	8,011,652
20.1 Guarantees			
Financial guarantees		**1,102,446**	765,541
20.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		**331,320**	335,802
Commitments in respect of:			
- repo transactions	20.2.1	**9,877,213**	5,004,044
- forward lendings	20.2.2	**748,976**	1,906,265
		10,957,509	7,246,111

20.2.1 Commitments in respect of repo transactions

	Note	2019	2018
		(Rupees in '000)	
Repurchase of government securities		**5,342,579**	5,004,044
Reverse repurchase of government securities		**4,534,634**	–
		9,877,213	5,004,044

20.2.2 Commitments in respect of forward lendings

Undrawn formal standby facilities, credit lines and other commitments to lend	**748,976**	1,906,265

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense.

20.3 Other contingent liabilities

20.3.1 In 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs 200 million for damages against the Holding Company for alleged non-performance of underwriting commitment in respect of issue of shares at a premium. The legal advisors of the Holding Company are of the opinion that the Holding Company has a strong case and that the matter will most likely be decided in favour of the Holding Company.

20.3.2 The returns of income of the Holding Company from tax years 2008 to 2019 had been filed with the tax authorities. From tax year 2008 upto tax year 2017, these returns have been revised and additional tax demands have been raised of which Rs. 559.245 million are outstanding as at December 31, 2019. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Holding Company is contesting these demands and appeals have been filed by the Holding Company against the same which are pending adjudication at various legal and appellate forums. The Holding Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 13). The management is confident that the matters will eventually be decided in favour of the Holding Company and that the Holding Company will be able to adjust amounts in respect of matters decided against the Holding Company (if any) against the tax refunds currently being claimed by it.

20.3.3 In 2018, the Holding Company signed an agreement with Army Welfare Trust (AWT) which included an indemnity in favour of AWT for a period of 3 years from December 14, 2016 against any financial liability which may arise out of any fraudulent act carried out during the tenure of the Holding Company's management of Primus Investment Management Limited (PIML). The Holding Company has received a notice of demand for indemnification from AWT Investments Limited (AWTIL) under the aforesaid agreement for an amount of Rs. 34.362 million. The Holding Company has also received a notice of demand for indemnification from AWT on December 13, 2019. The Holding Company, through its legal counsel has responded to the said notice on January 28, 2020. As per advice of the legal counsel, the Holding Company has a strong case in this matter and chances of any successful claim against the Holding Company appear to be unlikely.

21 MARK-UP / RETURN / INTEREST EARNED

	Note	2019	2018
		(Rupees in '000)	
On:			
a) Loans and advances		**2,145,049**	1,462,206
b) Investments		**2,698,148**	1,107,139
c) Lendings to financial institutions		**393,314**	66,666
d) Balances with banks		**28,943**	23,074
		5,265,454	2,659,085

22 MARK-UP / RETURN / INTEREST EXPENSED

	Note	2019	2018
Deposits		**121,103**	159,937
Interest expense on lease liability against right-of-use assets		**11,107**	–
Borrowings		**4,113,162**	1,587,547
		4,245,372	1,747,484

23 FEE AND COMMISSION INCOME

	Note	2019	2018
Advisory / arrangement fee		**75,757**	134,292
Processing fee income		**2,655**	5,690
Participation fee		**3,079**	1,979
Commitment fee		**11,038**	6,811
Commission on letters of credit		**–**	7
Trustee fee		**54,393**	47,988
Front end fee		**2,345**	1,646
		149,267	198,413

24 LOSS ON SECURITIES

	Note	2019	2018
Realised	24.1	**(233,293)**	(67,658)
Unrealised - held for trading		**–**	–
		(233,293)	(67,658)
24.1 Realised (loss) / gain on:			
Federal government securities		**148,136**	(5,951)
Shares		**(346,598)**	(65,101)
Non-government debt securities		**640**	(119)
Commercial paper		**(140)**	–
Mutual funds		**(35,331)**	3,513
		(233,293)	(67,658)

25 OTHER INCOME

	Note	2019	2018
		(Rupees in '000)	
Rent on property		**5,200**	150
Gain on sale of fixed assets - net		**1,790**	34
Others		**806**	51
		7,796	235

26 OPERATING EXPENSES

	Note	2019	2018
Total compensation expense		**286,800**	277,352
Property expense			
Rent and taxes		**240**	36,688
Insurance		**5,944**	7,163
Security		**3,458**	1,476
Utilities cost		**2,010**	3,817
Repairs and maintenance (including janitorial charges)		**5,257**	11,691
Depreciation	10.1	**32,966**	1,162
		49,875	61,997
Information technology expenses			
Software maintenance		**10,979**	6,182
Hardware maintenance		**2,785**	744
Depreciation	10.1	**3,028**	3,433
Amortisation	11.1	**1,346**	1,485
		18,138	11,844
Other operating expenses			
Directors' fees and allowances		**6,040**	3,072
Fees and subscription		**2,412**	2,063
Legal and professional charges		**17,070**	19,720
Travelling and conveyance		**34,082**	34,471
Brokerage commission		**11,977**	9,587
Depreciation	10.1	**9,838**	6,910
Training and development		**571**	603
Postage and courier charges		**448**	387
Communication		**3,933**	3,695
Stationery and printing		**1,470**	4,741
Marketing, advertisement and publicity		**1,761**	1,617
Donations	26.2	**–**	1,565
Auditors' remuneration	26.3	**2,281**	6,717
Others		**19,405**	9,888
Provision for Sindh sales tax on management company's remuneration	17.1	**1,665**	2,747
		112,953	107,783
		467,766	458,976

26.1 The Group does not have any material outsourcing arrangements.

26.2 Details of donations

	Note	2019	2018
		(Rupees in '000)	
Donations individually exceeding Rs 500,000			
Aman Health Care Foundation Centre		–	1,500
Donations individually not exceeding Rs 500,000		–	65
		–	1,565

26.3 Auditors' remuneration

		2019	2018
Audit fee for annual financial statements		1,188	1,366
Half yearly review fee		480	625
Special certifications and sundry advisory services		300	4,246
Out-of-pocket expenses		313	480
		2,281	6,717

27 PROVISION FOR SINDH WORKERS„ WELFARE FUND

	Note	2019	2018
Provision for Sindh Workers' Welfare Fund	27.1	9,568	14,539

27.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in these consolidated financial statements amounting to Rs 113.034 million which includes a provision of Rs 9.568 million for the current year.

28 PROVISIONS AND WRITE OFFS - NET

	Note	2019	2018
		(Rupees in '000)	
Provision for diminution in value of investments - net	8.5.1	(97,569)	75,783
Provisions against loans and advances	9.5	89,010	25,822
		(8,559)	101,605

29 TAXATION

	Note	2019	2018
Current		140,241	178,760
Prior years	29.1	524	52,746
Deferred		(17,337)	12,490
		123,428	243,996

29.1 Current tax charge for the year represents Alternate Corporate Tax (ACT), tax deducted on capital gains, minimum tax and tax liability under fixed tax regime.

29.2 This includes Rs Nil (2018: 22.155 million) in respect of super tax for rehabilitation of temporarily displaced person at the rate of nil (2018: 3%) of the taxable income for Tax Year 2018 (accounting year ended December 31, 2017).

29.3 Relationship between tax expense and accounting profit

	Note	2019	2018
		(Rupees in '000)	
Accounting profit before tax		526,641	515,468
Tax rate		29%	29%
Tax on accounting profit		152,726	149,486
Tax effect of:			
Income chargeable to tax at special rate		(23,579)	(901)
Income exempt from tax		39,788	(1,035)
Permanent differences		28,373	19,318
Super tax for the current year		–	12,715
Prior year charge		684	52,746
Effect of change in tax rate		–	(1,876)
Excess of ACT over NTR		(62,001)	–
Others		(12,563)	13,543
		123,428	243,996

30 EARNINGS PER SHARE - BASIC AND DILUTED

30.1 Basic earnings per share

	2019	2018
	(Rupees in '000)	
Profit for the year	403,213	271,472
	Number of shares	
Weighted average number of ordinary shares	600,000	600,000
	Rupees	
Basic earnings per share	0.67	0.45

30.2 Diluted earnings per share

Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue.

31 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000)	
Cash and balance with treasury banks	5	133,913	281,404
Balance with other banks	6	215,671	165,057
		349,584	446,461

32 STAFF STRENGTH

	2019	2018
	(Number)	
Permanent	76	77
On contract	25	26
Outsourced	23	25
Own staff strength at the end of the year	124	128

32.1 This includes 12 (2018:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

33 DEFINED BENEFIT PLAN

33.1 General description

As mentioned in note 4.15, the Holding Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Holding Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

33.2 Number of employees under the defined benefit plan

	2019	2018
	(Number)	
The number of employees covered under the defined benefit plan as at December 31	**74**	75

33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019	2018
	(Per annum)	
Discount rate	**11.25%**	13.25%
Expected rate of salary increase	**11.25%**	13.25%

33.4 Reconciliation of (receivable from) / payable to defined benefit plan

	Note	2019	2018
		(Rupees in '000)	
Present value of obligation	33.6	**61,583**	49,260
Fair value of plan assets	33.7	**(62,299)**	(48,999)
(Receivable) / Payable		**(716)**	261
33.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		**261**	(4,103)
Current service cost	33.8.1	**6,810**	6,327
Actual contributions		**(6,065)**	(2,224)
Benefits paid to outgoing members		**(266)**	–
Re-measurement (gain) / loss recognised in OCI		**(1,456)**	261
Obligation at the end of the year		**(716)**	261
33.6 Movement in payable under defined benefit scheme			
Opening balance		**49,260**	42,980
Charge for the year		**6,893**	6,652
Interest cost on defined benefit obligation		**6,840**	3,741
Re-measurement gain recognised in OCI during the year	33.8.2	**(1,144)**	(3,196)
Benefits paid to outgoing members		**(266)**	(917)
Closing balance		**61,583**	49,260

33.7 Movement in fair value of plan assets

	Note	2019	2018
		(Rupees in '000)	
Fair value at the beginning of the year		**48,999**	47,083
Interest income on plan assets		**6,923**	4,066
Contributions - net		**6,065**	2,224
Actual benefits paid from the fund during the year		**–**	(917)
Re-measurement gain / (loss)	33.8.2	**312**	(3,457)
Fair value at the end of the year		**62,299**	48,999
33.8 Charge for defined benefit plan			
33.8.1 Cost recognised in consolidated profit and loss account			
Current service cost		**6,893**	6,652
Net interest income on defined benefit asset / liability		**(82)**	(325)
		6,811	6,327
33.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- financial assumptions		**(551)**	1,099
- experience adjustments		**(593)**	(4,295)
		(1,144)	(3,196)
Return on plan assets over interest income		**(312)**	3,457
Total re-measurements (gain) / loss recognised in OCI		**(1,456)**	261
33.9 Components of plan assets			
Cash and cash equivalents - net		**257**	31
Government securities		**62,042**	42,246
Mutual funds		**–**	7,639
		62,299	49,916

33.9.1 Description of risks

The defined benefit plan exposes the Holding Company to the following risks:

Withdrawal risks This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Mortality risks This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks This is the risk that the final salary at the time of cessation of service is greater than what was assumed.

33.10 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	2019	2018
	(Rupees in '000)	
1% increase in discount rate	**(5,465)**	(4,480)
1% decrease in discount rate	**6,300**	5,169
1 % increase in expected rate of salary increase	**6,544**	5,360
1 % decrease in expected rate of salary increase	**(5,764)**	(4,714)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

		(Rupees in '000)
33.11	Expected contributions to be paid to the funds in the next financial year	**2,425**

33.12 The expected charge for the next financial year commencing January 1, 2020 works out to Rs 2.425 million (2018: Rs 6.925 million).

33.13 Maturity profile

The weighted average duration of the obligation is 10 years (2018: 9 years).

33.14 Funding policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

34 DEFINED CONTRIBUTION PLANS

34.1 Pak Brunei Investment Company Limited, Awwal modaraba, PLL and AMML operates provident fund schemes for all their permanent employees. Equal monthly contributions at the rate of 10% per annum (2018: 10% per annum) of basic salaries are made both by Pak Brunei Investment Company Limited, Awwal modaraba, PLL and AMML and employees. Contributions made to the provident fund during the year are as follows:

	2019	2018
	(Rupees in '000)	
Contribution made by the Holding Company Pak Brunei Investment Company Limited, Awwal modaraba, PLL and AMML	**10,627**	7,500
Contribution made by employees	**10,627**	7,500
	21,254	15,000

34.2 Details in respect of defined contributions plans of the subsidiaries are provided in note 4.15.2.

35 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF THE GROUP

35.1 Total Compensation Expense

(Rupees in '000)

2019

Items	Chairman	Directors: Executives (other than CEO)	Directors: Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	1,879	–	3,740	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	22,101	92,907	28,998
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	6,334	27,708	7,629
b) Bonus & Awards in Shares	–	–	–	–	2,305	–
Charge for defined benefit plan	–	–	–	1,183	5,357	1,239
Contribution to defined contribution plan	–	–	–	1,524	4,939	1,547
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	400	3,627	1,293
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	1,713	6,846	1,478
- TDA	–	–	–	824	56	45
- Fuel	–	–	–	403	5,298	2,212
- others	–	–	421	8	4,275	534
Total	1,879	–	4,161	34,490	159,538	44,975
Number of Persons	1	–	3	1	18	11

(Rupees in '000)

2018

Items	Chairman	Directors: Executives (other than CEO)	Directors: Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	893	–	1,804	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	19,567	71,490	24,953
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	1,631	11,183	1,634
b) Bonus & Awards in Shares	–	–	–	–	1,089	–
Charge for defined benefit plan	–	–	–	1,073	4,582	1,044
Contribution to defined contribution plan	–	–	–	1,349	2,765	1,354
Rent & house maintenance	–	–	–	–	5,280	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	663	2,860	1,162
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	1,631	4,522	1,447
- TDA	–	–	–	586	154	111
- Fuel	–	–	375	386	4,093	2,079
- others	–	–	–	211	2,811	546
Total	893	–	2,179	27,097	111,698	34,330
Number of Persons	1	–	2	1	11	11

The term "Key Management Personnel" means the following functional responsibilities:

(a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.

(b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

35.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019				
		Meeting Fees and Allowances Paid				
			For Board Committees			
Sr. No.	Name of Director	For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	1,879	–	–	–	1,879
2	Mr. Arif Ahmed Khan*	1,148	–	–	–	1,148
3	Mr. Edzwan Zukri Adanan	1,879	–	–	–	1,879
4	Mr. Tariq Mahmood Pasha	713	–	–	–	713
	Total Amount Paid	**5,619**	**–**	**–**	**–**	**5,619**

* During the year, Mr. Arif Ahmed Khan was appointed as a director on the Board in the 51st BOD meeting dated April 29, 2019.

		2018				
		Meeting Fees and Allowances Paid				
			For Board Committees			
Sr. No.	Name of Director	For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	893	–	–	–	893
2	Mr. Tariq Mahmood Pasha	911	–	–	–	911
3	Mr. Edzwan Zukri Adanan	893	–	–	–	893
	Total Amount Paid	**2,697**	**–**	**–**	**–**	**2,697**

36 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

36.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates / sukuks certificates	Investments in listed debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the prices announced by the Pakistan Stock Exchange Limited.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

(Rupees in '000)

	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	25,130,607	–	25,130,607
Shares	1,469,026	–	–	1,469,026
Non-Government debt securities	–	2,562,743	–	2,562,743
Units of mutual funds	–	526,791	–	526,791
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	9,877,213	–	9,877,213

(Rupees in '000)

	2018			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	19,491,541	–	19,491,541
Shares	1,514,207	–	–	1,514,207
Non-Government debt securities	–	2,406,173	–	2,406,173
Units of mutual funds	–	677,643	–	677,643
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	5,004,044	–	5,004,044

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	2019 (Rupees in '000)			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit & Loss Account				
Net mark-up / return / profit	186,709	447,167	386,206	1,020,082
Non mark-up / return / interest income	1,478	(28,500)	2,356	(24,666)
Total income	188,187	418,667	388,562	995,416
Total expenses	125,512	178,785	173,037	477,334
Provisions	–	(91,081)	82,522	(8,559)
Profit before tax	62,675	148,801	298,047	526,641
Consolidated Statement of Financial Position				
Cash and bank balances	64,179	158,245	127,160	349,584
Investments	–	29,813,625	–	29,813,625
Lendings to financial institutions	48,879	4,500,000	–	4,548,879
Advances - performing	774,891	455,106	19,107,977	20,337,974
Advances - non-performing	–	30,412	171,026	201,438
Others	121,539	1,417,537	963,323	2,502,399
Total assets	1,009,488	36,374,925	20,369,486	57,753,899
Borrowings	–	26,330,469	18,361,531	44,692,000
Deposits and other accounts	–	367,880	252,120	620,000
Others	36,672	846,140	868,146	1,750,958
Total liabilities	36,672	27,544,489	19,481,797	47,062,958
Equity	972,816	8,830,436	887,689	10,690,941
Total equity and liabilities	1,009,488	36,374,925	20,369,486	57,753,899
Contingencies and commitments	11,800	6,065,020	5,983,135	12,059,955

	2018 (Rupees in '000)			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit and Loss Account				
Net mark-up / return / profit	109,299	67,758	734,544	911,601
Non mark-up / return / interest income	196,490	(17,503)	–	178,987
Total income	305,789	50,255	734,544	1,090,588
Total expenses	120,186	78,037	275,292	473,515
Provisions	–	76,810	24,795	101,605
Profit before tax	185,603	(104,592)	434,457	515,468
Consolidated Statement of Financial Position				
Cash and bank balances	231,158	101,748	113,555	446,461
Investments	–	24,113,564	–	24,113,564
Lendings to financial institutions	54,879	–	–	54,879
Advances - performing	752,346	484,405	20,094,985	21,331,736
Advances - non-performing	–	11,304	271,541	282,845
Others	129,629	530,673	1,591,306	2,251,608
Total assets	1,168,012	25,241,694	22,071,387	48,481,093
Borrowings	–	18,579,125	17,728,074	36,307,199
Deposits and other accounts	–	365,335	360,068	725,403
Others	40,240	612,851	730,825	1,383,916
Total liabilities	40,240	19,557,311	18,818,967	38,416,518
Equity	1,127,772	5,684,383	3,252,420	10,064,575
Total equity and liabilities	1,168,012	25,241,694	22,071,387	48,481,093
Contingencies and commitments	–	5,004,044	3,007,608	8,011,652

37.2 Segment details with respect to geographical location

The operations of the Group are currently based only in Pakistan.

38 TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / sukuk issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Holding Company is registered as a Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as a DST under the Debt Securities Trustees Regulations, 2017 (DST Regulation, 2017)

Currently, the Holding Company is acting as a trustee to the Term Finance Certificates and Sukuk issued by Agha Steel Industries Limited, Agritech Limited, Air Link Communications Limited, Al-Baraka Bank (Pakistan) Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, The Bank of Punjab, Dubai Islami Bank Pakistan Limited, Engro Polymer & Chemicals Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, HUBCO Power Company Limited, International Brands Limited, Jahangir Siddiqui & Co. Limited, Javedan Corporation Limited, JS Bank Limited, K-Electric Limited, Khushali Microfinance Bank Limited, Neelum Jehlum Hydro Power Company Limited, Pak Elektron Limited, Pak Water & Power Development Authority (WAPDA), Pak Water & Power Development Authority (WAPDA-Dasu Project), Pakistan International Airlines, Pakistan Services Limited, Secure Logistics Group, Silk Bank Limited, Sindh Nooriabad Power Co. Pvt. Limited (Phase-I), Sindh Nooriabad Power Company Pvt. Limited (Phase-II), Soneri Bank Limited, Summit Bank Limited, TPL Properties Pvt. Limited, U Microfinance Bank Limited, and WAPDA 3rd SUKUK Company. The combined value of the debt securities as at December 31, 2019 amounted to Rs. 434,264 million (2018: Rs. 388,088 million).

39 RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employees' defined benefit and defined contribution plans, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 33 and 34 to these consolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to chief executive, directors and executives is disclosed in note 35 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

	2019			2018		
	Directors	Key management	Other related parties	Directors	Key management	Other related parties
Advances						
Opening balance	–	74,920	2,579	–	52,409	–
Addition during the year	–	7,579	(1,067)	–	37,302	3,201
Repaid during the year	–	(32,263)	–	–	14,791	(622)
Transfer in / (out) - net	–	30,483	–	–	–	–
Closing balance	–	80,719	1,512	–	74,920	2,579
Other assets						
Others	–	–	716	–	–	–
	–	–	716	–	–	–
Borrowings						
Opening balance	–	–	14,346	–	–	–
Borrowings during the year	–	–	398,129	–	–	428,564
Settled during the year	–	–	(346,461)	–	–	414,218
Closing balance	–	–	66,014	–	–	14,346
Other liabilities						
Interest / mark-up payable	–	–	1,379	–	–	114
Other liabilities	–	–	6,596	–	–	7,415
	–	–	7,975	–	–	7,529
Income						
Mark-up / return / interest earned	–	2,062	50,156	–	2,551	–
Share of profit	–	–	–	–	–	–
Expense						
Mark-up / return / interest paid	–	–	3,673	–	–	–
Operating expenses	4,669	111,655	2,650	4,960	149,423	–
Reimbursement of expenses	–	1,235	1,066	–	19,072	–
Expenses charged	–	–	9,307	–	–	–

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,000,000	6,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	8,921,937	8,452,473
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	8,921,937	8,452,473
Eligible Tier 2 Capital	–	–
Total Eligible Capital (Tier 1 + Tier 2)	8,921,937	8,452,473
Risk Weighted Assets (RWAs):		
Credit Risk	20,795,573	22,838,316
Market Risk	5,276,026	4,383,671
Operational Risk	2,094,736	1,745,474
Total	28,166,335	28,967,461
Common Equity Tier 1 Capital Adequacy ratio	31.68%	29.18%
Tier 1 Capital Adequacy Ratio	31.68%	29.18%
Total Capital Adequacy Ratio	31.68%	29.18%

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

The paid-up capital and CAR of the Group stands at Rs. 6 billion and 31.68% of its risk weighted exposure as at December 31, 2019.

The Group uses Standardised approach for calculations of Credit and Market Risk Weighted Assets while Basic Indicator approach is used to calculate Operational Risk Weighted assets.

	2019	2018
	(Rupees in '000)	
Minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	12.50%	11.90%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	8,921,937	8,452,473
Total Exposures	58,256,680	49,873,091
Leverage Ratio - percentage	15.31%	16.95%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,538,009	5,625,751
Total Net Cash Outflow	7,136,150	8,561,213
Liquidity Coverage Ratio - percentage	63.59%	65.71%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	25,529,648	19,869,638
Total Required Stable Funding	22,140,524	21,364,065
Net Stable Funding Ratio - percentage	115.31%	93.00%

40.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2020/03/BaselIII2019Disclosure-Consolidated.pdf

41 RISK MANAGEMENT

The Risk Management Framework (the Framework) of the Group provides principles for identifying, assessing and monitoring risk within the Group. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Group generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Group is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group.

Liquidity risk The risk that the Group is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Operational risk Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.

Reputational risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) of the Holding Company is accountable for overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and in ensuring that these are properly implemented. Furthermore, the Board designates the senior management personnel who are capable of managing the risk activities conducted by the Group.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Holding Company while MOOR function overviews market, liquidity and operational risks of the Holding Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Group, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for Credit Committee members. CRM monitors the credit portfolio of the Holding Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group exposures, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the statement of financial position as a whole. MOOR is responsible for monitoring and reporting of market and liquidity risk as it arises from trading, investing and lending activities. MOOR also conducts Risk and Self Assessment exercises and maintains Group wide risk registers to monitor operational risks embedded in the Group operations and ensure that sufficient controls are in place against such risks.

Different Management Committees have been set up by the Holding Company to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

41.1 Credit risk

Credit risk, i.e. the potential default of one or more debtors, is the largest source of risk for the Group. The Group is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework. The Group has adopted Standardised Approach of Basel II Accord.

The Group manages 3 principal sources of credit risk:

i) Sovereign credit risk

When the Group lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk

When the Group lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a standalone basis. Two internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits

In the normal course of its business, the Group Treasury utilises products such as reverse repos and call lendings to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligations to the Group.

Reflecting a preference for minimizing the exposure to counterparty credit risk, the Group maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Group is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Group manages its lendings and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing

The Group also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Group and assessing its resulting effect on capital adequacy.

Regular monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

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

41.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**4,548,879**	–	**–**	–	**–**	–
	4,548,879	–	**–**	–	**–**	–

41.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**–**	157,433	**58,320**	58,320	**58,320**	58,320
Textile	**45,514**	45,514	**45,514**	45,514	**45,514**	45,514
Electronics and electrical appliances	**105,500**	118,000	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	43,641	**43,641**	43,641	**43,641**	–
Transport, Storage and Communication	**16,135**	16,391	**16,135**	16,391	**16,135**	16,391
Financial	**2,763,751**	2,254,603	**–**	–	**–**	–
	2,974,541	2,635,582	**269,110**	269,366	**269,110**	225,725
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**2,974,541**	2,635,582	**269,110**	269,366	**269,110**	225,725
	2,974,541	2,635,582	**269,110**	269,366	**269,110**	225,725

41.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
Credit risk by industry sector						
Agriculture, Forestry, Hunting And Fishing	**313,609**	804,253	**2,813**	–	**281**	–
Textile	**4,060,724**	4,418,158	**30,276**	43,725	**26,586**	36,676
Chemical And Pharmaceuticals	**2,831,393**	2,084,691	**–**	54	**–**	54
Cement	**1,400,000**	1,400,000	**–**	–	**–**	–
Sugar	**913,559**	751,523	**21,998**	21,998	**–**	–
Automobile and transportation equipment	**148,683**	59,115	**1,184**	196	**296**	98
Electronics and electrical appliances	**1,568,244**	2,087,974	**2,059**	2,059	**2,059**	2,059
Construction	**669,703**	995,989	**–**	–	**–**	–
Power (Electricity), Gas, Water, Sanitary	**2,889,130**	2,113,525	**138,073**	138,073	**47,384**	20,352
Wholesale and retail trade	**–**	117,678	**–**	–	**–**	–
Transport, Storage And Communication	**512,946**	575,427	**73,443**	60,464	**60,385**	27,605
Financial	**230,515**	437,947	**–**	–	**–**	–
Services	**110,807**	993,705	**–**	–	**–**	–
Individuals	**166,662**	186,910	**–**	–	**–**	–
Packaging	**1,143,244**	1,045,809	**–**	–	**–**	–
Engineering	**43,720**	525,632	**–**	–	**–**	–
Food and beverages	**1,735,362**	1,108,771	**308,567**	307,859	**239,983**	205,678
Steel and engineering	**507,485**	1,582,947	**6,270**	6,270	**6,270**	6,270
Information Technology	**323,567**	399,678	**10,789**	10,789	**10,789**	10,789
Others	**1,374,125**	239,905	**–**	1,042	**–**	103
	20,943,478	21,929,637	**595,472**	592,529	**394,034**	309,684
Credit risk by public / private sector						
Public / Government	**24,854**	50,123	**–**	–	**–**	–
Private	**20,918,624**	21,879,514	**595,472**	592,529	**394,034**	309,684
	20,943,478	21,929,637	**595,472**	592,529	**394,034**	309,684

41.1.4 Contingencies and Commitments

	2019	2018
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting And Fishing	**5,000**	5,000
Textile	**235,253**	1,147,989
Chemical and pharmaceuticals	**75,497**	20,650
Sugar	**–**	–
Electronics and electrical appliances	**–**	–
Construction	**935,374**	965,541
Power (Electricity), Gas, Water, Sanitary	**768,768**	513,218
Transport, storage and communication	**–**	10,300
Financial	**9,877,213**	5,004,044
Services	**16,300**	11,800
Packaging	**144,231**	100,450
Engineering	**–**	10,170
Food and beverages	**780**	2,080
Steel and engineering	**39**	205,410
Others	**1,500**	15,000
	12,059,955	8,011,652
Credit risk by public / private sector		
Public / Government	**5,004,044**	5,004,044
Private	**7,055,911**	3,007,608
	12,059,955	8,011,652

41.1.5 Concentration of advances

The Group's top 10 exposures on the basis of total funded and non-funded exposures are as following:

	2019	2018
	(Rupees in '000)	
Funded	**6,691,455**	7,073,746
Non Funded	**1,102,446**	765,541
Total Exposure	**7,793,901**	7,839,287

The sanctioned limits against these top 10 exposures aggregated to Rs.8,867 million (2018: Rs.7,846 million).

41.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

	2019				
		Utilisation			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	**4,122,418**	**4,122,418**	**–**	**–**	**–**
Sindh	**4,355,299**	**–**	**4,355,299**	**–**	**–**
KPK including FATA	**–**	**–**	**–**	**–**	**–**
Balochistan	**900,000**	**–**	**–**	**900,000**	**–**
Islamabad	**–**	**–**	**–**	**–**	**–**
AJK including Gilgit-Baltistan	**–**	**–**	**–**	**–**	**–**
Total	**9,377,717**	**4,122,418**	**4,355,299**	**900,000**	**–**

(Rupees in '000)

	2018				
		Utilisation			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	8,573,140	8,573,140	–	–	–
Sindh	3,218,647	–	3,218,647	–	–
KPK including FATA	–	–	–	–	–
Balochistan	1,300,000	–	–	1,300,000	–
Islamabad	–	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	13,091,787	8,573,140	3,218,647	1,300,000	–

41.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Group classifies its assets in banking and trading books as per instructions from the SBP. The Group's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking book and are treated as per SBP requirements.

The Group's trading book consists of investments in government securities, listed equities and mutual funds. The Group actively measures, controls and manages market risk in its trading book on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Group measures market risk using various techniques like duration analysis for interest rate risk in banking book, Value-at-Risk for adverse price movement, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Results are also communicated to the Board of Directors every quarter and to Board's Risk Management Committee on a half-yearly basis. Market risk is effectively managed at the portfolio level.

41.2.1 Consolidated Statement of Financial Position split by trading and banking books - Basel II Specific

(Rupees in '000)

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	**133,913**	**–**	**133,913**	281,404	–	281,404
Balances with other banks	**215,671**	**–**	**215,671**	165,057	–	165,057
Lendings to financial institutions	**4,548,879**	**–**	**4,548,879**	54,879	–	54,879
Investments	**2,687,201**	**27,126,424**	**29,813,625**	2,430,173	21,683,391	24,113,564
Advances	**20,539,412**	**–**	**20,539,412**	21,614,581	–	21,614,581
Fixed assets	**153,931**	**–**	**153,931**	28,477	–	28,477
Intangible assets	**6,198**	**–**	**6,198**	6,871	–	6,871
Deferred tax assets	**194,453**	**–**	**194,453**	314,708	–	314,708
Other assets	**1,760,072**	**–**	**1,760,072**	1,901,552	–	1,901,552
Non-current assets classified as held-for-sale	**387,745**	**–**	**387,745**	–	–	–
	30,627,475	**27,126,424**	**57,753,899**	26,797,702	21,683,391	48,481,093

41.2.2 Foreign exchange risk

Foreign exchange risk is the risk of loss arising from fluctuations of exchange rates. The Group is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off- balance sheet items	Net foreign currency exposure
United States Dollar	**6**	**–**	**–**	**6**	6	–	–	6
	6	**–**	**–**	**6**	6	–	–	6

(Rupees in '000)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit	**0.00006**	**–**	0.00043	–

41.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a a result of changes in prices of individual stocks or the levels of equity indices. The Group's equity investments are either classified as available-for-sale (AFS) and held for trading (HFT). The objective of the AFS portfolio is to maintain a medium term view of capital gains and dividend income while the Group takes advantage of short-term capital gains through its HFT portfolio investments. It is managed by the Group through its internal investment policy which is duly approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The Group also applies stress tests on the equity portfolio which is part of the Group overall market risk exposure limit on the banking book.

(Rupees in '000)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit	–	–	–	–
- Other	–	(113,653)	–	(141,831)

41.2.4 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity dates and for off-balance sheet instruments is based on settlement dates. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the Group also conducts interest rate sensitivity analysis in the banking book using the Duration Gap analysis based on its interest rate sensitive assets and interest rate sensitive liabilities. The Group also uses parallel shift in interest rates to determine the impact of adverse rate changes on investments in government securities.

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.

- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Group equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

(Rupees in '000)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	2,427	–	(3,568)	–
- Other comprehensive income	–	(102,441)	–	(355,814)

41.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	2019											
	Effective yield/ interest rate %	Total	Exposed to yield/interest rate risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	5.00% to 8.00%	133,913	4,332	–	–	–	–	–	–	–	–	129,581
Balances with other banks	3.40% to 12.25%	215,671	208,401	–	–	–	–	–	–	–	–	7,270
Lending to financial institutions	–	4,548,879	4,548,879	–	–	–	–	–	–	–	–	–
Investments	7.00% to 18.50%	29,813,625	974,033	9,037,424	901,102	14,783,487	2,874	–	113,732	1,784	–	3,999,189
Advances	2.00% to 20.00%	20,539,412	5,591,522	4,906,976	2,671,956	1,584,197	1,549,770	1,216,900	1,553,808	1,263,658	39,569	161,056
Other assets		1,498,874	21,316	16,499	21,738	56,535	362,546	1,857	673	–	–	1,017,710
		56,750,374	11,348,483	13,960,899	3,594,796	16,424,219	1,915,190	1,218,757	1,668,213	1,265,442	39,569	5,314,806
Liabilities												
Borrowings	2.00% to 11.30%	44,692,000	23,682,677	8,800,255	6,118,135	1,511,668	1,014,752	955,937	1,384,785	1,223,791	–	–
Deposits and other accounts	10.00% to 10.50%	620,000	–	120,000	256,168	17,555	95,213	114,037	17,027	–	–	–
Other liabilities		1,607,999	17,755	28,875	358,942	5,524	–	–	–	–	–	1,196,903
		46,919,999	23,700,432	8,949,130	6,733,245	1,534,747	1,109,965	1,069,974	1,401,812	1,223,791	–	1,196,903
On-balance sheet gap		9,830,375	(12,351,949)	5,011,769	(3,138,449)	14,889,472	805,225	148,783	266,401	41,651	39,569	4,117,903
Non financial net assets		860,566										
Total Net assets		10,690,941										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,433,766	2,461	27,859	–	–	1,102,446	–	–	301,000	–	–
Commitments in respect of:												
- forward lendings		748,976	94,405	10,341	644,230	–	–	–	–	–	–	–
- repo transactions		9,877,213	9,877,213	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		12,059,955	9,974,079	38,200	644,230	–	1,102,446	–	–	301,000	–	–
Total yield / interest risk sensitivity gap			(2,377,870)	5,049,969	(2,494,219)	14,889,472	1,907,671	148,783	266,401	342,651	39,569	4,117,903
Cumulative yield / interest risk sensitivity gap			(2,377,870)	2,672,099	177,880	15,067,352	16,975,023	17,123,806	17,390,207	17,732,858	17,772,427	21,890,330

(Rupees in '000)

	2018											
	Effective yield/ interest rate %	Total	Exposed to yield/interest rate risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	5.00% to 6.15%	281,404	120,055	–	–	–	–	–	–	–	–	161,349
Balances with other banks	3.40% to 8.50%	165,057	160,077	–	–	–	–	–	–	–	–	4,980
Lending to financial institutions	–	54,879	6,000	–	–	48,879	–	–	–	–	–	–
Investments	7.00% to 12.00%	24,113,564	1,480,892	18,030,515	1,066,594	1,306,937	–	2,772	–	10,004	–	2,215,850
Advances	2.00% to 20.00%	21,614,581	6,490,180	4,613,005	3,804,199	507,613	1,136,034	1,100,762	2,045,747	1,747,700	–	169,341
Other assets		1,245,554	–	–	–	–	–	–	–	–	–	1,245,554
		47,475,039	8,257,204	22,643,520	4,870,793	1,863,429	1,136,034	1,103,534	2,045,747	1,757,704	–	3,797,074
Liabilities												
Borrowings	2.00% to 11.30%	36,307,199	6,160,572	20,442,454	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	–
Deposits and other accounts	10.00% to 10.50%	725,403	225,000	500,403	–	–	–	–	–	–	–	–
Other liabilities	–	1,248,959	–	–	–	–	–	–	–	–	–	1,248,959
		38,281,561	6,385,572	20,942,857	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	1,248,959
On-balance sheet gap		9,193,478	1,871,632	1,700,663	700,939	1,471,802	193,836	143,234	507,768	55,489	–	2,548,115
Non financial net assets		871,097										
Total Net assets		10,064,575										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,101,343	–	–	68,478	237,000	30,324	765,541	–	–	–	–
Commitments in respect of:												
- forward lendings		1,906,265	72,620	–	798,660	1,034,985	–	–	–	–	–	–
- repo transactions		5,004,044	5,004,044	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		8,011,652	5,076,664	–	867,138	1,271,985	30,324	765,541	–	–	–	–
Total yield / interest risk sensitivity gap			6,948,296	1,700,663	1,568,077	2,743,787	224,160	908,775	507,768	55,489	–	2,548,115
Cumulative yield / interest risk sensitivity gap			6,948,296	8,648,959	10,217,036	12,960,823	13,184,983	14,093,758	14,601,526	14,657,015	14,657,015	17,205,130

41.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry's best practices. The Group also gathers operational risk losses to determine strengths and sufficiency of its internal controls.

The Group has developed a Business Continuity Plan applicable to all its functional areas and the plan is rehearsed at least twice in a year.

Furthermore, the Holding Company's operations are relatively simple as compared to a large scale commercial bank. The Holding Company only operates with its head office in Karachi with a liaison office in Lahore. Given simple operations and small scale, the Holding Company uses Basic Indicator Approach (BIA) to determine capital charge under Basel II.

41.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Group's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Group's main funding source is the inter-bank money market. Changes in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding sources. Efficient and accurate planning plays a critical role in liquidity management. The Group's MIS provides information on expected cash inflows / outflows which allows the Group to take timely decisions based on future requirements. The Group monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio, etc. Other sources are also identified for which early warning indicators have been created and are being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

41.4.1 Maturities of assets and liabilities - based on contractual maturities of assets and liabilities of the Group

(Rupees in '000)

	2019													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	133,913	5,375	7,315	7,315	16,729	97,179	–	–	–	–	–	–	–	–
Balances with other banks	215,671	35,308	9,247	9,247	39,909	121,960	–	–	–	–	–	–	–	–
Lendings to financial institutions	4,548,879	–	–	–	4,548,879	–	–	–	–	–	–	–	–	–
Investments	29,813,625	–	–	271,035	195,455	146,576	678,344	146,636	11,276,510	3,937,247	901,493	10,220	344,894	11,905,215
Advances	20,539,412	170,443	787,509	83,855	1,271,696	923,423	1,158,624	2,971,248	1,226,748	1,149,700	3,548,053	2,519,021	3,030,220	1,698,872
Fixed assets	153,931	102	700	709	1,973	6,638	3,680	18,512	9,236	15,407	30,650	35,466	30,858	–
Intangible assets	6,198	25	159	169	616	721	721	2,164	1,623	–	–	–	–	–
Deferred tax assets	194,453	4,258	15,737	30,737	60,411	6,735	3,047	3,374	–	64,192	3,558	2,404	–	–
Other assets	1,760,072	6,422	44,956	44,985	99,579	652,282	55,344	631,676	90,781	80,132	37,287	1,682	671	14,275
Non-current assets classified as held-for-sale	387,745	–	–	–	–	–	–	387,745	–	–	–	–	–	–
	57,753,899	221,933	865,623	448,052	6,235,247	1,955,514	1,899,760	3,773,610	12,604,898	5,246,678	4,521,041	2,568,793	3,406,643	13,618,362
Liabilities														
Borrowings	44,692,000	3,731	8,386,820	12,505,901	285,187	1,949,929	267,240	4,544,146	3,868,804	1,636,965	4,747,953	3,822,554	1,447,285	1,225,485
Deposits and other accounts	620,000	–	–	–	–	100,000	20,000	256,168	17,555	–	95,213	114,037	17,027	–
Other liabilities	1,750,958	119,833	63,907	471,285	67,494	229,958	90,416	391,127	14,967	18,359	132,387	66,150	83,523	1,552
	47,062,958	123,564	8,450,727	12,977,186	352,681	2,279,887	377,656	5,191,441	3,901,326	1,655,324	4,975,553	4,002,741	1,547,835	1,227,037
Net assets	10,690,941	98,369	(7,585,104)	(12,529,134)	5,882,566	(324,373)	1,522,104	(1,417,831)	8,703,572	3,591,354	(454,512)	(1,433,948)	1,858,808	12,391,325
Share capital	6,000,000													
Reserves	1,480,107													
Unappropriated profit	3,359,371													
Deficit on revaluation of assets	(150,898)													
Total equity attributable to the equity holders of the Holding Company	10,688,580													
Non-controlling interest	2,361													
	10,690,941													

(Rupees in '000)

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	281,404	1,301	9,108	9,108	140,883	121,004	–	–	–	–	–	–	–	–
Balances with other banks	165,057	487	15,886	2,610	111,393	34,681	–	–	–	–	–	–	–	–
Lendings to financial institutions	54,879	–	6,000	–	–	–	–	–	–	48,879	–	–	–	–
Investments	24,113,564	–	16,632	–	1,231,542	139,074	287,168	620,253	135,711	2,238,575	1,123	1,115	855,290	18,587,081
Advances	21,614,581	19,329	539,639	1,048,378	1,665,178	398,732	424,006	2,555,497	1,385,195	1,062,066	3,501,584	3,066,698	3,427,336	2,520,943
Fixed assets	28,477	432	505	513	732	719	1,937	4,968	2,553	2,629	5,233	3,297	4,959	–
Intangible assets	6,871	15	114	116	264	264	264	764	764	632	2,182	1,492	–	–
Deferred tax assets	314,708	2,804	4,672	4,672	5,875	78,764	16,834	43,074	63,179	63,179	23,265	3,557	4,833	–
Other assets	1,901,552	102	207,344	13,031	340,418	628,115	119,563	106,948	43,500	277,553	161,376	602	–	3,000
	48,481,093	24,470	799,900	1,078,428	3,496,285	1,401,353	849,772	3,331,504	1,630,902	3,693,513	3,694,763	3,076,761	4,292,418	21,111,024
Liabilities														
Borrowings	36,307,199	–	3,568,714	5,301	4,661,557	6,243,560	1,123,894	11,332,368	–	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215
Deposits and other accounts	725,403	–	–	–	225,000	–	500,403	–	–	–	–	–	–	–
Other liabilities	1,383,916	–	420,400	47,199	172,071	195,887	123,734	79,528	29,452	41,262	141,686	106,588	24,623	1,486
	38,416,518	–	3,989,114	52,500	5,058,628	6,439,447	1,748,031	11,411,896	29,452	1,657,876	2,883,884	1,566,888	1,875,101	1,703,701
Net assets	10,064,575	24,470	(3,189,214)	1,025,928	(1,562,343)	(5,038,094)	(898,259)	(8,080,392)	1,601,450	2,035,637	810,879	1,509,873	2,417,317	19,407,323
Share capital	6,000,000													
Reserves	1,406,995													
Unappropriated profit	3,328,566													
Deficit on revaluation of assets	(673,212)													
Total equity attributable to the equity holders of the Holding Company	10,062,349													
Non-controlling interest	2,226													
	10,064,575													

41.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

(Rupees in '000)

	2019									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	133,913	36,734	97,179	–	–	–	–	–	–	–
Balances with other banks	215,671	93,711	121,960	–	–	–	–	–	–	–
Lendings to financial institutions	4,548,879	4,548,879	–	–	–	–	–	–	–	–
Investments	29,813,625	466,490	824,920	146,636	15,213,757	901,493	10,220	344,894	11,905,215	–
Advances	20,539,412	2,313,503	2,082,047	2,971,248	2,376,448	3,548,053	2,519,021	3,030,220	1,698,872	–
Fixed assets	153,931	3,484	10,318	18,512	24,643	30,650	35,466	30,858	–	–
Intangible assets	6,198	969	1,442	2,164	1,623	–	–	–	–	–
Deferred tax assets	194,453	111,143	9,782	3,374	64,192	3,558	2,404	–	–	–
Other assets	1,760,072	195,942	707,626	631,676	170,913	37,287	1,682	671	14,275	–
Non-current assets classified as held-for-sale	387,745	–	–	387,745	–	–	–	–	–	–
	57,753,899	7,770,855	3,855,274	3,773,610	17,851,576	4,521,041	2,568,793	3,406,643	13,618,362	–
Liabilities										
Borrowings	44,692,000	21,181,639	2,217,169	4,544,146	5,505,769	4,747,953	3,822,554	1,447,285	1,225,485	–
Deposits and other accounts	620,000	–	120,000	256,168	17,555	95,213	114,037	17,027	–	–
Other liabilities	1,750,958	722,519	320,374	391,127	33,326	132,387	66,150	83,523	1,552	–
	47,062,958	21,904,158	2,657,543	5,191,441	5,556,650	4,975,553	4,002,741	1,547,835	1,227,037	–
Net assets	10,690,941	(14,133,303)	1,197,731	(1,417,831)	12,294,926	(454,512)	(1,433,948)	1,858,808	12,391,325	–
Share capital	6,000,000									
Reserves	1,480,107									
Unappropriated profit	3,359,371									
Deficit on revaluation of assets	(150,898)									
Total equity attributable to the equity holders of the Holding Company	10,688,580									
Non-controlling interest	2,361									
	10,690,941									

(Rupees in '000)

	2018									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	281,404	160,400	121,004	–	–	–	–	–	–	–
Balances with other banks	165,057	130,376	34,681	–	–	–	–	–	–	–
Lendings to financial and other institutions	54,879	6,000	–	–	48,879	–	–	–	–	–
Investments	24,113,564	1,248,174	426,242	620,253	2,374,286	1,123	1,115	855,290	18,587,081	–
Advances	21,614,581	3,272,524	822,738	2,555,497	2,447,261	3,501,584	3,066,698	3,427,336	2,520,943	–
Fixed assets	28,477	2,182	2,656	4,968	5,182	5,233	3,297	4,959	–	–
Intangible assets	6,871	509	528	764	1,396	2,182	1,492	–	–	–
Deferred tax assets	314,708	18,023	95,598	43,074	126,358	23,265	3,557	4,833	–	–
Other assets	1,901,552	560,895	747,678	106,948	321,053	161,376	602	–	3,000	–
	48,481,093	5,399,083	2,251,125	3,331,504	5,324,415	3,694,763	3,076,761	4,292,418	21,111,024	–
Liabilities										
Borrowings	36,307,199	8,235,572	7,367,454	11,332,368	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215	–
Deposits and other accounts	725,403	225,000	500,403	–	–	–	–	–	–	–
Other liabilities	1,383,916	639,670	319,621	79,528	70,714	141,686	106,588	24,623	1,486	–
	38,416,518	9,100,242	8,187,478	11,411,896	1,687,328	2,883,884	1,566,888	1,875,101	1,703,701	–
Net assets	10,064,575	(3,701,159)	(5,936,353)	(8,080,392)	3,637,087	810,879	1,509,873	2,417,317	19,407,323	–
Share capital	6,000,000									
Reserves	1,406,995									
Unappropriated profit	3,328,566									
Deficit on revaluation of assets	(673,212)									
Total equity attributable to the equity holders of the Holding Company	10,062,349									
Non-controlling interest	2,226									
	10,064,575									

42 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2019 of Re. **0.50** per share (2018: Re.0.50 per share), amounting to Rs. **300** million (2018: Rs.300 million) at their meeting held on **March 2, 2020** , for approval of the members at the annual general meeting to be held on **April 30, 2020** . The consolidated financial statements for the year ended December 31, 2019 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

43 GENERAL

43.1 Figures in these consolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **March 2, 2020** by the Board of Directors of the Holding Company.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Annexure - I

Statement showing written-off loans or any other financial relief of rupees five hundred thousand or above provided

During the year ended December 31, 2019

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ mark-up	Other than Interest/ mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
	Nil.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil