

PAK BRUNEI INVESTMENT COMPANY LIMITED

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2020**



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pak Brunei Investment Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Pak Brunei Investment Company Limited** as at June 30, 2020 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2020 and June 30, 2019 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditors' review report is **Salman Hussain**.

A.F.Ferguson & Co.

Chartered Accountants

Karachi


Dated: September 25, 2020


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PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

June 30, 2020		December 31, 2019			
USD in '000				(Un-audited)	(Audited)
				June 30, 2020	December 31, 2019
				Note	Rupees in '000
ASSETS					
951	771	Cash and balances with treasury banks	8	159,703	129,571
3,053	975	Balances with other banks	9	513,123	163,909
40	26,778	Lendings to financial institutions	10	6,800	4,500,000
144,176	189,330	Investments	11	24,228,941	31,816,997
98,426	111,701	Advances	12	16,540,467	18,771,370
705	809	Fixed assets	13	118,545	136,022
27	25	Intangible assets	14	4,515	4,275
1,327	1,244	Deferred tax assets	15	222,940	209,112
8,581	9,845	Other assets	16	1,442,071	1,654,466
2,349	2,307	Non-current assets classified as held-for-sale	17	394,745	387,745
259,635	343,785			43,631,850	57,773,467
LIABILITIES					
-	-	Bills payable		-	-
188,133	268,681	Borrowings	18	31,615,869	45,152,000
2,975	3,689	Deposits and other accounts	19	500,000	620,000
-	-	Liabilities against assets subject to			
-	-	finance lease		-	-
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
5,030	8,639	Other liabilities	20	845,351	1,452,073
196,138	281,009			32,961,220	47,224,073
63,497	62,776			10,670,630	10,549,394
NET ASSETS					
REPRESENTED BY					
35,704	35,704	Share capital		6,000,000	6,000,000
9,930	8,808	Reserves		1,668,694	1,480,107
(1,027)	(898)	Deficit on revaluation of assets	21	(172,595)	(150,898)
18,890	19,162	Unappropriated profit		3,174,531	3,220,185
63,497	62,776			10,670,630	10,549,394
CONTINGENCIES AND COMMITMENTS					
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The annexed notes from 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.


President/Chief Executive


Chief Financial Officer


Director



Director


Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2020

Half year ended			Half year ended		Quarter ended		
June 30, 2020	June 30, 2019		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	
USD in '000			Rupees in '000				
13,748	12,877	Mark-up / return / interest earned	23	2,310,279	2,163,933	904,163	1,122,747
11,439	10,637	Mark-up / return / interest expensed	24	1,922,329	1,787,568	713,905	936,430
2,309	2,240	Net mark-up / interest income		387,950	376,365	190,258	186,317
		Non mark-up / interest income					
208	175	Fee and commission income	25	35,015	29,442	17,348	15,582
81	119	Dividend income		13,541	20,044	4,143	13,325
3,017	(1,395)	Gain / (loss) on securities	26	507,001	(234,417)	409,216	(214,769)
1	24	Other income	27	197	4,046	185	3,390
3,307	(1,077)	Total non-markup / interest income		555,754	(180,885)	430,892	(182,472)
5,616	1,163	Total income		943,704	195,480	621,150	3,845
		Non mark-up / interest expenses					
1,070	972	Operating expenses	28	179,851	163,335	90,326	88,330
-	-	Sindh Workers' Welfare Fund	29	-	-	(3,341)	(1,505)
1,070	972	Total non mark-up / interest expenses		179,851	163,335	86,985	86,825
4,546	191	Profit / (loss) before provisions		763,853	32,145	534,165	(82,980)
800	1,345	Provisions and write offs - net	30	134,472	226,084	68,503	182,590
-	-	Extraordinary / unusual items		-	-	-	-
3,746	(1,154)	Profit / (loss) before taxation		629,381	(193,939)	465,662	(265,570)
1,109	183	Taxation	31	186,448	30,819	138,970	8,429
2,637	(1,337)	Profit / (loss) after taxation		442,933	(224,758)	326,692	(273,999)
USD			Rupees				
0.00439	(0.00223)	Basic and diluted profit / (loss) per share	32	0.74	(0.37)	0.54	(0.46)

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

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 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2020

Half year ended			Half year ended		Quarter ended	
June 30, 2020	June 30, 2019		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
----- USD in '000 -----			----- Rupees in '000 -----			
2,637	(1,337)	Profit / (loss) after taxation for the period	442,933	(224,758)	326,692	(273,999)
		Other comprehensive income / (loss)				
		<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
(129)	861	Movement in deficit on revaluation of investments - net of tax	(21,697)	144,671	(21,697)	144,671
<u>2,508</u>	<u>(476)</u>	Total comprehensive income / (loss)	<u>421,236</u>	<u>(80,087)</u>	<u>304,995</u>	<u>(129,328)</u>

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

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 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director


PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2020


	Share capital	Statutory reserve (a)	General reserve	Deficit on revaluation of investments	Unappropriated profit	Total
Rupees in '000						
Balance as at January 1, 2019 (audited)	6,000,000	1,406,995	-	(673,212)	3,226,702	9,960,485
Comprehensive income / (loss) for the period	-	-	-	-	(224,758)	(224,758)
Loss after taxation for the half year ended June 30, 2019	-	-	-	-	-	-
Other comprehensive loss	-	-	-	144,671	-	144,671
- Movement in deficit on revaluation of investments - net of tax	-	-	-	144,671	(224,758)	(80,087)
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)
Balance as at June 30, 2019 (un-audited)	6,000,000	1,406,995	-	(528,541)	2,701,944	9,580,398
Comprehensive income / (loss) for the period	-	-	-	-	590,319	590,319
Profit after taxation for the half year ended December 31, 2019	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	1,034	1,034
- Remeasurement loss on defined benefit obligations - net of tax	-	-	-	377,643	-	377,643
- Movement in deficit on revaluation of investments - net of tax	-	-	-	377,643	591,353	968,996
Transfer to statutory reserve	-	73,112	-	-	(73,112)	-
Balance as at December 31, 2019 (audited)	6,000,000	1,480,107	-	(150,898)	3,220,185	10,549,394
Comprehensive income / (loss) for the period	-	-	-	-	442,933	442,933
Profit after taxation for the half year ended June 30, 2020	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	(21,697)	-	(21,697)
- Movement in deficit on revaluation of investments - net of tax	-	-	-	(21,697)	442,933	421,236
Transfer to statutory reserve	-	88,587	-	-	(88,587)	-
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)
Balance as at June 30, 2020 (un-audited)	<u>6,000,000</u>	<u>1,568,694</u>	<u>100,000</u>	<u>(172,595)</u>	<u>3,174,531</u>	<u>10,670,630</u>

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

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

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President/Chief Executive


Chief Financial Officer


Director


Director



Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

Half year ended			Note	Half year ended	
June 30, 2020	June 30, 2019			June 30, 2020	June 30, 2019
----- USD in '000 -----				----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES					
3,746	(1,154)	Profit / (loss) before taxation		629,381	(193,939)
81	119	Less: Dividend income		13,541	20,044
3,665	(1,273)			615,840	(213,983)
Adjustments:					
114	116	Depreciation		19,183	19,554
3	4	Amortisation		590	739
800	1,345	Provision and write-offs	30	134,472	226,084
-	(3)	Gain on sale of fixed assets		(47)	(518)
-		Provision for Sindh Workers' Welfare Fund		-	-
-	(1)	Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		-	(124)
917	1,461			154,198	245,735
4,582	188			770,038	31,752
(Increase) / decrease in operating assets					
26,737	-	Lendings to financial institutions		4,493,200	-
-	(55)	Held-for-trading securities		-	(9,216)
12,991	9,162	Advances		2,183,155	1,539,670
1,581	792	Others assets (excluding advance taxation)		265,726	133,079
41,309	9,899			6,942,081	1,663,533
Increase/ (decrease) in operating liabilities					
(80,548)	(1,917)	Borrowings from financial institutions		(13,536,131)	(322,135)
(714)	146	Deposits		(120,000)	24,597
(3,610)	1,963	Other liabilities (excluding current taxation)		(606,722)	329,831
(84,872)	192			(14,262,853)	32,293
(1,635)	(987)	Income tax paid		(274,836)	(165,892)
(40,616)	9,292	Net cash (used in) / generated from operating activities		(6,825,570)	1,561,686
CASH FLOWS FROM INVESTING ACTIVITIES					
44,592	(2,582)	Net investments in available-for-sale securities		7,493,698	(433,871)
1	(1,688)	Net investments in held-to-maturity securities		166	(283,691)
81	124	Dividends received		13,541	20,802
(10)	(965)	Investments in operating fixed assets		(1,706)	(162,251)
(5)	-	Investments in operating intangible assets		(830)	-
-	12	Proceeds from sale of fixed assets		47	2,042
44,659	(5,099)	Net cash generated from / (used in) investing activities		7,504,916	(856,969)
CASH FLOWS FROM FINANCING ACTIVITIES					
(1,785)	(1,785)	Dividend paid		(300,000)	(300,000)
(1,785)	(1,785)	Net cash used in financing activities		(300,000)	(300,000)
2,258	2,408	Increase / (decrease) in cash and cash equivalents		379,346	404,717
1,746	1,236	Cash and cash equivalents at beginning of the period		293,480	207,694
4,004	3,644	Cash and cash equivalents at end of the period		672,826	612,411

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

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President/Chief Executive


Chief Financial Officer


Director


Director


Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

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 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 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, 2019: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

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

- International Accounting Standards (IAS) 34, Interim Financial Reporting, 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 and Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan 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 IAS 34, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 These condensed interim unconsolidated financial statements do not include all the information and disclosures required in the audited annual unconsolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the audited annual unconsolidated financial statements for the financial year ended December 31, 2019.

2.3 As explained in note 2.5, SBP has deferred the applicability of IFRS 9: Financial Instruments on banking companies and DFIs. The SBP had also previously deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" vide SRO 411(I) / 2008 dated April 28, 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.4 Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current period:

2.4.1 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 do not have any significant impact on the Company's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

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2.5 Standards, interpretations of and amendments to the accounting and reporting standard that are not yet effective:

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 standards, amendments or interpretations:

Standards, interpretations or amendments	Effective date (periods ending on or after)
- IFRS 16 - 'Leases' (amendments)	June 1, 2020
- IFRS 9 - 'Financial instruments'	January 1, 2021*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provision, contingent liabilities and contingent assets' (amendments)	January 1, 2022

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

* The SECP vide its BPRD Circular Letter no. 4 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 instrument: 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 an impairment charge based on 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all the assets of the Company which are exposed to credit risk.

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, 2021, but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2019 except for impacts of COVID-19 as mentioned in notes 3.2 to 3.7 below. These risk management policies continue to remain robust and the Company is reviewing its portfolio in line with emerging risks.

3.2 Regulatory reliefs due to COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks / DFIs to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact DFI's in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as some of the DFI's staff are working from home.

3.3 Operational Risk Management

The Company is closely monitoring the situation and has invoked required actions to ensure safety and security of Company's staff and uninterrupted service to the customers. The senior management of the Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

3.4 Credit Risk Management

The Risk Management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Company has further strengthened its credit review procedures in the light of COVID-19. The Company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. As per SBP Circular 13 dated March 26, 2020, the Company has deferred the payment of principal of loans of 43 customers which aggregated to Rs 1,987.76 million. Further, the Company has also restructured loans amounting to Rs 119.41 million relating to 10 customers.

3.5 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and mark-up and rescheduling of loans there will be an impact on the maturity profile of the Company. The Asset and Liability Committee (ALCO) of the Company is continuously monitoring the liquidity position and the Company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

3.6 Equity Risk Management

The carrying value of the Company's investment in listed equity securities classified as available-for-sale, amounts to Rs. 815.454 million as at June 30, 2020. During the period, SBP via BPRD Circular Letter No. 13 of 2020 Para 4 (c) has provided regulatory relief to Banks / DFIs to recognise impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS), in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the Circular, out of the total impairment of Rs 156.993 million, impairment loss amounting to Rs 86.689 million has been recognised as impairment and a portion of the impairment loss, amounting to Rs. 70.304 million, resulting from the valuation of listed equity securities held under the AFS category as of June 30, 2020 has not been recognised in the unconsolidated condensed interim profit and loss account and has been taken to 'Deficit arising on revaluation of available for sale securities' as disclosed in note 21 of these condensed interim unconsolidated financial statements.

3.7 Capital Adequacy Ratio (CAR)

In order to encourage Banks / DFIs to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

4 BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these condensed interim unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These condensed interim unconsolidated financial statements have been presented in Pakistani Rupees, which is the functional and presentational currency of the Company.

The US dollar amounts shown in the condensed interim unconsolidated statement of financial position, condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income and condensed interim unconsolidated cash flow statement are stated as additional information solely for the convenience of readers and are not audited. For the purpose of conversion to US Dollars, the rate of Rs. 168.0506 to US Dollars has been used as it was the prevalent rate as on June 30, 2020.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the annual unconsolidated financial statements of the Company for the year ended December 31, 2019.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim unconsolidated financial statements in conformity with accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and 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.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the unconsolidated financial statements of the DFI for the year ended December 31, 2019.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----			
8 CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in:			
Local currency current account	8.1	<u>159,703</u>	<u>129,571</u>
8.1 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.			
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts		<u>513,123</u>	<u>163,909</u>
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (reverse repo)	10.1	<u>6,800</u>	<u>4,500,000</u>
10.1 These carry mark-up at rates ranging from 7.30% to 13.70% (December 31, 2019: 13.40% to 13.50%) and will mature latest by July 13, 2020.			

11 INVESTMENTS

11.1 Investments by type:

Note	(Un-audited)				(Audited)			
	June 30, 2020				December 31, 2019			
	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	-	-	-	-	-	-	-	-
Available-for-sale securities								
Federal government securities	18,288,904	-	47,087	18,335,991	25,169,133	-	(38,526)	25,130,607
Ordinary shares	1,150,187	(156,714)	(178,019)	815,454	1,647,175	(70,025)	(108,124)	1,469,026
Non-government debt securities	2,850,524	(269,145)	5,793	2,587,172	2,850,083	(269,110)	(18,230)	2,562,743
Units of mutual funds	431,864	-	(69,204)	362,660	548,786	-	(21,995)	526,791
Preference shares	3,250	(3,250)	-	-	3,250	(3,250)	-	-
	<u>22,724,729</u>	<u>(429,109)</u>	<u>(194,343)</u>	<u>22,101,277</u>	<u>30,218,427</u>	<u>(342,385)</u>	<u>(186,875)</u>	<u>29,689,167</u>
Held-to-maturity securities								
Commercial paper	124,292	-	-	124,292	124,458	-	-	124,458
	<u>124,292</u>	<u>-</u>	<u>-</u>	<u>124,292</u>	<u>124,458</u>	<u>-</u>	<u>-</u>	<u>124,458</u>
Subsidiaries								
Fully paid up ordinary shares of:								
- Awwal Modaraba Management Company Limited	105,000	-	-	105,000	105,000	-	-	105,000
- Primus Leasing Limited	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
Certificates of Awwal Modaraba	898,372	-	-	898,372	898,372	-	-	898,372
	<u>2,003,372</u>	<u>-</u>	<u>-</u>	<u>2,003,372</u>	<u>2,003,372</u>	<u>-</u>	<u>-</u>	<u>2,003,372</u>
Total investments	<u>24,852,393</u>	<u>(429,109)</u>	<u>(194,343)</u>	<u>24,228,941</u>	<u>32,346,257</u>	<u>(342,385)</u>	<u>(186,875)</u>	<u>31,816,997</u>

(Un-audited) (Audited)
June 30, December 31,
2020 2019
----- Rupees in '000 -----

11.1.1 Investments given as collateral

Market Treasury Bills	5,961,786	10,995,470
Pakistan Investment Bonds	4,011,227	10,162,209
Term finance / sukuks certificates	739,824	739,824
	<u>10,712,837</u>	<u>21,897,503</u>

(Un-audited) (Audited)
June 30, December 31,
2020 2019
----- Rupees in '000 -----

11.2 Provision for diminution in value of investments

Opening balance	342,385	439,954
Charge / reversals		
Charge for the period / year	94,877	292,902
Reversal on disposals during the period / year	(8,153)	(390,471)
	86,724	(97,569)
Closing balance	429,109	342,385

Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Non-performing investment	Provision	Non-performing investments	Provision
Domestic Loss	269,145	269,145	269,110	269,110

----- (Rupees in '000) -----

11.3 The market value of securities classified as held to maturity as at June 30, 2020 amounted to Rs. 124.292 million (December 31, 2019: Rs. 124.458 million).

11.4 Summary of financial information of subsidiaries

Investment in subsidiaries	Percentage of holding		Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	June 30, 2020	December 31, 2019
	2020	2019								
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

----- Rupees in '000 -----

* The details for Awwal Modaraba have been provided based on its audited financial statements for the year ended June 30, 2020.

12 ADVANCES

	(Un-audited) Performing		(Audited) Non-performing		(Un-audited) Total		(Audited) Total	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Loans, cash credits, running finances, etc.	16,342,256	18,569,932	639,993	595,472	16,982,249	19,165,404	16,982,249	19,165,404
Advances - gross	16,342,256	18,569,932	639,993	595,472	16,982,249	19,165,404	16,982,249	19,165,404
Provision against advances								
- Specific	-	-	441,782	394,034	441,782	394,034	441,782	394,034
- General	-	-	-	-	-	-	-	-
	-	-	441,782	394,034	441,782	394,034	441,782	394,034
Advances - net of provision	16,342,256	18,569,932	198,211	201,438	16,540,467	18,771,370	16,540,467	18,771,370

(Un-audited) (Audited)
June 30, December 31,
2020 2019
----- Rupees in '000 -----

12.1 Particulars of advances (gross)

In local currency	16,982,249	19,165,404
In foreign currencies	-	-
	16,982,249	19,165,404

- 12.2 Advances include Rs. 639.993 million (December 31, 2019: Rs. 595.472 million) which have been placed under the non-performing status as detailed below:

Category of classification	Note	(Un-audited)		(Audited)	
		June 30, 2020		December 31, 2019	
		Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----					
Domestic					
Other assets especially mentioned	12.2.1	26,765	2,677	8,706	870
Substandard		26,547	6,637	11,459	2,865
Doubtful		14,499	7,249	8,188	4,094
Loss		572,182	425,219	567,119	386,205
Total		639,993	441,782	595,472	394,034

- 12.2.1 The 'Other assets especially mentioned' category pertains to small enterprise finance.

12.3 Particulars of provision against advances

	(Un-audited)			(Audited)		
	June 30, 2020			December 31, 2019		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	394,034	-	394,034	309,684	-	309,684
Charge for the period / year	52,330	-	52,330	94,693	-	94,693
Reversals during the period / year	(4,582)	-	(4,582)	(10,343)	-	(10,343)
	47,748	-	47,748	84,350	-	84,350
Amounts written off	-	-	-	-	-	-
Closing balance	441,782	-	441,782	394,034	-	394,034

- 12.3.1 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. 146.963 million (December 31, 2019: Rs. 180.914 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

13 FIXED ASSETS	Note	(Un-audited)	(Audited)
		June 30, 2020	December 31, 2019
----- Rupees in '000 -----			
Property and equipment		25,976	29,853
Right-of-use assets		92,329	106,169
Capital work-in-progress		240	-
		118,545	136,022

13.1 Additions to fixed assets	Un-audited	
	Half year ended June 30, 2020	Half year ended June 30, 2019
----- Rupees '000 -----		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	240	-
Property and equipment		
Leasehold improvements	-	2,975
Furniture and fixtures	-	1,219
Electrical, office and computer equipment	1,471	1,374
Vehicles	-	19,350
	1,471	24,918
Right-of-use assets due to adoption of IFRS 16	-	144,212
Total	1,711	169,130

13.2 Disposal of fixed assets

Two laptops having a cost of Rs. 0.0695 million and Rs. 0.0863 million respectively and having nil book value were disposed off for Rs. 0.012 million and Rs. 0.035 million respectively.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2019
----- Rupees in '000 -----			
14 INTANGIBLE ASSETS			
Computer software		2,177	2,777
Capital work-in-progress	14.1	2,338	1,498
		<u>4,515</u>	<u>4,275</u>
14.1 Capital work-in-progress			
Software		<u>2,338</u>	<u>1,498</u>
15 DEFERRED TAX ASSETS			
Deductible temporary differences on:			
- Post retirement employee benefits		249	671
- Provision for diminution in the value of investments		102,998	90,473
- Provision against advances, other assets, etc.		128,117	114,270
- Deficit on revaluation of investments		21,748	35,977
- Accelerated tax depreciation		3,108	3,560
- Lease liability against right-of-use asset		28,595	36,315
- Carry forward of alternate corporate tax		49,910	49,910
- Carry forward of minimum tax		35,162	-
- Capital loss on investments		-	5,746
- Provision for bonus		1,846	7,250
		<u>371,733</u>	<u>344,172</u>
Taxable temporary differences on:			
- Net investment in finance lease		(34,819)	(24,401)
- Post retirement employee benefits		-	(422)
- Right-of-use assets		(26,775)	(30,789)
- Amortisation of discount on investments		(87,199)	(79,448)
		<u>(148,793)</u>	<u>(135,060)</u>
		<u>222,940</u>	<u>209,112</u>
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		688,343	928,777
Advances, deposits, advance rent and other prepayments		9,840	5,396
Advance taxation (payments less provisions)		593,198	532,867
Receivable against sale of shares		-	49,002
Receivable from related parties	16.1	37,436	23,115
Non-banking asset acquired in satisfaction of claims	16.2	106,215	106,215
Lease receivable under IFRS-16		6,331	8,378
Receivable from defined benefit plan		708	716
		<u>1,442,071</u>	<u>1,654,466</u>
Less: Provision held against other assets		-	-
		<u>1,442,071</u>	<u>1,654,466</u>
16.1 Receivable from related parties			
Receivable from Awwal Modaraba Management Limited (subsidiary)		35,204	19,892
Receivable from Awwal Modaraba (subsidiary)		1,327	1,502
Receivable from Primus Leasing Company Limited (subsidiary)		905	1,721
		<u>37,436</u>	<u>23,115</u>
16.2 Non-banking asset acquired in satisfaction of claims			
Opening balance		106,215	28,525
Additions during the period / year		-	77,690
Closing balance		<u>106,215</u>	<u>106,215</u>

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	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----			
17	NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE		
	17.1	387,745	-
	17.2	7,000	387,745
		<u>394,745</u>	<u>387,745</u>

17.1 This relates to land, building and machinery which have been classified as 'Non-current assets held for sale' as at June 30, 2020. The Company has been making efforts to dispose of the property to a third party and it is expected that the process of sale of these properties will be completed in the near future.

17.2 This relates to vehicle repossessed from the customer as per terms of the financing agreement. The vehicle has been subsequently sold on July 24, 2020.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----			
18	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan:		
		- Long-Term Finance Facility (LTFF) scheme	
	18.1	5,057,065	5,078,020
		123,374	152,690
		203,942	235,068
		88,833	68,000
		6,325	-
		5,479,539	5,533,778
	18.2	7,014,027	5,333,511
	18.3	11,553,920	29,445,521
		<u>24,047,486</u>	<u>40,312,810</u>
		Repurchase agreement borrowings	
		Borrowings from banks	
		Total secured	

Unsecured

Letters of placement:

		- Primus Leasing Limited (subsidiary)	
	18.4	302,534	260,000
		-	200,000
		- Awwal Modaraba (subsidiary)	
	18.5	7,265,849	4,379,190
		<u>31,615,869</u>	<u>45,152,000</u>

18.1 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 rate of return ranges from 2.00% to 6% per annum (2019: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 8 years (2019: 9 years).

18.2 These represent borrowings from various financial institutions at mark-up rates ranging from 7.20% to 8.20% per annum (2019: 13.20% to 13.60% per annum). Market Treasury Bills and Pakistan Investment Bonds having a face value of Rs. 3,000 million (2019: Rs. 5,820 million) and Rs. 4,100 million (2019: Rs. Nil) have been given as collateral against these borrowings.

18.3 These carry mark-up at rates ranging from 7.37% to 13.74% per annum (2019: 11% to 14% per annum) and are repayable within 3 years (2019: 4 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 (2019: 740 million), Rs Nil (2019: Rs 14,445 million) and Rs: 3,075 million (2019: Rs: 9,225 million) respectively.

18.4 These carry mark-up at rates ranging from 7.00% to 8.21% per annum (2019: 12.75% per annum) having various maturities and are repayable within 3 months (2019: 1 month).

18.5 These carry mark-up at rates ranging from 7% to 14.00% per annum (2019: 9.5 % to 14.00 % per annum) having various maturities and are repayable within 3 years (2019: 3 years).

At 12

19 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	June 30, 2020			December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
- Certificate of investments (COIs)	500,000	-	500,000	620,000	-	620,000
Financial Institutions						
- Certificate of investments (COIs)	-	-	-	-	-	-
	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>620,000</u>	<u>-</u>	<u>620,000</u>

20 OTHER LIABILITIES

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		286,942	795,366
Unearned commission and income on bills discounted		45,072	22,745
Accrued expenses		24,848	39,767
Brokerage / commission payable		2,004	3,170
Payable against purchase of shares		988	15,758
Security deposits against advances		275,007	353,372
Provision for Sindh Worker's Welfare Fund		100,908	100,908
Lease liability against right-of-use assets		98,604	92,888
Others		10,978	28,099
		<u>845,351</u>	<u>1,452,073</u>

21 DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

Deficit on revaluation of:			
- Available-for-sale securities	11.1	(194,343)	(186,875)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		21,748	35,977
		<u>(172,595)</u>	<u>(150,898)</u>

22 CONTINGENCIES AND COMMITMENTS

- Guarantees	22.1	1,053,712	1,102,446
- Commitments	22.2	9,343,763	10,945,709
- Other contingent liabilities	22.3	-	-
		<u>10,397,475</u>	<u>12,048,155</u>

22.1 Guarantees

Financial guarantees		<u>1,053,712</u>	<u>1,102,446</u>
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22.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		331,320	331,320

Commitments in respect of:			
- repo transactions	22.2.1	7,036,493	9,877,213
- forward lendings	22.2.2	1,975,950	737,176
		<u>9,343,763</u>	<u>10,945,709</u>

22.2.1 Commitments in respect of repo transactions

Repurchase of government securities		7,029,674	5,342,579
Reverse repurchase of government securities		6,819	4,534,634
		<u>7,036,493</u>	<u>9,877,213</u>

22.2.2 Commitments in respect of forward lendings

Undrawn formal standby facilities, credit lines and other commitments to lend		1,975,950	737,176
		<u>1,975,950</u>	<u>737,176</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.

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22.3 Other contingent liabilities

22.3.1 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.

22.3.2 The returns of income of the Company from tax years 2008 to 2018 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 June 30, 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. 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.

22.3.3 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 had 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	(Un-audited)	
		Half year ended June 30, 2020	Half year ended June 30, 2019
23 MARK-UP / RETURN / INTEREST EARNED		----- Rupees in '000 -----	
On:			
a) Loans and advances		888,872	938,292
b) Investments		1,292,351	1,172,516
c) Lendings to financial institutions		122,361	49,945
d) Sub-lease of premises		488	606
e) Balances with banks		6,207	2,574
		<u>2,310,279</u>	<u>2,163,933</u>
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		30,211	76,820
Interest expense on lease liability		5,898	5,423
Borrowings		1,886,220	1,705,325
		<u>1,922,329</u>	<u>1,787,568</u>
25 FEE AND COMMISSION INCOME			
Advisory / arrangement fee		45	440
Processing fee income		1,178	50
Commitment fee		5,632	3,401
Trustee fee		28,044	25,107
Front end fee		116	444
		<u>35,015</u>	<u>29,442</u>
26 GAIN / (LOSS) ON SECURITIES			
Realised	26.1	507,001	(234,541)
Unrealised - held for trading		-	124
		<u>507,001</u>	<u>(234,417)</u>

ALL IN

		(Un-audited)	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		----- Rupees in '000 -----	
26.1	Realised gain / (loss) on:		
	Federal government securities	510,798	107
	Ordinary shares	(3,652)	(235,288)
	Non-government debt securities	-	640
	Commercial paper	44	-
	Mutual funds	(189)	-
		<u>507,001</u>	<u>(234,541)</u>
27	OTHER INCOME		
	Rent on property	150	3,515
	Gain on sale of fixed assets - net	47	518
	Others	-	13
		<u>197</u>	<u>4,046</u>
28	OPERATING EXPENSES		
	Total compensation expense	98,294	89,977
	Property expense		
	Rent and taxes	121	-
	Insurance	2,074	1,784
	Security	577	943
	Utilities cost	2,342	1,213
	Repairs and maintenance (including janitorial charges)	2,483	2,532
	Depreciation	14,252	15,831
		21,849	22,303
	Information technology expenses		
	Software maintenance	2,474	4,310
	Hardware maintenance	1,159	523
	Depreciation	1,475	913
	Amortisation	590	739
		5,698	6,485
	Other operating expenses		
	Directors' fees and allowances	2,400	3,116
	Fees and subscription	869	716
	Legal and professional charges	5,382	6,673
	Outsourced services costs	3,087	3,858
	Travelling and conveyance	17,207	15,871
	Brokerage commission	9,623	4,853
	Depreciation	3,456	2,810
	Training and development	473	132
	Postage and courier charges	320	145
	Communication	1,184	1,172
	Stationery and printing	504	459
	Marketing, advertisement and publicity	265	244
	Donations	5,000	-
	Auditors' remuneration	637	455
	Others	3,603	4,066
		54,010	44,570
		<u>179,851</u>	<u>163,335</u>
29	PROVISION FOR SINDH WORKERS' WELFARE FUND		
	Provision for Sindh Workers' Welfare Fund	-	-
	<i>Nil</i>	<u>-</u>	<u>-</u>

- 29.1 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 condensed interim unconsolidated financial statements amounting to Rs 100.908 million..

	Note	(Un-audited)	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		----- Rupees in '000 -----	
30 PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments - net	11.2	86,724	165,747
Provisions against loans and advances	12.3	47,748	60,337
		<u>134,472</u>	<u>226,084</u>
31 TAXATION			
Current		214,505	93,220
Deferred		(28,057)	(62,401)
		<u>186,448</u>	<u>30,819</u>
32 BASIC LOSS PER SHARE			
Profit / (loss) for the period		<u>442,933</u>	<u>(224,758)</u>
		----- Number of shares -----	
		----- in 000 -----	
Weighted average number of ordinary shares		<u>600,000</u>	<u>600,000</u>
		----- Rupees -----	
Basic profit / (loss) per share		<u>0.74</u>	<u>(0.37)</u>

32.1 Diluted profit / (loss) per share

Diluted profit / (loss) per share has not been presented separately as the Company does not have any convertible instruments in issue.

33 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.

33.1 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).

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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 / PKFRV 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:

(Un-audited)				
June 30, 2020				
Carrying / notional value	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	18,335,991	-	18,335,991	-
Shares	815,454	815,454	-	815,454
Non-Government debt securities	2,587,172	-	2,587,172	-
Units of mutual funds	362,660	-	362,660	-
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	7,029,674	-	7,029,674	-
Reverse repurchase of government securities	6,819	-	6,819	-

(Audited)				
December 31, 2019				
Carrying / notional value	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	25,130,607	-	25,130,607	-
Shares	1,469,026	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	5,342,579	-	5,342,579	-
Reverse repurchase of government securities	4,534,634	-	4,534,634	-

34 SEGMENT INFORMATION

Half year ended June 30, 2020			
Corporate finance	Trading and sales	Commercial banking	Total
----- Rupees in '000 -----			
Condensed interim unconsolidated profit and loss account for the half year ended June 30, 2020 (un-audited)			
Net mark-up / return / profit	-	263,670	124,280
Non mark-up / return / interest income	35,015	520,739	-
Total income	35,015	784,409	124,280
Segment direct expenses	6,434	149,791	23,626
Total expenses	6,434	149,791	23,626
Provisions	-	90,938	43,534
Profit before tax	28,581	543,680	57,120

MIL

	June 30, 2020			
	Corporate finance	Trading and sales	Commercial banking	Total
----- Rupees in '000 -----				
Condensed interim unconsolidated statement of financial position (un-audited)				
Cash and bank balances	24,157	559,951	88,718	672,826
Investments	-	24,228,941	-	24,228,941
Lendings to financial institutions	-	6,800	-	6,800
Advances - performing	-	2,467,264	13,874,992	16,342,256
- non-performing	-	4,858	193,353	198,211
Others	1,103	1,883,440	298,273	2,182,816
Total assets	25,260	29,151,254	14,455,336	43,631,850
Borrowings	-	27,291,830	4,324,039	31,615,869
Deposits and other accounts	-	431,616	68,384	500,000
Others	-	729,734	115,617	845,351
Total liabilities	-	28,453,180	4,508,040	32,961,220
Equity	-	9,211,345	1,459,285	10,670,630
Total equity and liabilities	-	37,664,525	5,967,325	43,631,850
Contingencies and commitments	-	8,975,433	1,422,042	10,397,475

	Half year ended June 30, 2019			
	Corporate finance	Trading and sales	Commercial banking	Total
----- Rupees in '000 -----				
Unconsolidated profit and loss account for the half year ended June 30, 2019 (un-audited)				
Net mark-up / return / profit	-	342,099	34,266	376,365
Non mark-up / return / interest income	29,442	(210,327)	-	(180,885)
Total income	29,442	131,772	34,266	195,480
Segment direct expenses	14,934	131,021	17,380	163,335
Total expenses	14,934	131,021	17,380	163,335
Provisions	-	167,549	58,535	226,084
Profit / (loss) before tax	14,508	(166,798)	(41,649)	(193,939)

	December 31, 2019			
	Corporate finance	Trading and sales	Commercial banking	Total
----- Rupees in '000 -----				
Unconsolidated statement of financial position (audited)				
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
- 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
Deposits and 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

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35 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited) and Modarabas managed by Awwal Modaraba Management Limited namely (KASB Modaraba, First Pak Modaraba and First Prudential Modaraba), employees' defined benefit and defined contribution plan and its key management personnel.

Transactions with key management personnel are 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. Transactions with owners have been disclosed in 'Condensed Interim 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 period and balances with them as at period end, other than those which have been disclosed elsewhere in these condensed interim unconsolidated financial statements, are as follows:

35.1 Balances with related parties

	(Un-audited)				(Audited)			
	June 30, 2020				December 31, 2019			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
(Rupees in '000)								
Investments								
Opening balance	-	-	2,003,372	-	-	-	2,003,372	-
Investment made during the period / year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	2,003,372	-	-	-	2,003,372	-
Advances								
Opening balance	-	81,077	-	-	-	75,591	-	-
Addition during the period / year	-	4,032	-	-	-	6,859	-	-
Repaid during the period / year	-	(10,296)	-	-	-	(31,856)	-	-
Transfer in / (out) - net	-	-	-	-	-	30,483	-	-
Closing balance	-	74,813	-	-	-	81,077	-	-
Other assets								
Interest / mark-up accrued	-	-	1,792	-	-	-	372	-
Lease receivable under IFRS-16	-	-	1,395	-	-	-	2,983	-
Receivable from defined benefit plan	-	-	-	708	-	-	-	716
Others	-	-	36,040	-	-	-	19,760	-
	-	-	39,227	708	-	-	23,115	716
Borrowings								
Opening balance	-	-	460,000	66,014	-	-	583,174	14,346
Borrowings during the period / year	-	-	1,048,279	36,671	-	-	4,409,462	398,129
Settled during the period / year	-	-	(1,205,745)	(36,671)	-	-	(4,532,636)	(346,461)
Closing balance	-	-	302,534	66,014	-	-	460,000	66,014
Other Liabilities								
Interest / mark-up payable	-	-	757	4,608	-	-	12,478	1,379
	-	-	757	4,608	-	-	12,478	1,379

35.2 Transactions with related parties

	(Un-audited)				(Un-audited)			
	June 30, 2020				June 30, 2019			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	-	1,621	1,554	-	-	1,790	814	-
Expense								
Mark-up / return / interest paid	-	-	17,455	4,667	-	-	25,742	1,429
Operating expenses	2,400	89,438	13,330	-	3,116	58,316	13,202	-
Reimbursement of expenses	-	4,550	-	-	-	3,679	-	-

(Un-audited) (Audited)
June 30, December 31,
2020 2019
----- Rupees in '000 -----

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):		
Paid-up capital	<u>6,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>7,999,455</u>	<u>7,805,912</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>7,999,455</u>	<u>7,805,912</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>7,999,455</u>	<u>7,805,912</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>18,909,588</u>	<u>21,592,476</u>
Market Risk	<u>6,229,483</u>	<u>5,274,038</u>
Operational Risk	<u>1,756,822</u>	<u>1,756,822</u>
Total	<u>26,895,893</u>	<u>28,623,336</u>
Common Equity Tier 1 Capital Adequacy ratio - percentage	<u>29.74%</u>	<u>27.27%</u>
Tier 1 Capital Adequacy Ratio - percentage	<u>29.74%</u>	<u>27.27%</u>
Total Capital Adequacy Ratio - percentage	<u>29.74%</u>	<u>27.27%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>9,352,003</u>	<u>7,805,912</u>
Total Exposures	<u>7,367,163</u>	<u>57,136,948</u>
Leverage Ratio - percentage	<u>126.94%</u>	<u>13.66%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>9,352,003</u>	<u>4,538,009</u>
Total Net Cash Outflow	<u>7,367,163</u>	<u>7,136,150</u>
Liquidity Coverage Ratio - percentage	<u>126.94%</u>	<u>63.59%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>22,295,973</u>	<u>25,529,648</u>
Total Required Stable Funding	<u>18,570,089</u>	<u>22,140,524</u>
Net Stable Funding Ratio - percentage	<u>120.06%</u>	<u>115.31%</u>

37 GENERAL

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

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on September 21, 2020 by the Board of Directors of the Company.


President/Chief Executive


Chief Financial Officer


Director


Director


Director