



PAK BRUNEI INVESTMENT COMPANY LTD.

**CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)**

**FOR THE QUARTER AND NINE MONTHS PERIOD
ENDED SEPTEMBER 30, 2021**

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

(Audited)
September 30, 2021 December 31, 2020
----- USD in '000 -----

(Audited)
September 30, 2021 December 31, 2020
Note ----- Rupees in '000 -----

ASSETS

| | | | | | |
|---------|---------|--|----|------------|------------|
| 562 | 986 | Cash and balances with treasury banks | 6 | 95,881 | 168,197 |
| 1,635 | 3,700 | Balances with other banks | 7 | 279,020 | 631,457 |
| 3,541 | 3,262 | Lendings to financial institutions | 8 | 604,300 | 556,679 |
| 124,693 | 90,705 | Investments | 9 | 21,279,734 | 15,479,577 |
| 98,169 | 122,427 | Advances | 10 | 16,753,346 | 20,893,180 |
| 664 | 902 | Fixed assets | 11 | 113,341 | 153,954 |
| 32 | 34 | Intangible assets | 12 | 5,388 | 5,826 |
| 2,163 | 1,974 | Deferred tax assets | 13 | 369,055 | 336,854 |
| 12,966 | 9,393 | Other assets | 14 | 2,212,807 | 1,602,911 |
| 2,819 | 3,402 | Non-current assets classified as held-for-sale | 15 | 481,110 | 580,596 |
| 247,244 | 236,785 | | | 42,193,982 | 40,409,231 |

LIABILITIES

| | | | | | |
|---------|---------|--|----|------------|------------|
| - | - | Bills payable | | - | - |
| 177,237 | 160,733 | Borrowings | 16 | 30,246,911 | 27,430,430 |
| - | 4,864 | Deposits and other accounts | 17 | - | 830,000 |
| - | - | Liabilities against assets subject to finance lease | | - | - |
| - | - | Subordinated debt | | - | - |
| - | - | Deferred tax liabilities | | - | - |
| 7,611 | 7,588 | Other liabilities | 18 | 1,298,749 | 1,295,143 |
| 184,848 | 173,185 | | | 31,545,660 | 29,555,573 |
| 62,396 | 63,600 | NET ASSETS | | 10,648,322 | 10,853,658 |

REPRESENTED BY

| | | | | | |
|---------|---------|---|----|------------|------------|
| 35,158 | 35,158 | Share capital | | 6,000,000 | 6,000,000 |
| 11,244 | 10,101 | Reserves | | 1,918,831 | 1,723,782 |
| (4,647) | (2,302) | Deficit on revaluation of assets | 19 | (792,977) | (392,920) |
| 20,627 | 20,629 | Unappropriated profit | | 3,520,075 | 3,520,451 |
| 62,382 | 63,586 | Total equity attributable to the equity holders of the holding company | | 10,645,929 | 10,851,313 |
| 14 | 14 | Non-controlling interest | | 2,393 | 2,345 |
| 62,396 | 63,600 | | | 10,648,322 | 10,853,658 |

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 36 forms an integral part of these financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2021

| <u>Period ended</u> | | | <u>Quarter Ended</u> | | <u>Period ended</u> | |
|-------------------------|----------------------|---|----------------------------|----------------------|----------------------|----------------------|
| <u>September 30,</u> | <u>September 30,</u> | | <u>September 30,</u> | <u>September 30,</u> | <u>September 30,</u> | <u>September 30,</u> |
| <u>2021</u> | <u>2020</u> | | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| ----- USD in '000 ----- | | | ----- Rupees in '000 ----- | | | |
| 15,664 | 19,337 | Mark-up / return / interest earned | 942,502 | 850,708 | 2,673,148 | 3,300,041 |
| 10,919 | 14,237 | Mark-up / return / interest expensed | 676,737 | 527,430 | 1,863,486 | 2,429,690 |
| 4,745 | 5,100 | Net mark-up / interest income | 265,765 | 323,278 | 809,662 | 870,351 |
| | | Non mark-up / interest income | | | | |
| 438 | 323 | Fee and commission income | 29,572 | 17,932 | 74,671 | 55,088 |
| 131 | 136 | Dividend income | 20,213 | 9,717 | 22,391 | 23,258 |
| 1,017 | 2,719 | Gain / (loss) on securities | 44,008 | (43,026) | 173,474 | 463,975 |
| 14 | 30 | Other income | 72 | 4,999 | 2,450 | 5,196 |
| 1,600 | 3,208 | Total non-markup / interest income | 93,865 | (10,378) | 272,986 | 547,517 |
| 6,345 | 8,308 | Total income | 359,630 | 312,900 | 1,082,648 | 1,417,868 |
| | | Non mark-up / interest expenses | | | | |
| 2,333 | 2,160 | Operating expenses | 134,301 | 117,559 | 398,178 | 368,628 |
| 72 | 14 | Sindh Workers' Welfare Fund | 3,220 | 1,174 | 12,290 | 2,408 |
| 64 | - | Other charges | 500 | - | 10,947 | - |
| 2,469 | 2,174 | Total non mark-up / interest expenses | 138,021 | 118,733 | 421,415 | 371,036 |
| 3,875 | 6,134 | Profit before provisions | 221,608 | 194,167 | 661,233 | 1,046,832 |
| (194) | 424 | Provisions / (reversals) and write offs - net | (39,548) | (70,571) | (33,093) | 72,319 |
| - | - | Extraordinary / unusual items | - | - | - | - |
| 4,069 | 5,710 | Profit before taxation | 261,157 | 264,738 | 694,326 | 974,513 |
| 1,170 | 1,636 | Taxation | 82,131 | 77,780 | 199,605 | 279,119 |
| 2,899 | 4,075 | Profit after taxation | 179,026 | 186,958 | 494,721 | 695,394 |
| | | Attributable to: | | | | |
| 2,899 | 4,074 | Equity shareholders of the holding company | 179,056 | 186,935 | 494,673 | 695,293 |
| 0.2828 | 0.5918 | Non-controlling interest | (30) | 23 | 48 | 101 |
| 2,899 | 4,075 | | 179,026 | 186,958 | 494,721 | 695,394 |
| ----- USD ----- | | | ----- Rupees ----- | | | |
| 0.0048 | 0.0068 | Basic and diluted earnings per share | 0.30 | 0.31 | 0.82 | 1.16 |

The annexed notes 1 to 36 forms an integral part of these financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2021

| Period ended | | | Quarter Ended | | Period ended | |
|-------------------------|--------------------|--|----------------------------|--------------------|--------------------|--------------------|
| September 30, 2021 | September 30, 2020 | | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| ----- USD in '000 ----- | | | ----- Rupees in '000 ----- | | | |
| 2,899 | 4,075 | Profit after taxation for the year | 179,026 | 186,958 | 494,721 | 695,394 |
| | | Other comprehensive loss | | | | |
| | | <i>Items that may be reclassified to profit and loss account in subsequent periods:</i> | | | | |
| (2,344) | (2,121) | Movement in deficit on revaluation of investments - net of tax | (435,935) | (340,249) | (400,057) | (361,946) |
| | | <i>Items that will not be reclassified to profit and loss account in subsequent periods:</i> | | | | |
| - | - | Remeasurement loss on defined benefit obligations - net of tax | - | - | - | - |
| <u>555</u> | <u>1,954</u> | Total comprehensive (loss) / income | <u>(256,909)</u> | <u>(153,291)</u> | <u>94,664</u> | <u>333,448</u> |

The annexed notes 1 to 36 forms an integral part of these financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2021

| | Share capital | Statutory reserve | General reserve | Deficit on revaluation of investments | Unappropriated profit | Non-controlling interest | Total |
|--|------------------|-------------------|-----------------|---------------------------------------|-----------------------|--------------------------|-------------------|
| Rupees in '000 | | | | | | | |
| Opening Balance as at January 01, 2020 | 6,000,000 | 1,480,107 | - | (150,898) | 3,359,371 | 2,361 | 10,690,941 |
| Comprehensive income for the year | | | | | | | |
| Profit after taxation for the quarter/period ended September 30, 2020 | - | - | - | - | 695,293 | 101 | 695,394 |
| Other comprehensive loss | | | | | | | |
| - Remeasurement loss on defined benefit obligations - net of tax | - | - | - | - | - | - | - |
| - Movement in deficit on revaluation of investments - net of tax | - | - | - | (361,946) | - | - | (361,946) |
| | - | - | - | (361,946) | 695,293 | 101 | 333,448 |
| Transfer to statutory reserve | - | 136,658 | - | - | (136,658) | - | - |
| Transfer to general reserve | - | - | 100,000 | - | (100,000) | - | - |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Final cash dividend paid for the year ended December 31, 2019 @ Re. 0.50 per share | - | - | - | - | (300,000) | - | (300,000) |
| Opening Balance as at October 01, 2020 | 6,000,000 | 1,616,765 | 100,000 | (512,844) | 3,518,005 | 2,462 | 10,724,389 |
| Comprehensive income for the year | | | | | | | |
| Profit after taxation (December 31, 2020) | - | - | - | - | 1,153 | 58 | 1,211 |
| Other comprehensive loss | | | | | | | |
| - Remeasurement loss on defined benefit obligations - net of tax | - | - | - | - | 8,309 | - | 8,309 |
| - Movement in deficit on revaluation of investments - net of tax | - | - | - | 119,924 | - | - | 119,924 |
| | - | - | - | 119,924 | 9,462 | 58 | 129,444 |
| Transfer to statutory reserve | - | 7,017 | - | - | (7,017) | - | - |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Dividend payout by Awwal Modaraba @ Rs. 1.48 per certificate | - | - | - | - | - | (175) | (175) |
| Opening Balance as at January 01, 2021 | 6,000,000 | 1,623,782 | 100,000 | (392,920) | 3,520,451 | 2,345 | 10,853,658 |
| Comprehensive income for the period | | | | | | | |
| Profit after taxation for the period ended September 30, 2021 | - | - | - | - | 494,673 | 48 | 494,721 |
| Other comprehensive loss | | | | | | | |
| - Remeasurement loss on defined benefit obligations - net of tax | - | - | - | - | - | - | - |
| - Movement in deficit on revaluation of investments - net of tax | - | - | - | (400,057) | - | - | (400,057) |
| | - | - | - | (400,057) | 494,673 | 48 | 94,664 |
| Transfer to statutory reserve | - | 95,049 | - | - | (95,049) | - | - |
| Transfer to general reserve | - | - | 100,000 | - | (100,000) | - | - |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Final cash dividend paid for the year ended December 31, 2020 @ Re. 0.50 per share | - | - | - | - | (300,000) | - | (300,000) |
| Closing Balance as at September 30, 2021 | 6,000,000 | 1,718,831 | 200,000 | (792,977) | 3,520,075 | 2,393 | 10,648,322 |

The annexed notes 1 to 36 forms an integral part of these financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

| September 30, 2021 | September 30, 2020 | | September 30, 2021 | September 30, 2020 |
|-------------------------|-----------------------|---|----------------------------|-----------------------|
| ----- USD in '000 ----- | | | ----- Rupees in '000 ----- | |
| | | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 4,069 | 5,710 | Profit before taxation | 694,326 | 974,513 |
| 131 | 136 | Less: Dividend income | 22,391 | 23,258 |
| <u>3,938</u> | <u>5,574</u> | | <u>671,936</u> | <u>951,255</u> |
| | | Adjustments: | | |
| 260 | 159 | Depreciation | 44,401 | 27,207 |
| 30 | 29 | Amortisation | 5,138 | 4,937 |
| 72 | 14 | Provision for Sindh Workers' Welfare Fund | 12,290 | 2,408 |
| (194) | 424 | Provision and write-offs | (33,093) | 72,319 |
| (1) | - | Gain on sale of fixed assets | (235) | (47) |
| (8) | - | Unrealized gain on revaluation of investments classified as held for trading - net | (1,388) | - |
| <u>159</u> | <u>626</u> | | <u>27,113</u> | <u>106,824</u> |
| 4,097 | 6,200 | | 699,048 | 1,058,079 |
| | | (Increase) / decrease in operating assets | | |
| (279) | 20,842 | Lendings to financial institutions | (47,621) | 3,556,796 |
| (35) | - | Held-for-trading securities | (6,058) | - |
| 24,129 | 12,239 | Advances | 4,117,803 | 2,088,694 |
| (2,991) | 2,048 | Others assets (excluding advance taxation) | (510,410) | 349,473 |
| <u>20,824</u> | <u>35,129</u> | | <u>3,553,714</u> | <u>5,994,963</u> |
| | | Increase/ (decrease) in operating liabilities | | |
| 16,504 | (91,145) | Borrowings from financial institutions | 2,816,481 | (15,554,634) |
| (4,864) | 1,231 | Deposits | (830,000) | 210,000 |
| (65) | (2,980) | Other liabilities (excluding current taxation) | (11,039) | (508,488) |
| <u>11,575</u> | <u>(92,894)</u> | | <u>1,975,442</u> | <u>(15,853,122)</u> |
| (1,400) | (2,537) | Income tax paid | (238,971) | (432,900) |
| <u>35,096</u> | <u>(54,102)</u> | Net cash flow generated from / (used in) operating activities | <u>5,989,233</u> | <u>(9,232,980)</u> |
| | | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (35,878) | 55,578 | Net investments in available-for-sale securities | (6,122,277) | 9,484,841 |
| (34) | 484 | Net investments in held-to-maturity securities | (5,846) | 82,683 |
| 131 | 136 | Dividends received | 22,391 | 23,258 |
| (23) | (26) | Investments in operating fixed assets | (3,925) | (4,514) |
| (26) | - | Investments in operating intangible assets | (4,700) | - |
| 2 | - | Proceeds from sale of fixed assets | 372 | 47 |
| <u>(35,828)</u> | <u>56,172</u> | Net cash flow (used in) / generated from investing activities | <u>(6,113,986)</u> | <u>9,586,315</u> |
| | | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (1,758) | (1,758) | Dividend paid | (300,000) | (300,000) |
| <u>(1,758)</u> | <u>(1,758)</u> | Net cash flow used in financing activities | <u>(300,000)</u> | <u>(300,000)</u> |
| (2,490) | 312 | Decrease in cash and cash equivalents | (424,753) | 53,335 |
| 4,686 | 2,048 | Cash and cash equivalents at beginning of the year | 799,654 | 349,584 |
| <u>2,196</u> | <u>2,360</u> | Cash and cash equivalents at end of the year | <u>374,901</u> | <u>402,919</u> |

The annexed notes 1 to 36 forms an integral part of these financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2021

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

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 (now repealed) Companies Ordinance, 1984. 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 inter alia 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, 2020: 2) one located in Karachi and the other in Lahore.

Subsidiaries

- Awwal Modaraba Management Limited (AMML) - 100% holding

Awwal Modaraba Management Limited (the Company) was incorporated in Pakistan on June 05, 2014 as an unlisted public company under the (now repealed) Companies Ordinance, 1984. 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. The Company is a wholly owned subsidiary of Pak Brunei Investment Company Limited (the Holding Company) with its registered office situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

The principal activity of the Company 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, the Company is managing Awwal Modaraba and with effect from February 3, 2020, 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 also.

- Primus Leasing Limited (PLL) - 100% holding

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, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. PLL is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP). PLL has 2 offices (2020: 2 offices) 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 (AM) - 99.78% holding

AM has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. AM is managed by the AMML. After receiving certificate of minimum subscription, AM commenced its business operations with effect from February 10, 2016. The registered office is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

AM is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing working capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investments / instruments to credit worthy customers. AM is listed on the Pakistan Stock Exchange Limited.

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 IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 US dollar equivalent

The US dollar amounts shown in the condensed interim consolidated statement of financial position, condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income and condensed interim consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 170.66 to US Dollars has been used as it was the prevalent rate as on September 30, 2021.

2.3 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim consolidated financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company including the measures taken during COVID-19 are consistent with those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2020.

| | Note | (Audited) | |
|--|------|-----------------------|----------------------|
| | | September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| 6 CASH AND BALANCES WITH TREASURY BANKS | | | |
| Cash in hand | | 10 | - |
| With State Bank of Pakistan in: | | | |
| Local currency current account | 6.1 | 95,775 | 168,113 |
| With National Bank of Pakistan in: | | | |
| Local currency current account | | 96 | 84 |
| | | <u>95,881</u> | <u>168,197</u> |

6.1 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.

| | Note | (Audited) | |
|------------------------------------|------|-----------------------|----------------------|
| | | September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| 7 BALANCES WITH OTHER BANKS | | | |
| In Pakistan | | | |
| In deposit accounts | | 279,020 | 621,389 |
| In current accounts | | - | 10,068 |
| | | <u>279,020</u> | <u>631,457</u> |

| | Note | (Audited) | |
|--|------|-------------------|----------------------|
| | | September 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| 8 LENDINGS TO FINANCIAL INSTITUTIONS | | | |
| Term deposit receipts (TDRs) | 8.1 | 600,000 | - |
| Repurchase agreement lendings (reverse repo) | 8.2 | 4,300 | 556,679 |
| | | <u>604,300</u> | <u>556,679</u> |

8.1 These carried mark-up at the rate of 8.60% (2020: Nil) and will mature within 1 month (2020: Nil).

8.2 These carried mark-up at rate ranges from 7.25% to 8.60% (2020: 6.06 % to 14.70%) and will mature within 1 month (2020: January 06, 2021).

| | Note | (Audited) | |
|-----------------------------------|------|-------------------|----------------------|
| | | September 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| 8.3 Particulars of lending | | | |
| In local currency | | 604,300 | 556,679 |
| In foreign currencies | | - | - |
| | | <u>604,300</u> | <u>556,679</u> |

9 INVESTMENTS

9.1 Investments by type:

| | | Audited | | | | | | | |
|--------------------------------------|--|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| | | September 30, 2021 | | | December 31, 2020 | | | | |
| | | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| ----- Rupees in '000 ----- | | | | | | | | | |
| Held-for-trading securities | | | | | | | | | |
| Ordinary shares | | 7,320 | - | 126 | 7,446 | - | - | - | - |
| | | 7,320 | - | 126 | 7,446 | - | - | - | - |
| Available-for-sale securities | | | | | | | | | |
| Federal government securities | | 18,941,742 | - | (723,279) | 18,218,463 | 12,434,784 | - | (553,286) | 11,881,498 |
| Ordinary shares | | 1,049,383 | (25,893) | (219,138) | 804,352 | 809,168 | (77,837) | (3,252) | 728,079 |
| Non-government debt securities | | 2,428,208 | (266,220) | 750 | 2,162,738 | 2,851,129 | (269,110) | 12,563 | 2,594,582 |
| Modaraba certificates | | 38,336 | - | (189) | 38,147 | - | - | - | - |
| Units of mutual funds | | - | - | - | - | 240,020 | - | (7,344) | 232,676 |
| | | 22,457,669 | (292,113) | (941,856) | 21,223,700 | 16,335,101 | (346,947) | (551,319) | 15,436,835 |
| Held-to-maturity securities | | | | | | | | | |
| Commercial paper | | 48,588 | - | - | 48,588 | 42,742 | - | - | 42,742 |
| | | 48,588 | - | - | 48,588 | 42,742 | - | - | 42,742 |
| Total investments | | 22,513,577 | (292,113) | (941,730) | 21,279,734 | 16,377,843 | (346,947) | (551,319) | 15,479,577 |

9.1.1 Investments given as collateral

| | | Audited | | | | | |
|------------------------------------|--|---------------------|------------------------|-------------------|---------------------|------------------------|-------------------|
| | | September 30, 2021 | | | December 31, 2020 | | |
| | | Cost / amortised | Surplus / (deficit) | Carrying value | Cost / amortised | Surplus / (deficit) | Carrying value |
| ----- Rupees in '000 ----- | | | | | | | |
| Market Treasury Bills | | 6,362,760 | (16,502) | 6,346,258 | 8,706,074 | (39,944) | 8,666,130 |
| Pakistan Investment Bonds | | 5,730,708 | (448,882) | 5,281,826 | 1,193,232 | 932 | 1,194,164 |
| Term finance / sukuks certificates | | 739,505 | - | 739,505 | 739,824 | - | 739,824 |
| | | 12,832,972 | (465,383) | 12,367,589 | 10,639,130 | (39,012) | 10,600,118 |

9.2 Provision for diminution in value of investments

Opening balance

| | | (Audited) | |
|----------------------------|--|-----------------------|----------------------|
| | | September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| | | 346,947 | 342,385 |

Charge / reversals

Charge for the year
Reversal on disposals

| | |
|-----------|----------|
| 113,098 | 94,842 |
| (167,932) | (90,280) |
| (54,834) | 4,562 |
| 292,113 | 346,947 |

Closing balance

Particulars of provision against debt securities

Category of classification

Domestic
Loss

| | | Audited | | | |
|------------------------------|--|-----------------------------------|-----------|-------------------------------|-----------|
| | | September 30, 2021 | | December 31, 2020 | |
| | | Non- performing investments | Provision | Non-performing investments | Provision |
| ----- (Rupees in '000) ----- | | | | | |
| | | 266,220 | 266,220 | 269,110 | 269,110 |

10 ADVANCES

| | Performing | | Non-performing | | Total | |
|---|----------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| | ----- Rupees in '000 ----- | | | | | |
| Loans, cash credits, running finances, etc. | 16,210,430 | 19,744,147 | 1,006,469 | 983,888 | 17,216,899 | 20,728,035 |
| Islamic financing and related assets | - | 606,667 | - | - | - | 606,667 |
| Advances - gross | 16,210,430 | 20,350,814 | 1,006,469 | 983,888 | 17,216,899 | 21,334,702 |
| Provision against advances | | | | | | |
| - Specific | - | - | 445,473 | 423,442 | 445,473 | 423,442 |
| - General | 18,080 | 18,080 | - | - | 18,080 | 18,080 |
| | 18,080 | 18,080 | 445,473 | 423,442 | 463,553 | 441,522 |
| Advances - net of provision | 16,192,350 | 20,332,734 | 560,996 | 560,446 | 16,753,346 | 20,893,180 |

(Audited)
September 30, 2021 December 31, 2020
----- Rupees in '000 -----

10.1 Particulars of advances (gross)

| | | |
|-----------------------|-------------------|-------------------|
| In local currency | 17,216,899 | 21,334,702 |
| In foreign currencies | - | - |
| | <u>17,216,899</u> | <u>21,334,702</u> |

10.2 Advances include Rs. 1,006.469 million (December 31, 2020: Rs. 983.888 million) which have been placed under the non-performing status as detailed below:

| Category of classification | Note | (Audited) | | | |
|-----------------------------------|--------|----------------------------|----------------|----------------------|----------------|
| | | September 30, 2021 | | December 31, 2020 | |
| | | Non Performing Loans | Provision | Non Performing Loans | Provision |
| | | ----- Rupees in '000 ----- | | | |
| Domestic | | | | | |
| Other Assets Especially Mentioned | 10.2.1 | 7,568 | 1,462 | 285 | 28 |
| Substandard | | 20,400 | 10,708 | 415,489 | 888 |
| Doubtful | | 414,120 | 6,183 | 11,832 | 5,916 |
| Loss | | 564,381 | 429,132 | 556,282 | 416,610 |
| Total | | <u>1,006,469</u> | <u>447,484</u> | <u>983,888</u> | <u>423,442</u> |

10.2.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance.

10.3 Particulars of provision against advances

| | (Audited) | | | | | |
|---------------------|----------------------------|---------------|----------------|-------------------|---------------|----------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | Specific | General | Total | Specific | General | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Opening balance | 423,442 | 18,080 | 441,522 | 394,034 | 10,032 | 404,066 |
| Charge for the year | 59,289 | - | 59,289 | 54,768 | 8,048 | 62,816 |
| Reversals | (5,839) | - | (5,839) | (25,360) | - | (25,360) |
| | 53,450 | - | 53,450 | 29,408 | 8,048 | 37,456 |
| Amounts written off | - | - | - | - | - | - |
| Closing balance | <u>476,892</u> | <u>18,080</u> | <u>494,972</u> | <u>423,442</u> | <u>18,080</u> | <u>441,522</u> |

10.3.1 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 1 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. 537.794 million (December 31, 2020: Rs. 242.656 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

| | | September 30, 2021 | (Audited) December 31, 2020 |
|-------------|---|----------------------------|-----------------------------------|
| | Note | ----- Rupees in '000 ----- | |
| 11 | FIXED ASSETS | | |
| | Property and equipment | 47,981 | 31,920 |
| | Capital work-in-progress | - | - |
| | Right-of-use of asset | 65,360 | 122,034 |
| | | <u>113,341</u> | <u>153,954</u> |
| 11.1 | Capital work-in-progress | | |
| | Lease hold improvements | - | - |
| 12 | INTANGIBLE ASSETS | | |
| | Computer Software | 2,209 | 3,488 |
| | Capital work-in-progress | 3,179 | 2,338 |
| | | <u>5,388</u> | <u>5,826</u> |
| 12.1 | Capital work-in-progress | | |
| | Software | 3,179 | 2,338 |
| 13 | DEFERRED TAX ASSETS | | |
| | Deductible temporary differences on | | |
| | - Provision for diminution in the value of investments | 90,183 | 91,157 |
| | - Provision against advances, other assets, etc. | 126,556 | 126,983 |
| | - Deficit on revaluation of investments | 148,879 | 158,399 |
| | - Lease liability against right-of-use asset | 22,736 | 24,594 |
| | - Accelerated tax depreciation | 2,638 | (1,550) |
| | - Amortization of discount on investments | 14,106 | (65,242) |
| | - Provision for bonus | 7,250 | 11,631 |
| | - Tax losses carried forward | - | 1,058 |
| | - Preliminary expenses | - | 685 |
| | | 412,348 | 347,715 |
| | Taxable temporary differences on | | |
| | - Net investment in finance lease | (19,277) | 20,874 |
| | - Post retirement employee benefits | (2,541) | (2,541) |
| | - Right-of-use assets | (21,475) | (29,194) |
| | | (43,293) | (10,861) |
| | | <u>369,055</u> | <u>336,854</u> |
| 14 | OTHER ASSETS | | |
| | Income/ mark-up accrued in local currency | 466,592 | 656,941 |
| | Advances, deposits, advance rent and other prepayments | 15,804 | 14,214 |
| | Advance taxation (payments less provisions) | 746,541 | 665,035 |
| | Advance against subscription of term finance certificates | - | 150,000 |
| | Receivable against sale of shares | - | 65,406 |
| | Receivable against advisory fee | 35,710 | 38,983 |
| | Receivable from related parties | 16,129 | 1,024 |
| | Lease receivable under IFRS-16 | 1,563 | - |
| | Dividend receivable | 33,340 | - |
| | Receivable from defined benefit plan | 11,030 | 10,609 |
| | Others | 886,097 | 699 |
| | | <u>2,212,807</u> | <u>1,602,911</u> |
| | Less: Provision held against other assets | - | - |
| | | <u>2,212,807</u> | <u>1,602,911</u> |

| | Note | September 30, 2021 | (Audited) December 31, 2020 |
|----------------------------|---|-----------------------|-----------------------------------|
| ----- Rupees in '000 ----- | | | |
| 15 | NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE | | |
| | Non-current assets classified as held-for-sale | 481,110 | 580,596 |

15.1 This relates to land, building and machinery which have been classified as 'Non-current assets held for sale' as at September 30, 2021. 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.

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

| | | | |
|--|------|-----------|-----------|
| - Long-Term Finance Facility (LTFF) scheme | 16.1 | 4,890,702 | 5,249,794 |
| - Power Plants Using Renewable Energy (PPRE) scheme | | 70,256 | 104,562 |
| - Temporary Economic Refinance Facility (TERF) | | 651,323 | 156,759 |
| - Finance for Storage of Agriculture Produce (FSAP) scheme | | 170,433 | 213,492 |
| - Finance under working capital | | 290,125 | - |
| - Finance under Credit Guarantee | | 44,179 | 20,999 |
| - Special Persons (SP) Scheme | | 2,050 | 2,425 |
| - Balancing, Modernization & Replacement (BMR) scheme | | 72,093 | 20,602 |
| - COVID - 19 Scheme | | 8,500 | - |
| | | 6,199,661 | 5,768,633 |

Repurchase agreement borrowings 16.2 8,220,339 7,391,858

Borrowings from banks 16.3 9,191,607 12,162,316

Total secured 23,611,607 25,322,807

Unsecured

Letters of placement:

| | | | |
|--|------|------------|------------|
| - Staff retirement funds (related party) | | - | 72,722 |
| - Others | 16.4 | 6,635,304 | 2,034,901 |
| | | 30,246,911 | 27,430,430 |

16.1 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 mark-up rates on these facilities are ranging from 2% to 6% per annum (2020: 2% to 6% per annum) payable on quarterly basis, with maturities upto June 2031 (2020: November 2030).

16.2 These represent borrowings from various financial institutions at mark-up rates ranging from 7.40% to 8.00% per annum (2020: 7.00% to 7.03% per annum). Market Treasury Bills and Pakistan Investment Bonds having a face value of Rs. 6,670 million (2020: 1,200 million) and Rs. 2,000 million (2020: Nil) respectively have been given as collateral against these borrowings.

16.3 These carry mark-up at rates ranging from 7.71% to 8.41% per annum (2020: 7.45% to 7.80% per annum) and are repayable by June 2024 (2020: December 2023). These are secured against hypothecation of receivables and floating charge over term finance certificates and Pakistan Investment Bonds having a face value of Rs. 740 million (2020: 740 million) and Rs 3,350 million (2020: Rs 4,464 million) respectively.

16.4 These carry mark-up at rates ranging from 6.80% to 14.00% per annum (2020: 6.50% to 7.50% per annum) and are repayable till November 2022 (2020: 3 months).

17 DEPOSITS AND OTHER ACCOUNTS

| | September 30, 2021 | | | (Audited) December 31, 2020 | | |
|-------------------------------------|----------------------|--------------------------|-------|--------------------------------|--------------------------|---------|
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| ----- Rupees in '000 ----- | | | | | | |
| Customers | | | | | | |
| - Certificate of investments (COIs) | - | - | - | 830,000 | - | 830,000 |
| Financial Institutions | | | | | | |
| - Certificate of investments (COIs) | - | - | - | - | - | - |
| | - | - | - | 830,000 | - | 830,000 |

| 18 | OTHER LIABILITIES | Note | September | (Audited) December |
|----|---|------|----------------------------|-----------------------|
| | | | 30, 2021 | 31, 2020 |
| | | | ----- Rupees in '000 ----- | |
| | Mark-up / return / interest payable in local currency | | 253,687 | 158,401 |
| | Unearned commission and income on bills discounted | | 22,838 | 30,085 |
| | Accrued expenses | | 95,480 | 95,212 |
| | Brokerage / commission payable | | 533 | 1,401 |
| | Payable against purchase of shares | | 26,554 | 100,456 |
| | Payable to related party | | 11,644 | - |
| | Lease liability against right-of-use assets | | 97,324 | 141,069 |
| | Security deposits against advances | 18.1 | 240,338 | 561,111 |
| | Provision for Sindh Worker's Welfare Fund | | 137,066 | 125,546 |
| | Advance from customers | | - | 63,596 |
| | Sales tax payable on modaraba management fee | | - | 8,716 |
| | Taxation payable | | 3,457 | 1,102 |
| | Unclaimed dividend | | 183 | 184 |
| | Others | | 409,645 | 8,264 |
| | | | <u>1,298,750</u> | <u>1,295,143</u> |

18.1 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 AM and has, hence, not paid / discharged SST on management fee. However, a full provision has been maintained there against in these consolidated financial statements.

| | Note | September 30, 2021 | (Audited) December 31, 2020 |
|----------------------------|--|-----------------------|-----------------------------------|
| ----- Rupees in '000 ----- | | | |
| 19 | DEFICIT ON REVALUATION OF ASSETS | | |
| | Deficit on revaluation of | | |
| | - Available-for-sale securities | 9.1 | (941,856) |
| | Deferred tax on revaluation of: | | |
| | - Available-for-sale securities | 148,879 | 158,399 |
| | | <u>(792,977)</u> | <u>(392,920)</u> |
| 20 | CONTINGENCIES AND COMMITMENTS | | |
| | - Guarantees | 20.1 | 899,728 |
| | - Commitments | 20.2 | 13,441,928 |
| | - Other contingent liabilities | 20.3 | - |
| | | <u>14,341,655</u> | <u>12,224,995</u> |
| 20.1 | Guarantees | | |
| | Financial guarantees | <u>899,728</u> | <u>980,103</u> |
| 20.2 | Commitments | | |
| | Documentary credits and short-term trade-related transactions | | |
| | - letters of credit | 181,335 | 323,157 |
| | Commitments in respect of: | | |
| | - repo transactions | 20.2.1 | 8,231,224 |
| | - forward lendings | 20.2.2 | 4,429,368 |
| | - other commitments | 20.2.3 | 600,000 |
| | | <u>13,441,928</u> | <u>11,244,892</u> |
| 20.2.1 | Commitments in respect of repo transactions | | |
| | Repurchase of government securities | 8,226,897 | 7,399,831 |
| | Reverse repurchase of government securities | 4,327 | 508,178 |
| | | <u>8,231,224</u> | <u>7,908,009</u> |
| 20.2.2 | Commitments in respect of forward lendings | | |
| | Undrawn formal standby facilities, credit lines and other commitments to lend | 4,376,012 | 2,263,726 |
| | Commitments in respect of stock future contracts | 53,356 | - |
| | | <u>4,429,368</u> | <u>2,263,726</u> |

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.

20.2.3 Other commitments

This represents commitment to make injection on behalf of Awwal Modaraba Management Limited (the subsidiary) in KASB Modaraba, First Pak Modaraba and First Prudential Modaraba aggregating to Rs. 750 million out of which Rs. 150 million was injected during the nine month period ended September 30, 2021.

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 2020 had been filed with the tax authorities. From tax year 2008 up to tax year 2019, these returns have been revised and additional tax demands have been raised of which Rs. 649.390 million are outstanding as at September 30, 2021. 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. 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.

| | Note | September 30, 2021 | September 30, 2020 |
|---|---|-----------------------|-----------------------|
| ----- Rupees in '000 ----- | | | |
| 21 | MARK-UP / RETURN / INTEREST EARNED | | |
| On: | | | |
| a) Loans and advances | | 940,783 | 1,411,656 |
| b) Investments | | 1,694,904 | 1,752,188 |
| c) Lendings to financial institutions | | 32,976 | 126,782 |
| d) Sub-lease of premises | | 117 | - |
| e) Balances with banks | | 4,369 | 9,415 |
| | | <u>2,673,148</u> | <u>3,300,041</u> |
| 22 | MARK-UP / RETURN / INTEREST EXPENSED | | |
| Deposits | | 16,736 | 44,925 |
| Interest expense on lease liability | | 6,260 | - |
| Borrowings | | 1,840,489 | 2,384,765 |
| | | <u>1,863,486</u> | <u>2,429,690</u> |
| 23 | FEE AND COMMISSION INCOME | | |
| Advisory / arrangement / management fee | | 18,271 | 89 |
| Processing fee income | | 6,266 | 4,216 |
| Commitment fee | | 6,802 | 8,570 |
| Trustee fee | | 41,407 | 41,800 |
| Front end fee | | 1,924 | 413 |
| | | <u>74,671</u> | <u>55,088</u> |
| 24 | (LOSS) / GAIN ON SECURITIES | | |
| Realised | 24.1 | 174,862 | 463,975 |
| Unrealised - held for trading | | (1,388) | - |
| | | <u>173,474</u> | <u>463,975</u> |
| 24.1 | Realised (loss) / gain on: | | |
| Federal government securities | | 109,730 | 546,972 |
| Shares | | 48,674 | (87,348) |
| Mutual funds | | 16,083 | 4,307 |
| Commercial paper | | 6 | 44 |
| Non-government debt securities | | 368 | - |
| | | <u>174,862</u> | <u>463,975</u> |
| 25 | OTHER INCOME | | |
| Rent on property | | - | 150 |
| Gain on sale of fixed assets - net | | 235 | 47 |
| Immovable property | | 2,215 | 4,999 |
| Others | | - | - |
| | | <u>2,450</u> | <u>5,196</u> |

| 26 OPERATING EXPENSES | Note | September 30, 2021 | September 30, 2020 |
|--|------|----------------------------|-----------------------|
| | | ----- Rupees in '000 ----- | |
| Total compensation expense | | 223,976 | 224,105 |
| Property expense | | | |
| Rent and taxes | | 1,146 | 1,909 |
| Insurance | | 4,998 | 3,896 |
| Security | | 1,137 | 1,149 |
| Utilities cost | | 4,149 | 3,191 |
| Repairs and maintenance (including janitorial charges) | | 5,896 | 5,190 |
| Depreciation | | 31,698 | 16,442 |
| | | 49,024 | 31,777 |
| Information technology expenses | | | |
| Software maintenance | | 1,408 | 3,764 |
| Hardware maintenance | | 546 | 590 |
| Depreciation | | 2,984 | 2,958 |
| Amortisation | | 5,138 | 4,937 |
| | | 10,075 | 12,249 |
| Other operating expenses | | | |
| Directors' fees and allowances | | 5,924 | 6,445 |
| Fees and subscription | | 3,171 | 3,232 |
| Legal and professional charges | | 17,330 | 11,083 |
| Outsourced services costs | | 13,275 | 11,746 |
| Travelling and conveyance | | 33,003 | 27,709 |
| Brokerage commission | | 13,425 | 12,932 |
| Depreciation | | 9,719 | 7,807 |
| Training and development | | 1,236 | 557 |
| Postage and courier charges | | 421 | 397 |
| Communication | | 3,434 | 2,914 |
| Stationery and printing | | 1,971 | 1,164 |
| Marketing, advertisement and publicity | | 64 | 283 |
| Donation | | 3,500 | 5,000 |
| Auditors' remuneration | | 2,676 | 2,239 |
| Others | | 5,954 | 6,989 |
| | | 115,102 | 100,497 |
| | | <u>398,178</u> | <u>368,628</u> |

27 PROVISION FOR SINDH WORKERS' WELFARE FUND

| | | | |
|---|------|---------------|--------------|
| Provision for Sindh Workers' Welfare Fund | 27.1 | <u>12,290</u> | <u>2,408</u> |
|---|------|---------------|--------------|

- 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 103.185 million.

| | Note | September 30, 2021 | September 30, 2020 |
|---|------|------------------------------|-----------------------|
| 28 PROVISIONS AND WRITE OFFS - NET | | ----- Rupees in '000 ----- | |
| Provision for diminution in value of investments - net | 9.2 | (55,125) | 10,455 |
| Provisions against loans and advances | 10.3 | 22,031 | 61,864 |
| Other provisions / write offs | | - | - |
| | | <u>(33,093)</u> | <u>72,319</u> |
| 29 TAXATION | | | |
| Current | | 241,332 | 285,639 |
| Prior years | | - | 25,000 |
| Deferred | | (41,727) | (31,520) |
| | | <u>199,605</u> | <u>279,119</u> |
| 30 BASIC EARNINGS PER SHARE | | ----- Rupees in '000 ----- | |
| Profit for the year | | <u>494,721</u> | <u>695,394</u> |
| | | ---No. of shares in '000s--- | |
| Weighted average number of ordinary shares | | <u>600,000</u> | <u>600,000</u> |
| | | ----- Rupees ----- | |
| Basic earnings per share | | <u>0.82</u> | <u>1.16</u> |
| 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 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.

31.1 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 / 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:

| | September 30, 2021 | | | |
|---|--------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ----- Rupees in '000 ----- | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal government securities | - | 18,218,463 | - | 18,218,463 |
| Shares | 804,352 | - | - | 804,352 |
| Non-Government debt securities | - | 2,162,738 | - | 2,162,738 |
| Units of mutual funds | - | - | - | - |
| Units of modaraba certificates | 38,147 | - | - | 38,147 |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Commitments in respect of repo transactions | - | 8,231,224 | - | 8,231,224 |
| Commitments in respect of stock future contracts | 53,356 | - | - | 53,356 |

| | Audited | | | |
|---|-------------------|------------|---------|------------|
| | December 31, 2020 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| ----- Rupees in '000 ----- | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal government securities | - | 11,881,498 | - | 11,881,498 |
| Shares | 728,079 | - | - | 728,079 |
| Non-Government debt securities | - | 2,594,582 | - | 2,594,582 |
| Units of mutual funds | - | 232,676 | - | 232,676 |
| Units of modaraba certificates | - | - | - | - |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Commitments in respect of repo transactions | - | 7,908,009 | - | 7,908,009 |
| Commitments in respect of stock future contracts | - | - | - | - |

| September 30, 2021 | | | | |
|--|-------------------|--------------------|------------|------------|
| Corporate finance | Trading and sales | Commercial banking | Total | |
| Profit and Loss Account | | | | |
| Net mark-up / return / profit | - | 498,674 | 310,988 | 809,662 |
| Non mark-up / return / interest income | 74,671 | 198,315 | - | 272,986 |
| Total income | 74,671 | 696,989 | 310,988 | 1,082,648 |
| Segment direct expenses | 17,777 | 267,227 | 136,411 | 421,415 |
| Total expenses | 17,777 | 267,227 | 136,411 | 421,415 |
| Provisions | - | (45,903) | 12,810 | (33,093) |
| Profit before tax | 56,894 | 475,665 | 161,767 | 694,326 |
| Statement of Financial Position | | | | |
| Cash and bank balances | 9,776 | 134,614 | 230,511 | 374,901 |
| Lendings to financial institutions | - | 604,300 | - | 604,300 |
| Investments | - | 21,279,734 | - | 21,279,734 |
| Advances - performing | - | 909,394 | 15,282,956 | 16,192,350 |
| - non-performing | - | 23,204 | 537,792 | 560,996 |
| Others | 4,788 | 1,683,378 | 1,493,535 | 3,181,701 |
| Total assets | 14,564 | 24,634,624 | 17,544,794 | 42,193,982 |
| Borrowings | - | 19,389,526 | 10,857,385 | 30,246,911 |
| Deposits and other accounts | - | - | - | - |
| Others | - | 640,142 | 658,607 | 1,298,749 |
| Total liabilities | - | 20,029,668 | 11,515,992 | 31,545,660 |
| Equity | 14,564 | 4,604,956 | 6,028,803 | 10,648,323 |
| Total equity and liabilities | 14,564 | 24,634,624 | 17,544,795 | 42,193,983 |
| Contingencies and commitments | - | 9,965,643 | 4,376,012 | 14,341,655 |

| September 30, 2020 | | | | |
|--|-------------------|--------------------|---------|-----------|
| Corporate finance | Trading and sales | Commercial banking | Total | |
| Profit and Loss Account | | | | |
| Net mark-up / return / profit | - | 440,421 | 429,929 | 870,350 |
| Non mark-up / return / interest income | 52,182 | 495,335 | - | 547,517 |
| Total income | 52,182 | 935,756 | 429,929 | 1,417,867 |
| Segment direct expenses | 10,704 | 229,715 | 130,616 | 371,035 |
| Total expenses | 10,704 | 229,715 | 130,616 | 371,035 |
| Provisions | - | 27,270 | 45,049 | 72,319 |
| Profit before tax | 41,478 | 678,771 | 254,264 | 974,513 |

| December 31, 2020 | | | | |
|--|-------------------|--------------------|------------|------------|
| Corporate finance | Trading and sales | Commercial banking | Total | |
| Statement of Financial Position | | | | |
| Cash and bank balances | 38,761 | 525,008 | 235,885 | 799,654 |
| Investments | - | 15,479,577 | - | 15,479,577 |
| Lendings to financial institutions | - | 556,679 | - | 556,679 |
| Advances - performing | 436 | 516,832 | 19,815,466 | 20,332,734 |
| - non-performing | - | 34,218 | 526,228 | 560,446 |
| Others | 41,018 | 2,197,888 | 441,235 | 2,680,141 |
| Total assets | 80,215 | 19,310,202 | 21,018,814 | 40,409,231 |
| Borrowings | - | 23,776,555 | 3,653,875 | 27,430,430 |
| Deposits and other accounts | - | 720,766 | 109,234 | 830,000 |
| Others | 80,380 | 722,744 | 492,019 | 1,295,143 |
| Total liabilities | 80,380 | 25,220,065 | 4,255,128 | 29,555,573 |
| Equity | (165) | (5,909,863) | 16,763,686 | 10,853,658 |
| Total equity and liabilities | 80,215 | 19,310,202 | 21,018,814 | 40,409,231 |
| Contingencies and commitments | - | 63,300 | 12,161,695 | 12,224,995 |

33 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management 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. 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.

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

| | September 30, 2021 | | | December 31, 2020 | | |
|--------------------------------------|--------------------|--------------------------|-----------------------|-------------------|--------------------------|-----------------------|
| | Directors | Key management personnel | Other related parties | Directors | Key management personnel | Other related parties |
| (Rupees in '000) | | | | | | |
| Advances | | | | | | |
| Opening balance | - | 92,939 | - | - | 80,719 | - |
| Addition during the year | - | 13,960 | 150,000 | - | 4,845 | - |
| Repaid during the year | - | (44,581) | - | - | (19,868) | - |
| Transfer in / (out) - net | - | 3,416 | - | - | 27,243 | - |
| Closing balance | - | 65,734 | 150,000 | - | 92,939 | - |
| Other Assets | | | | | | |
| Interest / markup accrued | - | - | 24 | - | - | - |
| Receivable from defined benefit plan | - | - | - | - | - | 10,609 |
| | - | - | 24 | - | - | 10,609 |
| Borrowings | | | | | | |
| Opening balance | - | - | 72,722 | - | - | 66,014 |
| Borrowings during the year | - | - | 692,320 | - | - | 68,893 |
| Settled during the year | - | - | (558,381) | - | - | (62,185) |
| Transfer in / (out) - net | - | - | - | - | - | - |
| Closing balance | - | - | 206,661 | - | - | 72,722 |
| Other Liabilities | | | | | | |
| Interest / mark-up payable | - | - | 32 | - | - | 1,208 |
| | - | - | 32 | - | - | 1,208 |

| | September 30, 2021 | | | September 30, 2020 | | |
|------------------------------------|--------------------|--------------------------|-----------------------|--------------------|--------------------------|-----------------------|
| | Directors | Key management personnel | Other related parties | Directors | Key management personnel | Other related parties |
| (Rupees in '000) | | | | | | |
| Income | | | | | | |
| Mark-up / return / interest earned | - | 3,281 | 376 | - | 1,612 | - |
| Expense | | | | | | |
| Mark-up / return / interest paid | - | - | 8,423 | - | - | - |
| Operating expenses | 3,200 | 108,582 | - | 4,478 | 117,639 | 4,667 |
| Reimbursement of expenses | - | 6,541 | - | - | 4,728 | - |

- 33.1** 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).

34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | September 30, 2021 | (Audited) December 31, 2020 |
|---|----------------------------|-----------------------------------|
| | ----- 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 | 8,664,750 | 8,046,697 |
| Eligible Additional Tier 1 (ADT 1) Capital | - | - |
| Total Eligible Tier 1 Capital | 8,664,750 | 8,046,697 |
| Eligible Tier 2 Capital | - | - |
| Total Eligible Capital (Tier 1 + Tier 2) | 8,664,750 | 8,046,697 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 20,201,181 | 22,526,883 |
| Market Risk | 5,789,222 | 5,795,062 |
| Operational Risk | 1,883,003 | 1,883,003 |
| Total | 27,873,406 | 30,204,948 |
| Common Equity Tier 1 Capital Adequacy ratio | 31.09% | 26.64% |
| Tier 1 Capital Adequacy Ratio | 31.09% | 26.64% |
| Total Capital Adequacy Ratio | 31.09% | 26.64% |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 8,664,750 | 8,046,697 |
| Total Exposures | 46,995,451 | 42,045,291 |
| Leverage Ratio - percentage | 18.44% | 19.14% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 12,155,482 | 9,207,538 |
| Total Net Cash Outflow | 12,863,083 | 7,900,138 |
| Liquidity Coverage Ratio - percentage | 94.50% | 116.55% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 19,949,056 | 21,586,084 |
| Total Required Stable Funding | 16,971,723 | 19,210,958 |
| Net Stable Funding Ratio - percentage | 117.54% | 112.36% |

35 GENERAL

- 35.1** Figures in these consolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.
- 35.2** Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary, to facilitate comparison and better presentation.

36 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on **October 28, 2021** by the Board of Directors of the Holding Company.

President/Chief Executive

Chief Financial Officer

Director

Director

Director