Annual Report 2021

pakbrunei
INVESTMENT COMPANY

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Vision

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

Mission

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

Core Values

Innovation

We will not be held hostage to conventional wisdom

Integrity

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

Performance

We will be result-oriented and encourage a competitive culture

Teamwork

We will have shared goals and objectives

Customer Focus

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

Content

Unconsolidated Financial Statements

Corporate Information

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Credit and Risk Management Committee

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

Company Secretary

Ms. Misbah Asjad

Statutory Auditors

A.F. Ferguson & Co. — Chartered Accountants

Tax Consultant

Yousuf Adil — Chartered Accountants

Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

Registered Head Office

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

Website

www.pakbrunei.com.pk

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

Code of Ethics and business practices

Integrity

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

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

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

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

Objectivity

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

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

Confidential and Proprietary Information

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

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

Improper Influence

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

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

Unfair Business Practices

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

Insider Trading

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

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

Recording and Reporting of the Company

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

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

Compliance with Laws, Rules and Regulations

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

Protection and Proper use of Company Assets

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

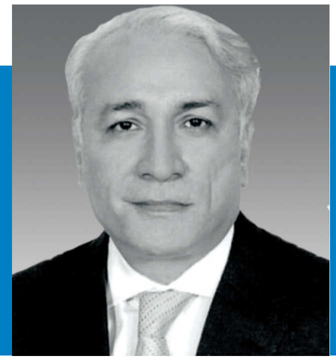
Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

Board of Directors'

PROFILE

Sofian Mohammad Jani, CFA

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



Arif Ahmed Khan

Mr. Arif Ahmed Khan, a senior civil servant has more than 37 years of experience in Public Administration. During the course of his career, he has served as Secretary Finance, Secretary Economic Affairs Division, Secretary Interior and Secretary Climate Change. Mr. Khan has also served as Additional Chief Secretary, Planning and Development Department, Government of Sindh. He was Secretary Finance for the Government of Sindh during 2012-13. Prior to that, he remained Home Secretary to the Government of Sindh.

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

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

Edzwan Zukri Pehin Dato Haji Adanan, CFA

Mr. Edzwan Adanan is currently serving as a Senior Manager with Darussalam Assets overseeing the Food and Agriculture as well as the Power Sector Portfolios. He was previously the Head of the Listed Assets Division in the Brunei Investment Agency until 2021.

He is currently a Director in Several Boards Locally and Internationally that covers industries that include F&B Companies, Utility Companies, Financial Services and Real Estate.

He previously served on the Board of Patersons Securities Limited, an Australian Brokerage Services Firm, Armada Properties Sdn Bhd, a Real Estate Company, JPCC, a Playground & Entertainment Company and Progresif, a Telecommunications Company.

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

Ayesha Aziz, CFA

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

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

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

Our Cultural Framework

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

Management Team at Pak Brunei

Pak Brunei Investment Company Limited

Being a responsible corporate entity, Pak Brunei Investment Company Limited is committed to play an integral role in the social development of Pakistan. CSR is an integral part of the Company's overall objectives and our CSR spend is therefore focused on projects such as those related to health and education, poverty alleviation and environment sustainability so that they may provide long term sustainable values and benefits to the community at large. During 2021, the Company has undertaken following initiatives to support its CSR agenda.

Company's CSR philosophy

MoU with IBA Karachi to empower deserving students

Pak Brunei Investment Company Limited and Institute of Business Administration (IBA), Karachi signed a Memorandum of Understanding (MOU) to support ISA's Financial Assistance Program for its financially deserving students. Pak Brunei has set up an annual scholarship fund worth PKR 2 million at the IBA, supporting one deserving student for the duration of his/her studies. Furthermore, Pak Brunei and the ISA will also collaborate on the Experiential Learning Projects (ELP) program. PBICL will offer real time projects to the IBA's business management students for their learning and grooming. The MOU is for a period of 4 years.

Blood Donation Drive

Pak Brunei Investment Company Limited arranged a blood donation derive at its head office in October 2021, in collaboration with the Indus Hospital, where the Company's employees and outsourced contractual staff donated blood to save lives. Free health screening reports comprising of 10 tests were also provided to the donors along with the appreciation certificates by the Indus Hospital after the completion of drive. This initiative was part of the greater focus to provide better health opportunities to masses.

Contribution for treatment of Burns Victims

During 2021, Pak Brunei Investment Company Limited acknowledged the work done by Friends of Burns Centre - Patient Welfare Society at Dr Ruth K.M. pfau Civil Hospital Karachi. On behalf of the management and Board of PBICL, a contribution of PKR 1.5 million was made for the treatment of burns victims.

Green Banking at Pak Brunei

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

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

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

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

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

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

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

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

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

Chairman's Review

During the past two years, the world has grappled with COVID-19 related challenges on many fronts. After sharp economic slumps, several countries saw V-shaped recoveries.

However, the risk of new breakouts and inflationary pressures from high commodity prices and supply blockages have brought down both the pace and shape of the recovery. Today, many central banks are facing the trade-off between economic growth and inflation which has translated into significant monetary policy shifts and close monitoring to determine future shifts. By IMF estimates, after expanding by 5.9 percent in 2021, global output is projected to grow by 4.4 percent in 2022 and 3.8 percent in 2023.

In these uncertain times, Pakistan's economic recovery over 2021 was 'K-shaped' with Services Sector's overall growth remaining at 4.43%, Industrial Sector 3.57%, and Agriculture Sector 2.77%. In Services Sector, Wholesale and Retail grew by 8.37% and Finance & Insurance by 7.84%, while in Industrial Sector, Large Scale Manufacturing grew by 9.29%, Construction increased by 8.34% and Electricity & Gas Distribution declined by 22.96%. Revised estimates place GDP growth at 5.37% against the provisional 3.94% initially reported. However, several factors conspired against the early and hard-won recovery that had emanated from timely fiscal and monetary policy measures. These measures had ensured that Pakistan's economy experienced the smallest contraction (at -0.5%) amongst all the countries in the world in 2020 (average global contraction was -3.1%). Starting in January 2021, a global commodity 'super-cycle' created inflationary and external sector pressures that were exacerbated by an unfolding humanitarian crisis in Afghanistan. Policy response on various fronts included continued strong vaccination drives, closer monitoring of markets, and measures to curtail non-essential imports. They also included a cumulative 275 basis point increase in the policy rate, higher bank cash reserve requirements, regulatory tightening of consumer finance, and curtailment of non-essential imports.

In the backdrop of these broader challenges faced by the economy, the Company retains its financial strength and operational resilience and continues to contribute towards the economic growth of the country. I am pleased to present the overall performance of the Company in a year that saw volatility across markets and industries. Profitability, asset quality and portfolio composition remained on target. During this year, the Board also performed an in-house performance evaluation of the Board as a whole, its Committees, the Chairman, the MD / CEO and Individual Directors. The overall performance of the Board is highly encouraging.

We remain optimistic for the future - policy measures taken by the Government of Pakistan and State Bank of Pakistan towards managing challenges on internal and external fronts are expected to bring positive results in the year 2022; the direction of the economy gives comfort when seen in terms of rising exports, tax revenues and gradual currency stability.

On behalf of the Board members, I take this opportunity to thank our valued stakeholders for the trust and confidence they continue to place in the Company. I would also like to express my gratitude to the shareholders, regulators, and all staff members for their continued support and cooperation.

Sofian Mohammad Jani
Chairman of Board of Directors

March 28, 2022

Directors' Report

On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of Pak Brunei Investment Company Limited ("the Company") for the year ended December 31, 2021. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018, and BPRD Circular No. 10 dated November 27, 2018.

Brief Economic Outlook

Overall, 2021 remained a journey of both gains and losses for Pakistan. In the first part of the year, we saw economic activity rebounding on the back of a slowdown in COVID-19 spread as well as the effects of policy measures taken to counter earlier waves of the pandemic. However, subsequent import growth—fueled by expansionary monetary and fiscal policies, a commodity super-cycle, and the immediate aftereffects of the US led coalition pullout from Afghanistan—led to a marked deterioration of the external position.

The Current Account Deficit for December 2021 clocked in at USD 1.93 billion, taking 1HFY22 CAD to USD 9.09 billion, compared to a surplus of USD 1.25 billion during the same period last year. This was primarily driven by a higher trade deficit as the growth in imports (up 54%) far outstripped growth in exports (up 27%). This deficit is attributable in part to international commodity prices and food items and also to higher machinery imports under TERF. The higher trade deficit was partially offset by increase in remittances, which amounted to USD 15.8 billion (up 11.3%), compared to USD 14.2 billion. The whole situation put pressure on Pak Rupee which depreciated almost 18% against USD during the year, from a high of 152 in May 2021 to a low of 178 in December 2021.

Despite the above, in FY 2021, GDP growth strengthened to 5.37% (against provisional estimate reported at 3.94%) and Pakistan is on track to record an expected GDP growth of 4.5% - 5% in FY 2022 amid the recent monetary tightening of policy rate increase of of 2.75%. However, rising international commodity prices pose a risk of inflation exceeding SBP's revised target range of 9.0%-11.0% for FY 2022.

Pakistan has received USD 1.053 billion after successful completion of 6th review of IMF program, bringing total disbursements under the Extended Finance Facility to about USD 3,027 million. Remaining USD 3 billion under the EFF will be received in 3 tranches after reviews in March, June, and September 2022. Successful resumption of IMF program will improve credibility, paving the way for further inflows from multilateral agencies such as the World Bank, Asian Development Bank, Islamic Development Bank and international capital markets. These inflows will improve the Balance of Payment position, stabilize PKR, and boost investors' confidence. The fixed income yields are also expected to respond positively to the improved outlook and foreign liquidity, should the external environment stay largely unchanged.

Remittance under Roshan Digital accounts reached USD 3,382 million and total of 322,463 accounts have been opened till December 2021 marking the success of Naya Pakistan Certificates scheme. On the fiscal side, FBR tax collection increased by 32.5% in 1HFY22 to PKR 2,920 billion compared to PKR 2,204 billion during same period last year. This exceeded the target of 2,633 billion by 287 billion.

The Large-scale manufacturing (LSM) witnessed a growth of 3.45% YoY in the 1HYFY22. Government is targeting LSM growth of 6% in FY22. Prospects remain favorable in agriculture, with an improved Rabi crop outlook. With the ongoing USD 3.5 billion expansion plan for the textile industry, Pakistan's textile exports are likely to increase by USD 6 billion and easily cross the USD 20 billion target projected for the FY 2021-22.

Moving ahead, while economic recovery is expected to be supported on account of growth in agriculture and manufacturing sectors, commodity prices remain a cause for concern. Focus would remain on how the Government strikes a balance between achieving the desired economic growth rate, while keeping the external and fiscal accounts in check.

Business and Financial Performance Overview

Despite the uncertainties posed by COVID-19 and volatility on international and domestic landscapes, the Company was successful in managing credit, interest rate and operational risks in a proactive manner. During the year ended December 31, 2021, Pak Brunei Investment Company Limited reported Profit Before Tax (PBT) of PKR 703.64 million and Profit After Tax (PAT) of PKR 481.34 million. Earnings' Per Share (EPS) stood at PKR 0.80 against an EPS of PKR 1.20 reported in the last year.

While net markup income increased by 12.83% in comparison with last year, the rapid increase in policy rate has negatively impacted the Company's fixed rate investment portfolio. Being prudent, a major portion of the portfolio had already been divested and capital gains realized before the sharp increase in policy rate thereby containing unrealized losses on a reduced portfolio. Non-markup income decreased substantially and aggregated to PKR 340.27 million against PKR 687.69 million as a result of market dynamics restricting opportunities for opportunistic capital gains. Non-markup expenses increased by 11.35%. Staff Compensation and benefits expense increased by 13.34% which is the largest expense that accounts for more than half of all administrative expenses and reflects the commitment to human resource capital. Non-markup expenses also include a one-off regulatory charge amounting to PKR 10.95 million.

Total assets of the Company, on an unconsolidated basis, were reported at PKR 51.45 billion with 27.81% growth. Out of this, Investment Portfolio remained at 26.25 billion, grew by 50.13% from last year. The investment portfolio consists of Market T-Bills amounting to PKR 9.62 billion (36.67% of total investment portfolio), Pakistan Income Bonds Fixed Rate: PKR 7.29 billion (27.78%), Pakistan Income Bonds Floating Rate: PKR 4.49 billion (17.12%), TFCs & Sukuks PKR 1.96 billion (7.47%) and Investment in Subsidiaries: PKR 2 billion (7.63%). Net Advances portfolio remained at PKR 20.30 billion increased by 6.10% during the year. Return on Assets and Return on Equity were reported at 1.05% and 4.59% respectively, whereas the book value per share was reported at PKR 17.05.

The Company's Capital Adequacy Ratio (CAR) is 29.42% against the requirement of 11.5%. Quality of the capital is evident from Company's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 29.42% against the requirement of 7.5%. Company's capitalization also resulted in a Leverage Ratio of 16.29% which is well above the regulatory limit of 3.0%. The Company reported Liquidity Coverage Ratio (LCR) of 95.76% and Net Stable Funding Ratio (NSFR) of 109.70% against requirement of 100%.

During the year, Pak Brunei has received regulatory and board approvals to form a new subsidiary company to carry out corporate restructuring business. AWWAL Modaraba will be merged to form AWWAL Corporate Restructuring Company Limited with a capital of PKR 1 billion that will focus on revival business under the newly framed Corporate Restructuring Companies Rules, 2019. The Company expects to leverage its past successes and experience in this highly specialized business to meet its development mandate.

Expanding its SME footprint, Pak Brunei was able to achieve its target and continue building its SME portfolio both within the Company as well as through its wholly owned subsidiary, Primus Leasing Company Limited. The Company also aggressively utilized SBP subsidized financing products, i.e., Refinance and Credit Guarantee Scheme for Women Entrepreneurs, Refinance Scheme for Working Capital (SME), Refinancing Facility for Modernization of Small and Medium Enterprises, Export Refinance Scheme.

Entity Rating

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

Corporate Governance

SBP vide BPRD Circular No. 5 dated November 22, 2021 has formulated a comprehensive Corporate Governance Regulatory Framework ("CGRF") for Banks/DFIs, to further strengthen the corporate governance regime and to align the same with international standards/principles. Pak Brunei continues to follow the best practices on corporate governance and the board of directors is committed to adopt and adhere to the best practices of good corporate governance.

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan shall not be applicable on DFIs. There has been no deviation from best practices highlighted in the Statement of Compliance with the best practices of Listed Companies (Code of Corporate Governance) Regulations, 2019.

Corporate and Financial Reporting Framework

The directors are pleased to declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control system is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2021, except as disclosed in annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in note 36 of the financial statements;
- Following is the fair value of investments and bank balances as at 31 December 2021:
  - Provident Fund: PKR 93.50 million, based on un-audited financial statements.
  - Gratuity Fund: PKR 60.69 million, based on un-audited financial statements.
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;

Figures in PKR million unless stated otherwise

	2015	2016	2017	2018	2019	2020	2021
Total Assets	29,115	34,391	29,869	48,793	57,773	40,253	**51,450**
Net Assets	9,684	10,429	10,456	9,961	10,549	10,733	**10,232**
Net Advances	10,237	13,996	18,768	20,330	18,771	19,134	**20,300**
Net Investments	16,850	16,658	7,679	26,117	31,817	17,483	**26,247**
Net Mark-up Income	553	507	553	719	734	768	**866**
Non-Mark-up Income	1,230	1,237	588	222	43	688	**340**
Profit before Tax	1,300	1,333	671	503	458	1033	**704**
Profit after Tax	937	962	470	276	366	718	**481**
Earnings per Share (PKR)	1.56	1.60	0.78	0.46	0.61	1.20	**0.80**
Dividend Pay-out (%)	3.33%	5.00%	5.00%	5.00%	5.00%	5.00%	**5.00%**
Gross Infection Ratio (%)	3.00%	3.17%	5.00%	2.87%	3.10%	5.03%	**4.89%**
NPL Coverage Ratio (%)	50.00%	52.33%	30.33%	52.28%	66.22%	42.99%	**53.69%**

Composition of Board of Directors

The total number of directors are four (4) as following:
Male 3
Female 1

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

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

Meetings of the Board

The Board of Directors of the Company held four meetings during the year ended December 31, 2021. The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani, CFA	4
Mr. Arif Ahmed Khan	4
Mr. Edzwan Zukri Adanan, CFA	4
Ms. Ayesha Aziz, CFA	4

Change in Directors

There has been no change in the Board of Directors during the year.

Board Committees

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

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

Meetings of the Board Committees

Name	Audit Committee		HR&R Committee		CRM Committee	
	Meeting held	Attendance	Meeting held	Attendance	Meeting held	Attendance
Mr. Sofian Mohammad Jani, FCA	4	4	N/A	N/A	N/A	N/A
Mr. Arif Ahmed Khan	4	4	2	2	2	2
Mr. Edzwan Zukri Adanan, FCA	4	4	2	2	2	2
Ms. Ayesha Aziz, FCA	N/A	N/A	2	2	2	2

Directors' Remuneration

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

Board Performance Evaluation

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

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

Internal Control over Financial Reporting (ICFR)

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

Risk Management Framework

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

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

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

Corporate Social Responsibility

Being a responsible corporate entity, Pak Brunei Investment Company Limited is committed to play an integral role in the social development of Pakistan. CSR is an integral part of the Company's overall objectives. During the year, the Company has undertaken following initiatives to support its CSR agenda.

Pak Brunei Investment Company Limited and Institute of Business Administration (IBA), Karachi have signed a Memorandum of Understanding (MOU) to support IBA's Financial Assistance Program for its financially deserving students. Pak Brunei has set up an annual scholarship fund worth PKR 2 million at the IBA, supporting one deserving student for the duration of his/her studies. Furthermore, Pak Brunei and the IBA will also collaborate on the Experiential Learning Projects (ELP) program. PBICL will offer real time projects to the IBA's business management students for their learning and grooming. The MOU is for a period of 4 years.

Pak Brunei Investment Company Limited has arranged a blood donation derive at its head office in October 2021, in collaboration with the Indus Hospital, where the Company's employees and outsourced/contractual staff donated blood to save lives. Free health screening reports comprising of 10 tests were also provided to the donors along with the appreciation certificates by the Indus Hospital after the completion of drive. This initiative was part of the greater focus to provide better health opportunities to masses.

During the year, Pak Brunei Investment Company also acknowledged the work done by Friends of Burns Centre - Patient Welfare Society at Dr Ruth K.M. Pfau Civil Hospital Karachi. On behalf of the management and board of PBICL, a contribution of PKR 1.5 million was made for the treatment of burns victims.

Appointment of Auditors

The Auditors, M/s. A. F. Fergusons & Co., Chartered Accountants have completed their term of five years and are not eligible for reappointment as per the regulations. Therefore, upon recommendation of the Audit Committee, the Board recommends appointment of M/s. EY Ford Rhodes, Chartered Accountants, as the statutory auditor of the Company for the year ending December 31, 2022.

Pattern of Shareholding

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

Earning per Share

Basic and Diluted (loss) /earnings per share have been disclosed in note 31 of the financial statements.

Dividend and Appropriation

Keeping in view the financial results of the Company, the Board of Directors of the Company has declared a final cash dividend @ 5% i.e., Re. 0.50 per share for the shareholders of the Company, in its meeting held on March 28, 2022. This is to be approved by shareholders in upcoming Annual General Meeting of the Company.

Subsequent Event

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements

Looking Ahead

Pakistan's economy needs strong reforms that work in a challenging socio-political environment with substantial development needs. The focus needs to be on medium-term macroeconomic policies and structural reforms to address the rapidly increasing economic imbalances and achieve objectives of entrenching macroeconomic stability; ensuring debt sustainability; and boosting resilient, strong, and sustainable growth. However, risks continue to be tilted to the downside, both on the domestic and external front. The outlook for growth, trade, and remittances remains bit clouded amid the ongoing COVID-19 pandemic, especially at the global level, disruptions in supply chains and distribution channels weakening economic activity and raising prices.

Despite all the global and local challenges and uncertainties, the Company is fully committed to better service levels while maintaining a strong and resilient balance sheet to deliver performance for its shareholders. Strengthening compliance and control standards in line with international best practices remains a key strategic priority and the Company remains fully committed to further improving its processes. The Company shall continue to build on competencies and review its strategies to ensure that they remain relevant and most suited, in line with changing market dynamics.

ACKNOWLEDGEMENT AND APPRECIATION

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

We also acknowledge and appreciate the cooperation and valuable support of our employees, stakeholders, financial institutions and members of the Board of Directors. We at Pak Brunei Investment Company Limited, are proud of our commitment to excellence in quality of our services and providing value added solutions to our stakeholders at all times.

For and on behalf of the Board of Directors

Ayesha Aziz
Managing Director

Sofian Mohammad Jani
Chairman

Date: March 28, 2022
Karachi

ڈائریکٹرز کا معاوضہ:

کمپنی کے پاس ڈائریکٹرز کے معاوضے کے لئے ایک پالیسی ہے۔ یہ پالیسی SBP کے جاری کردہ پروڈینشل ریگولیشنز G-1 اور/ یا BPRD سرکلر نمبر 03، 2019 کے مطابق ہے۔

بورڈ کی کارکردگی کا اندازہ

بورڈ نے سالانہ بنیادوں پر کارکردگی کی جانچ کے لیے ایک رسمی عمل کی منظوری دے دی ہے۔اس سلسلے میں، اندرون خانہ طریقہ اپنایا گیا ہے اور مقداری اسلوب کو نافذ کیا گیا ہے جس میں بورڈ کی تشخیص کے لیے اسکور کیے گئے سوالنامے استعمال کیے جاتے ہیں۔ بورڈ کی کارکردگی کی درجہ بندی کرنے کے لیے SBP کے رہنما خطوط کے مطابق ایک اچھی طرح سے اسکورنگ اسکیل قائم کیا گیا ہے۔مزید برآں، مجموعی طور پر بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی کارکردگی کا جائزہ بھی کم از کم ہر تین سال بعد ایک بیرونی آزاد تشخیص کار کے ذریعے کیا جائے گا۔

بورڈ کی تشخیص کا دائرہ پورے بورڈ، انفرادی ڈائریکٹرز، بورڈ کمیٹیوں، چیئر مین اور منیجنگ ڈائریکٹر کی تشخیص کا احاطہ کرتا ہے۔سالانہ تشخیص کے حتمی نتائج مرتب کیے جاتے ہیں اور بورڈ آف ڈائریکٹرز کو پیش کیے جاتے ہیں جس کے مطابق یہ کسی بھی مسائل، کمزوریوں اور چیلنجوں کا جائزہ لیتا ہے اور اس کی نشاندہی کرتا ہے اور ایک ایکشن پلان پر بحث کرتا ہے کہ ان سے مناسب طریقے سے کیسے نمٹا جا سکتا ہے۔ تشخیصی مشق کی سفارشات ایکشن پلان کی بنیاد ہیں جس پر عمل درآمد کے لیے بورڈ نے اتفاق کیا ہے۔تشخیص کے دوران بہتری کے کسی بھی شعبے کی نشاندہی مناسب کارروائی کے لیے کی جاتی ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR):

بورڈ آف ڈائریکٹرز اس کے ذریعے ICFR اور مجموعی اندرونی کنٹرول سے متعلق انتظامیہ کی تشخیص کی توثیق کرتا ہے۔

انتظامیہ کے خطرے کا فریم ورک:

سال کے دوران، کمپنی نے اپنے انتظامیہ کے خطرے کے فریم ورک کو مزید مضبوط کرنا جاری رکھا جو گزشتہ سالوں میں تیار کیا گیا ہے اور اسے مزید بہتر سے بہتر بنایا جا رہا ہے۔

کریڈٹ رسک کا انتظام بورڈ کی منظور شدہ پالیسیوں کے ذریعے کیا جاتا ہے۔ ان میں کریڈٹ کی منظوری کا ایک اچھی طرح سے طے شدہ طریقہ کار، اندرونی خطرے کی درجہ بندیوں کا استعمال، دستاویزات کی تجویز کردہ ضروریات، تقسیم کے بعد کی انتظامیہ، کریڈٹ کی سہولیات کی نگرانی کے ساتھ ساتھ وقتاً فوقتاً جائزوں کے ذریعے قرض لینے والوں کی کریڈٹ کی اہلیت کا مسلسل جائزہ شامل ہے۔ کریڈٹ رسک مینجمنٹ نے کریڈٹ اسکورنگ ماڈل کی بیک ٹیسٹنگ کے لیے ایک طریقہ کار بھی قائم کیا جسے آگے بڑھ کر بہتر کیا جائے گا۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے کریڈٹ کمیٹی لیتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی کمپنی کے کریڈٹ رسک کے انتظام میں مجموعی رہنمائی فراہم کرتی ہے۔ کمپنی کی حکمت عملی کے ساتھ ساتھ اس کے ذیلی اداروں پر ان کے اثرات کا تعین کرنے کے لیے خطرے کے اہم مسائل کا باقاعدگی سے جائزہ لیا جاتا ہے کیونکہ کریڈٹ رسک مینجمنٹ ایک مشترکہ کام ہے۔

مارکیٹ رسک اور آپریشنل خطرات کا انتظام بورڈ کی طرف سے منظور شدہ متعلقہ پالیسیوں کے ذریعے کیا جاتا ہے۔ اس کے علاوہ، لیکویڈیٹی رسک پالیسی کمپنی کی لیکویڈیٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے، جس کی روزانہ کی بنیاد پر نگرانی کی جاتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی کمپنی کی مارکیٹ اور لیکویڈیٹی کے خطرات، سرمائے کی مناسبیت، اور مربوط رسک مینجمنٹ (جسے انٹر پرائز رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام میں مجموعی رہنمائی فراہم کرتی ہے۔ کمپنی کے انٹر پرائز وسیع مربوط رسک پروفائل کا اندازہ بیسل فریم ورک، داخلی سرمائے کی مناسبیت کی تشخیص کے عمل، اور تناؤ کی جانچ کا استعمال کرتے ہوئے کیا جاتا ہے۔

کارپوریٹ سماجی ذمہ داری:

پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ اور انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (IBA)، کراچی نے اپنے مالی طور پر مستحق طلباء کے لیے IBA کے مالی معاونت کے پروگرام کی مدد کے لیے مفاہمت کی ایک یادداشت (MOU) پر دستخط کیے ہیں۔ پاک برونیہ نے IBA میں PKR 20 لاکھ کا سالانہ اسکالرشپ فنڈ قائم کیا، جو ایک مستحق طالب علم کو اس کی پڑھائی کے دورانیے کے لیے سپورٹ کرتا ہے۔ مزید برآں، پاک برونائی اور آئی بی اے (ELP) پروگرام میں بھی تعاون کریں گے۔ پی بی آئی سی ایل آئی بی اے کے بزنس مینجمنٹ کے طلباء کو ان کے سیکھنے اور تیار کرنے کے لیے حقیقی وقت کے منصوبے پیش کرے گا۔ ایم او یو 4 سال کی مدت کے لیے ہے۔

آڈیٹرز کی تقرری:

آڈیٹرز، میسرز اے۔ ایف فرگوسنز اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ نے اپنی پانچ سال کی مدت پوری کر لی ہے اور ضابطوں کے مطابق دوبارہ تقرری کے اہل نہیں ہیں۔ لہذا آڈٹ کمیٹی کی سفارش پر بورڈ میسرز ای وائی فورڈ روڈز، چارٹرڈ اکاؤنٹینٹ کی 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے قانونی آڈیٹر کے طور پر تقرری کی سفارش کرتا ہے۔

حصص رکھنے کا نمونہ:

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

فی حصص آمدنی:

بنیادی اور کمزور (نقصان)/ فی حصص کی آمدنی مالی بیانات کے نوٹ 31 میں ظاہر کی گئی ہے۔

منافع اور اختصاص:

کمپنی کے مالیاتی نتائج کو مدنظر رکھتے ہوئے، کمپنی کے بورڈ آف ڈائریکٹرز نے 28 مارچ 2022 کو ہونے والی اپنی میٹنگ میں کمپنی کے حصص یافتگان کے لئے 5% فی حصص یعنی 0.50 روپے فی شیئر کا حتمی نقد منافع کا اعلان کیا ہے۔اس کی منظوری کمپنی کی آئندہ سالانہ جنرل میٹنگ میں حصص یافتگان کو دی جائے گی۔

بعد کا واقعہ:

مالیاتی پوزیشن کے بیان کی تاریخ کے بعد کوئی ایسا مادی واقعہ نہیں ہوا ہے جس کے لیے منسلک مالی بیانات میں ایڈجسٹمنٹ کی ضرورت ہو۔

ترقی کی طرف گامزن:

پاکستان کی معیشت کو مضبوط اصلاحات کی ضرورت ہے جو کافی ترقی کی ضروریات کے ساتھ ایک چیلنجنگ سماجی و سیاسی ماحول میں کام کریں۔ تیزی سے بڑھتے ہوئے معاشی عدم توازن کو دور کرنے اور وسیع اقتصادی استحکام کو مضبوط کرنے کے مقاصد کے حصول کے لیے درمیانی مدت کی وسیع اقتصادی پالیسیوں اور ساختی اصلاحات پر توجہ مرکوز کرنے کی ضرورت ہے۔ قرض کی پائیداری کو یقینی بنانا؛ اور لچکدار، مضبوط، اور پائیدار ترقی کو فروغ دینا۔ تاہم، خطرات گھریلو اور بیرونی دونوں محاذوں پر منفی پہلو کی طرف جھکائے ہوئے ہیں۔ جاری COVID-19 وبائی امراض کے درمیان ترقی، تجارت اور ترسیلات زر کا نقطہ نظر تھوڑا سا ابر آلود ہے، خاص طور پر عالمی سطح پر، فراہمی کا سلسلہ اور ڈسٹر بیوشن چینلز میں رکاوٹیں معاشی سرگرمی کو کمزور کرتی ہیں اور قیمتوں میں اضافہ کرتی ہے۔

تمام عالمی اور مقامی چیلنجوں اور غیر یقینی صورتحال کے باوجود، کمپنی اپنے شیئر ہولڈرز کے لیے کارکردگی فراہم کرنے کے لیے ایک مضبوط اور لچکدار بیلنس شیٹ کو برقرار رکھتے ہوئے بہتر سروس کی سطح کے لیے پوری طرح پرعزم ہے۔ بین الاقوامی بہترین طریقوں کے مطابق تعمیل اور کنٹرول کے معیارات کو مضبوط بنانا ایک اہم حکمت عملی ہے اور کمپنی اپنے عمل کو مزید بہتر بنانے کے لیے پوری طرح پرعزم ہے۔ کمپنی اپنی قابلیتوں کی تعمیر جاری رکھے گی اور اپنی حکمت عملیوں کا جائزہ لے گی تاکہ یہ یقینی بنایا جا سکے کہ وہ مارکیٹ کی بدلتی ہوئی حرکیات کے مطابق متعلقہ اور موزوں رہیں۔

اعتراف اور تعریف:

ہم اپنے حصص یافتگان، حکومت پاکستان اور برونائی انویسٹمنٹ ایجنسی کے ان کی مسلسل رہنمائی اور تعاون کے شکرگزار ہیں۔ ہم اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کردار کو سراہتے ہیں جو پاکستان کی مالیاتی منڈیوں کو ریگولیٹ کرنے میں اہم کردار ادا کر رہے ہیں اور ہمیں اپنی منفرد کاروباری حکمت عملی کے لیے موزوں آپریٹنگ ماحول فراہم کرتے ہیں۔

ہم اپنے ملازمین، حصہ دار، مالیاتی اداروں اور بورڈ آف ڈائریکٹرز کے ممبران کے تعاون اور قابل قدر تعاون کو بھی تسلیم کرتے ہیں اور ان کی تعریف کرتے ہیں۔ ہمیں پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ میں، اپنی خدمات کے معیار میں بہترین کارکردگی اور ہر وقت اپنے حصہ داروں کو اہم حالات فراہم کرنے کے عزم پر فخر ہے۔

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

عائشہ عزیز، CFA
منیجنگ ڈائریکٹر

سفیان محمد جانی، CFA
چیئر مین

تاریخ: 28 مارچ 2022
کراچی

بورڈ آف ڈائریکٹرز کی تشکیل:

ڈائریکٹرز کی کل تعداد چار ہیں جو کہ حسب ذیل ہیں:۔

مرد 3

خواتین 1

حکومت پاکستان (GOP) اور حکومت برونائی کے درمیان مشترکہ منصوبہ بندی کے مطابق، کمپنی کا بورڈ آف ڈائریکٹرز چار ڈائریکٹرز پر مشتمل ہے جو دونوں حکومتوں کی جانب سے نامزد کیئے گئے ہیں اس وقت بورڈ کی تشکیل حسب ذیل ہے:۔

کیٹیگری	نام	تفصیل
آزاد ڈائریکٹر	کوئی نہیں	کمپنی نے 2007 کے BPRD سرکلر نمبر 4 کے تحت بورڈ پر ایک آزاد ڈائریکٹر کی تقرری کے سلسلے میں اسٹیٹ بینک آف پاکستان سے نرمی حاصل کی ہے۔
غیر ایگزیکٹیو ڈائریکٹرز	جناب سفیان محمد جانی، CFA چیئرمین	برونائی کی حکومت کی طرف سے نامزد کیا گیا
	جناب عارف احمد خان	پاکستان کی حکومت کی طرف سے نامزد کیا گیا
	جناب ایڈزوان زکری عدنان، CFA	برونائی کی حکومت کی طرف سے نامزد کیا گیا
ایگزیکٹیو ڈائریکٹر	مس عائشہ عزیز، CFA	پاکستان کی حکومت کی طرف سے نامزد کیا گیا

بورڈز کا اجلاس:

کمپنی کے بورڈ آف ڈائریکٹرز نے 31 دسمبر 2021 کو ختم ہونے والے سال کے دوران چار اجلاس کیئے۔ مندرجہ ذیل ڈائریکٹرز نے اجلاس میں شرکت کی:۔

نام	اجلاس میں شرکت
جناب سفیان محمد جانی، CFA	4
جناب عارف احمد خان	4
جناب ایڈزوان زکری عدنان، CFA	4
مس عائشہ عزیز، CFA	4

ڈائریکٹرز میں تبدیلی:

ایک سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

بورڈ کمیٹیاں:

بورڈ نے ذیل میں تین کمیٹیاں تشکیل دی ہیں:۔

۱۔ آڈٹ کمیٹی

۲۔ ہیومن ریسورس اور معاوضہ کمیٹی

۳۔ کریڈٹ رسک مینجمنٹ کمیٹی

بورڈ کمیٹیوں کے اجلاس:

نام	آڈٹ کمیٹی		ہیومن ریسورس اور مشاہرہ کمیٹی		کریڈٹ اینڈ رسک مینجمنٹ کمیٹی	
	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری
جناب سفیان محمد جانی، CFA	4	4	نہیں	نہیں	نہیں	نہیں
جناب عارف احمد خان	4	4	2	2	2	2
جناب ایڈزوان زکری عدنان، CFA	4	4	2	2	2	2
مس عائشہ عزیز، CFA	نہیں	نہیں	2	2	2	2

کارپوریٹ گورننس:

SBP نے BPRD سرکلر نمبر 5 کے ذریعے مورخہ 22 نومبر 2021 کو بینکوں / DFIs کے لیے ایک جامع کارپوریٹ گورننس ریگولیٹری فریم ورک ("CGRF") تیار کیا ہے، تاکہ کارپوریٹ گورننس کے نظام کو مزید مضبوط کیا جاسکے اور اسے بین الاقوامی معیارات/اصولوں کے ساتھ ہم آہنگ کیا جا سکے۔ پاک برونائی کارپوریٹ گورننس کے بہترین طریقوں پر عمل پیرا ہے اور بورڈ آف ڈائریکٹرز اچھی کارپوریٹ گورننس کے بہترین طریقوں کو اپنانے اور ان پر عمل کرنے کے لیے پرعزم ہے۔

SBP نے BPRD سرکلر نمبر 14 مورخہ 20 اکتوبر 2016 کے ذریعے مشورہ دیا ہے کہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس (CCG) کے اطلاق کے حوالے سے پرڈینشل ریگولیشن G-1 کی ضروری شرائط DFIs پر لاگو نہیں ہوگی۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے بہترین طریقوں کے ساتھ تعمیل کے بیان میں نمایاں کردہ بہترین طریقوں سے کوئی انحراف نہیں کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

ڈائریکٹرز یہ اعلان کرتے ہوئے خوش ہیں کہ:

- انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کے معاملات کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کے بیانات کو منصفانہ طور پر پیش کرتے ہیں۔
- کھاتوں کا مناسب حساب کتاب برقرار رکھا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہوتے ہیں۔
- بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS)، جیسا کہ پاکستان میں لاگو ہوتا ہے، مالیاتی بیانات کی تیاری میں پیروی کی گئی ہے اور وہاں سے کسی بھی روانگی کے بارے میں مناسب طور پر انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول سسٹم کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
- ایک جاری تشویش کے طور پر جاری رکھنے کی کمپنی کی صلاحیت کے بارے میں کوئی شک نہیں ہے؛
- ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو 31 دسمبر 2021 تک واجب الادا ہیں، سوائے اس کے کہ منسلک مالی بیانات میں ظاہر کیا گیا ہو۔
- ایگزیکٹوز اور نان ایگزیکٹیو ڈائریکٹرز کے مجموعی معاوضے کی تفصیلات مالی بیانات کے نوٹ 36 میں شامل ہیں۔ 31 دسمبر 2021 تک سرمایہ کاری اور بینک بیلنس کی مناسب قیمت درج ذیل ہے:۔
  - پراویڈنٹ فنڈ: 93.50PKR ملین، غیر آڈٹ شدہ مالیاتی بیانات پر مبنی۔
  - گریجویٹی فنڈ: 60.69PKR ملین، غیر آڈٹ شدہ مالیاتی بیانات پر مبنی۔
- پچھلے چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا خلاصہ شکل ذیل میں دیا گیا ہے:۔

PKR ملین میں اعداد و شمار جب تک کہ دوسری صورت میں بیان نہ کیا جائے

	2015	2016	2017	2018	2019	2020	2021
مجموعی اثاثے	29,115	34,391	29,869	48,793	57,773	40,253	51,450
خالص اثاثے	9,684	10,429	10,456	9,961	10,549	10,733	10,232
نیٹ ایڈوانسز	10,237	13,996	18,768	20,330	18,771	19,134	20,300
خالص سرمایہ کاری	16,850	16,658	7,679	26,117	31,817	17,483	26,247
نیٹ مارک اپ آمدنی	553	507	553	719	734	768	866
غیر مارک اپ آمدنی	1,230	1,237	588	222	43	688	340
منافع قبل از ٹیکس	1,300	1,333	671	503	458	1033	704
ٹیکس کے بعد منافع	937	962	470	276	366	718	481
فی شیئر آمدنی (PKR)	1.56	1.60	0.78	0.46	0.61	1.20	0.80
ڈیویڈنڈ پے آؤٹ (%)	3.33%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
مجموعی انفیکشن کا تناسب (%)	3.00%	3.17%	5.00%	2.87%	3.10%	5.03%	4.89%
NPL کوریج کا تناسب (%)	50.00%	52.33%	30.33%	52.28%	66.22%	42.99%	53.69%

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہمیں 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ ("دی کمپنی") کے آڈٹ شدہ مالیاتی گوشواروں کو پیش کرتے ہوئے خوشی ہو رہی ہے۔یہ مالیاتی بیانات BPRD سرکلر نمبر 02 مورخہ 25 جنوری 2018 اور BPRD سرکلر نمبر 10 مورخہ 27 نومبر 2018 کے تقاضوں کے مطابق تیار کیے گئے ہیں۔

مختصر اقتصادی نقطہ نظر:

مجموعی طور پر 2021 پاکستان کے لیے فائدے اور نقصان دونوں کا سفر رہا۔ سال کے پہلے حصے میں، ہم نے COVID-19 کے پھیلاؤ میں سست روی کے ساتھ ساتھ وبائی امراض کی ابتدائی لہروں کا مقابلہ کرنے کے لیے کیے گئے پالیسی اقدامات کے اثرات کی پشت پر معاشی سرگرمیاں بحال ہوتی دیکھیں۔ تاہم، بعد میں درآمدی نمو، توسیعی مالیاتی اور مالیاتی پالیسیوں، ایک اجناس کے سپر سائیکل، اور افغانستان سے امریکی قیادت میں اتحادی افواج کے انخلاء کے فوری بعد کے اثرات کے نتیجے میں بیرونی پوزیشن میں واضح طور پر بگاڑ پیدا ہوا۔

دسمبر 2021 کے لیے کرنٹ اکاؤنٹ خسارہ 1.93USD بلین ہو گیا، جو کہ 1HFY22 CAD لے کر 9.09 USD بلین ہو گیا، جو پچھلے سال کی اسی مدت کے دوران 1.25USD بلین کے سرپلس تھا۔ یہ بنیادی طور پر اعلی تجارتی خسارے کی وجہ سے ہوا کیونکہ درآمدات میں نمو (54% تک) برآمدات میں نمو (27% تک) کو پیچھے چھوڑ گئی۔ یہ خسارہ جزوی طور پر اجناس کی بین الاقوامی قیمتوں اور اشیائے خوردونوش اور TERF کے تحت مشینری کی اعلیٰ درآمدات سے منسوب ہے۔ زیادہ تجارتی خسارہ جزوی طور پر ترسیلات زر میں اضافے سے پورا ہوا، جو کہ 14.2USD بلین کے مقابلے میں 15.8 بلین امریکی ڈالر (11.3 فیصد زیادہ) ہے۔ اس ساری صورتحال نے پاک روپیہ پر دباؤ ڈالا جس نے سال کے دوران امریکی ڈالر کے مقابلے میں تقریباً 18 فیصد گرا دیا، مئی 2021 میں 152 کی بلند ترین سطح سے دسمبر 2021 میں 178 کی کم ترین سطح پر آ گیا۔

مذکورہ بالا کے باوجود مالی سال 2021 میں جی ڈی پی کی نمو 5.37 فیصد تک مضبوط ہوئی (3.94 فیصد کے عارضی تخمینہ کے خلاف) اور پاکستان مالی سال 2022 میں 4.5%-5% کی متوقع GDP نمو 2.75 فیصد ریکارڈ کرنے کی راہ پر گامزن ہے۔ تاہم، اشیاء کی بین الاقوامی قیمتوں میں اضافے سے افراط زر کے مالی سال 2022 کے لیے اسٹیٹ بینک کے نظر ثانی شدہ ہدف کی حد 9.0%- 11.0% سے زیادہ ہونے کا خطرہ ہے۔

آئی ایم ایف پروگرام کے چھٹے جائزے کی کامیاب تکمیل کے بعد پاکستان کو 1.053 USD بلین موصول ہوئے ہیں، جس سے توسیعی مالیاتی سہولت کے تحت کل ادائیگی تقریباً 3,027USD ملین تک پہنچ گئی ہے۔ EFF کے تحت بقیہ 3 USD بلین مارچ، جون اور ستمبر 2022 میں جائزوں کے بعد 3 قسطوں میں وصول کیے جائیں گے۔ IMF پروگرام کی کامیابی سے دوبارہ شروع ہونے سے ساکھ میں بہتری آئے گی، جس سے عالمی بینک، ایشیائی ترقی جیسی کثیر جہتی ایجنسیوں سے مزید رقوم کی آمد کی راہ ہموار ہوگی۔ بینک، اسلامی ترقیاتی بینک اور بین الاقوامی کیپٹل مارکیٹ۔ یہ رقوم ادائیگی کے توازن کو بہتر بنائے گی، PKR کو مستحکم کرے گی، اور سرمایہ کاروں کے اعتماد میں اضافہ کرے گی۔ مقررہ آمدنی کی پیداوار سے بھی توقع کی جاتی ہے کہ وہ بہتر آؤٹ لک اور غیر ملکی لیکویڈیٹی کے لیے مثبت ردعمل ظاہر کریں گے، اگر بیرونی ماحول میں بڑی حد تک کوئی تبدیلی نہیں ہوتی۔

روشن ڈیجیٹل اکاؤنٹس کے تحت ترسیلات زر 3,382USD ملین تک پہنچ گئیں اور دسمبر 2021 تک کل 322,463 اکاؤنٹس کھولے جا چکے ہیں جو کہ نیا پاکستان سرٹیفکیٹس اسکیم کی کامیابی ہے۔ مالیاتی طرف FBR ٹیکس وصولی 1HFY22 میں 32.5% بڑھ کر 2,920PKR بلین ہوگئی جو گزشتہ سال کی اسی مدت میں 2,204PKR بلین تھی۔ یہ 287 بلین تک 2,633 بلین کے ہدف سے تجاوز کر گیا۔

بڑے پیمانے پر مینوفیکچرنگ (LSM) نے 1HYFY22 میں 3.45% سالانہ اضافہ دیکھا۔ حکومت مالی سال 22 میں LSM کی شرح نمو 6 فیصد کا ہدف رکھتی ہے۔ ربیع کی فصل کے بہتر انداز کے ساتھ، زراعت میں امکانات سازگار ہیں۔ ٹیکسٹائل کی صنعت کے لیے جاری 3.5 USD بلین کے توسیعی منصوبے کے ساتھ، پاکستان کی ٹیکسٹائل برآمدات میں 6 USD بلین تک اضافے کا امکان ہے اور مالی سال 2021-22 کے لیے متوقع 20 USD بلین کے ہدف کو آسانی سے عبور کر لیا جائے گا۔

آگے بڑھتے ہوئے، جبکہ زراعت اور مینوفیکچرنگ کے شعبوں میں ترقی کی وجہ سے اقتصادی بحالی کو سہارا ملنے کی توقع ہے، اجناس کی قیمتیں تشویش کا باعث بنی ہوئی ہیں۔ توجہ اس بات پر رہے گی کہ حکومت کس طرح بیرونی اور مالیاتی کھاتوں پر نظر رکھتے ہوئے مطلوبہ اقتصادی ترقی کی شرح کو حاصل کرنے کے درمیان توازن قائم کرتی ہے۔

کاروبار اور مالیاتی کارکردگی کا جائزہ:

COVID-19 کی وجہ سے پیدا ہونے والی غیر یقینی صورتحال اور بین الاقوامی اور گھریلو مناظر میں اتار چڑھاؤ کے باوجود، کمپنی قرض، شرح سود اور آپریشنل خطرات کو فعال طریقے سے سنبھالنے میں کامیاب رہی۔ 31 دسمبر 2021 کو ختم ہونے والے سال کے دوران، پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ نے 703.64 PKR ملین کا منافع قبل از ٹیکس (PBT) اور 481.34 PKR ملین کا منافع بعد از ٹیکس (PAT) رپورٹ کیا۔ فی حصص آمدنی (EPS) 0.80 PKR رہی جو پچھلے سال میں رپورٹ کی گئی 1.20 PKR کی EPS تھی۔

جبکہ مارک اپ آمدنی میں پچھلے سال کے مقابلے میں 12.83% اضافہ ہوا، پالیسی کی شرح میں تیزی سے اضافے نے کمپنی کے مقررہ شرح سرمایہ کاری کے پورٹ فولیو پر منفی اثر ڈالا ہے۔ ہوشیار ہونے کے ناطے، پورٹ فولیو کا ایک بڑا حصہ پہلے ہی تقسیم کیا جا چکا تھا اور پالیسی ریٹ میں زبردست اضافے سے پہلے ہی کیپٹل گین کا ادراک ہو گیا تھا اس طرح کم پورٹ فولیو پر غیر حقیقی نقصانات ہوتے ہیں۔ غیر مارک اپ آمدنی میں خاطر خواہ کمی واقع ہوئی اور 340.27 PKR ملین کے مقابلے میں مجموعی طور پر 687.69 PKR ملین ہوگئی۔ غیر مارک اپ اخراجات میں 11.35% اضافہ ہوا۔ عملے کے معاوضے اور فوائد کے اخراجات میں 13.34% کا اضافہ ہوا ہے جو کہ سب سے بڑا خرچ ہے جو تمام انتظامی اخراجات کے نصف سے زیادہ کا حصہ ہے اور انسانی وسائل کے سرمائے سے وابستگی کی عکاسی کرتا ہے۔ غیر مارک اپ اخراجات میں 10.95 PKR ملین کی رقم کا ایک طرفہ ریگولیٹری چارج بھی شامل ہے۔

کمپنی کے کل اثاثے، غیر متفقہ بنیاد پر، 27.81 فیصد اضافے کے ساتھ 51.45 PKR بلین رپورٹ ہوئے۔ اس میں سے انوسٹمنٹ پورٹ فولیو 26.25 بلین رہا، جو پچھلے سال کے مقابلے میں 50.13 فیصد بڑھ گیا۔ سرمایہ کاری کا پورٹ فولیو مارکیٹ ٹی بلز (36.67%)، پاکستان انکم بانڈز 44.90% (فکسڈ ریٹ 27.78% اور فلوٹنگ ریٹ کل سرمایہ کاری کا 17.12%)، TFCs اور سکوک (7.47%) اور ذیلی کمپنیوں میں سرمایہ کاری (7.63% Net) پر مشتمل ہے۔ ایڈوانس پورٹ فولیو سال کے دوران 6.10 فیصد اضافے کے ساتھ 20.30 بلین روپے رہا۔ اثاثوں پر واپسی اور ایکویٹی پر واپسی بالترتیب 1.05% اور 4.59% پر رپورٹ ہوئی، جبکہ بک ویلیو فی شیئر 17.05 PKR پر رپورٹ کی گئی۔

کمپنی کے سرمائے کی مناسبیت کا تناسب (CAR) 11.5% کی ضرورت کے مقابلے میں 29.36% ہے۔ سرمائے کا معیار کمپنی کے کامن ایکویٹی ٹائر-1 (CET1) سے مجموعی خطرے کے وزن والے اثاثوں کے تناسب سے واضح ہے جو کہ 7.5% کی ضرورت کے مقابلے میں 29.36% ہے۔ کمپنی کی کیپٹلائزیشن کا نتیجہ بھی 16.04% کا لیوریج ریشو ہے جو کہ 3.0% کی ریگولیٹری حد سے کافی اوپر ہے۔ کمپنی نے 100% کی ضرورت کے مقابلے میں 93.98% کی لیکویڈیٹی کوریج ریشو (LCR) اور 110.86% کا نیٹ سٹیبل فنڈنگ ریشو (NSFR) رپورٹ کیا۔

سال کے دوران، پاک برونائی نے کارپوریٹ تنظیم نو کے کاروبار کو آگے بڑھانے کے لیے ایک نئی ذیلی کمپنی بنانے کے لیے ریگولیٹری اور بورڈ کی منظوری حاصل کی ہے۔ اول مضاربہ کو 1 PKR بلین کے سرمائے کے ساتھ اول کارپوریٹ ری سٹرکچرنگ کمپنی لمیٹڈ بنانے کے لیے ضم کیا جائے گا جو نئے بنائے گئے کارپوریٹ ری سٹرکچرنگ کمپنیز رولز 2019 کے تحت کاروبار کی بحالی پر توجہ مرکوز کرے گی۔ اپنے ترقیاتی مینڈیٹ کو پورا کرنے کے لیے۔ اپنے ایس ایم ای نقش کو بڑھاتے ہوئے، پاک برونائی اپنے ہدف کو حاصل کرنے اور کمپنی کے ساتھ ساتھ اپنی مکمل ملکیتی ذیلی کمپنی پرائمس لیزنگ کمپنی لمیٹڈ کے ذریعے اپنے ایس ایم ای پورٹ فولیو کی تعمیر جاری رکھنے میں کامیاب رہا۔

کمپنی نے SBP کی سبسڈی یافتہ فنانسنگ پروڈکٹس کا بھی جارحانہ طور پر استعمال کیا، یعنی خواتین کاروباریوں کے لیے ری فنانس اور کریڈٹ گارنٹی اسکیم، ورکنگ کیپیٹل (SME) کے لیے ری فنانس اسکیم، چھوٹے اور درمیانے درجے کے کاروباری اداروں کی جدید کاری کے لیے ری فنانسنگ کی سہولت، ایکسپورٹ ری فنانس اسکیم۔

ادارتی درجہ بندی:

VIS کریڈٹ کمپنی لمیٹڈ نے AA+/A-1+ (ڈبل اے پلس/ایون پلس) پر پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ کی موجودہ درجہ بندی کی توثیق کی ہے۔ AA+ کی طویل مدتی درجہ بندی اعلی کریڈٹ کوالٹی کی نشاندہی کرتی ہے، تحفظ کے عوامل مضبوط ہیں۔ خطرہ معمولی ہے لیکن معاشی حالات کی وجہ سے وقتاً فوقتاً تھوڑا سا مختلف ہوسکتا ہے۔

A-1+ کی قلیل مدتی درجہ بندی بروقت ادائیگی کے اعلیٰ ترین یقین کی نشاندہی کرتی ہے۔ قلیل مدتی لیکویڈیٹی، بشمول اندرونی آپریٹنگ عوامل اور/یا فنڈز کے متبادل ذرائع تک رسائی، بقایا ہے اور حفاظت خطرے سے پاک حکومت پاکستان کی قلیل مدتی ذمہ داریوں سے بالکل نیچے ہے تفویض کردہ درجہ بندی پر آؤٹ لک مستحکم ہے۔

15 Years Performance at a Glance

PKR in Million

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet															
Investments	**26,247**	17,483	31,817	26,117	7,679	16,658	16,850	24,247	27,431	7,121	25,741	9,868	8,416	2,688	1,956
Advances	**20,300**	19,134	18,771	20,330	18,768	13,996	10,237	7,386	6,800	5,776	4,647	2,468	1,732	1,063	254
Borrowings	**40,285**	27,763	45,152	36,890	13,976	20,493	14,544	18,090	26,392	2,417	23,360	5,943	5,297	186	1,150
Deposits and other accounts	**50**	830	620	725	4,751	2,913	4,218	5,164	567	2,825	979	844	395	–	–
Total Assets	**51,450**	40,253	57,773	48,793	29,869	34,391	29,115	32,901	35,508	14,046	32,544	14,369	12,131	5,529	4,362
Net Assets	**10,232**	10,733	10,549	9,960	10,456	10,429	9,684	9,139	8,246	8,581	7,928	7,343	6,306	5,281	3,136
Paid up Capital	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	5,000	5,000	3,000
Profit & Loss															
Mark up income	**3,335**	3,681	5,042	2,507	1,462	1,591	1,832	2,503	1,407	2,912	2,395	1,698	971	672	177
Mark up expense	**2,469**	2,913	4,307	1,788	908	1,084	1,279	2,036	969	2,045	1,469	778	207	132	1
Non mark up income	**340**	688	43	222	588	1,237	1,230	907	706	406	284	212	254	86	67
Non mark up expense	**432**	388	332	341	293	314	304	272	219	201	203	165	133	119	58
Gross income	**3,675**	4,369	5,085	2,729	2,050	2,828	3,062	3,410	2,113	3,318	2,679	1,910	1,225	758	245
Profit before provision and tax	**774**	1,067	445	599	849	1,430	1,479	1,102	925	1,072	1,007	963	885	507	187
Provisions	**71**	34	(13)	96	178	97	179	(4)	8	(4)	87	81	218	134	–
Profit before tax	**704**	1,033	458	503	671	1,333	1,300	1,106	917	1,076	920	882	667	373	187
Profit after tax	**481**	718	366	276	470	962	937	905	706	784	604	581	447	222	141
Dividend paid	**300**	300	300	300	300	300	200	200	200	1,000	200	–	–	–	–
Investors information															
Profit before tax ratio	**19.15%**	23.64%	9.01%	18.43%	32.73%	47.14%	42.46%	32.43%	43.40%	32.43%	34.34%	46.18%	54.45%	49.21%	76.33%
Gross spread ratio	**25.97%**	20.86%	14.56%	28.68%	37.82%	31.87%	30.19%	18.70%	31.13%	29.77%	38.62%	54.18%	78.68%	80.36%	99.44%
Return on assets	**1.05%**	1.46%	0.69%	0.70%	1.46%	3.03%	3.02%	2.65%	2.85%	3.37%	2.57%	4.38%	5.06%	4.49%	3.23%
Return on equity	**4.59%**	6.75%	3.57%	2.70%	4.50%	9.57%	9.96%	10.41%	8.39%	9.50%	7.91%	8.51%	7.72%	5.28%	4.50%
Earning asset to total asset ratio	**94.48%**	93.28%	95.64%	95.29%	96.90%	96.21%	94.67%	96.38%	97.06%	94.06%	97.03%	95.27%	97.67%	95.59%	90.33%
EPS (Earning per share) PKR	**0.80**	1.20	0.61	0.46	0.78	1.60	1.56	1.51	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Gross Infection Ratio %	**4.89%**	5.03%	3.10%	2.87%	5.00%	3.17%	3.00%	0.03%	0.04%	0.05%	0.06%	0.27%	16.04%	0.00%	0.00%
Net Infection Ratio	**2.32%**	2.93%	1.07%	1.39%	3.54%	1.54%	1.52%	0.00%	0.00%	0.00%	-0.38%	-0.03%	14.83%	0.00%	0.00%
Capital Adequacy Ratio (CAR)	**29.42%**	26.64%	27.27%	24.50%	30.62%	25.59%	26.44%	33.80%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout	**5.00%**	5.00%	5.00%	5.00%	5.00%	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

* four months of operations

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Independent Auditor's Review Report

To the members of Pak Brunei Investment Company Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pak Brunei Investment Company Limited (the Company) for the year ended December 31, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2021.

Chartered Accountants
Karachi

Dated: April 07, 2022

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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Brunei Investment Company Limited
Year ended December 31, 2021

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

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

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

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

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

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and the Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board meets the criteria of requirement of Directors' Training program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee of the Board

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

b) Human Resource & Remuneration Committee

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

c) Risk and Credit Management Committee

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

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

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

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

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

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

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

18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Sofian Mohammad Jani
Chairman

Date: March 28, 2022

Statement of Internal Controls

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

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

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

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

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

Ahmed Nooruddin Virani
Head – Internal Audit

Humaira Siddique
Chief Financial Officer

Ayesha Aziz
Managing Director

Date: March 28, 2022

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Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion
We have audited the annexed unconsolidated financial statements of Pak Brunei Investment Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: April 07, 2022

Unconsolidated
Statement of Financial Position

As at December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		ASSETS			
695	952	Cash and balances with treasury banks	5	**122,751**	168,090
367	2,391	Balances with other banks	6	**64,694**	422,121
11,331	2,877	Lendings to financial institutions	7	**2,000,000**	507,800
148,695	99,046	Investments	8	**26,246,638**	17,482,949
115,006	108,399	Advances	9	**20,300,141**	19,133,886
309	654	Fixed assets	10	**54,544**	115,471
14	22	Intangible assets	11	**2,524**	3,918
3,110	1,991	Deferred tax assets	12	**549,013**	351,475
9,023	8,425	Other assets	13	**1,592,709**	1,487,107
2,928	3,289	Assets classified as held-for-sale	14	**516,768**	580,596
291,478	228,046			**51,449,782**	40,253,413
		LIABILITIES			
–	–	Bills payable		**–**	–
228,225	157,288	Borrowings	15	**40,284,824**	27,763,412
283	4,702	Deposits and other accounts	16	**50,000**	830,000
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Subordinated debt		**–**	–
–	–	Deferred tax liabilities		**–**	–
5,002	5,254	Other liabilities	17	**882,940**	927,426
233,510	167,244			**41,217,764**	29,520,838
57,968	60,802	**NET ASSETS**		**10,232,018**	10,732,575
		REPRESENTED BY			
33,992	33,992	Share capital	18	**6,000,000**	6,000,000
10,878	9,764	Reserves		**1,920,050**	1,723,782
(6,081)	(2,226)	Deficit on revaluation of assets	19	**(1,073,299)**	(392,920)
19,179	19,272	Unappropriated profit		**3,385,267**	3,401,713
57,968	60,802			**10,232,018**	10,732,575
		CONTINGENCIES AND COMMITMENTS	20		

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

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

Unconsolidated
Profit and Loss Account

For the Year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
18,894	20,852	Mark-up / return / interest earned	21	**3,335,029**	3,680,678
13,987	16,503	Mark-up / return / interest expensed	22	**2,468,877**	2,912,988
4,907	4,349	Net mark-up / interest income		**866,152**	767,690
		Non mark-up / interest income			
408	419	Fee and commission income	23	**72,066**	73,898
792	892	Dividend income		**139,865**	157,535
711	2,539	Gain on securities	24	**125,445**	448,118
16	46	Other income	25	**2,894**	8,143
1,927	3,896	Total non mark-up / interest income		**340,270**	687,694
6,834	8,245	Total income		**1,206,422**	1,455,384
		Non mark-up / interest expenses			
2,316	2,075	Operating expenses	26	**408,855**	366,237
62	–	Other charges	27	**10,947**	–
69	123	Workers' Welfare Fund	28	**12,231**	21,754
2,447	2,198	Total non mark-up / interest expenses		**432,033**	387,991
4,387	6,047	Profit before provisions		**774,389**	1,067,393
401	192	Provisions and write offs - net	29	**70,748**	33,970
–	–	Extraordinary / unusual items		**–**	–
3,986	5,855	**Profit before taxation**		**703,641**	1,033,423
1,259	1,785	Taxation	30	**222,302**	315,050
2,727	4,070	**Profit after taxation**		**481,339**	718,373
USD				(Rupees)	
0.00454	0.00678	**Basic and diluted earning per share**	31	**0.80**	1.20

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

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

Unconsolidated

Statement of Comprehensive Income

For the year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
2,727	4,070	Profit after taxation for the year		**481,339**	718,373
		Other comprehensive income / (loss)			
		Items that may be reclassified to unconsolidated profit and loss account in subsequent periods:			
(5,094)	(2,065)	- Movement in deficit on revaluation of investments	19.1	**(899,177)**	(364,444)
1,240	694	- Deferred tax on revaluation of investments	19.1	**218,798**	122,422
(3,854)	(1,371)			**(680,379)**	(242,022)
		Items that will not be reclassified to unconsolidated profit and loss account in subsequent periods:			
(12)	54	- Remeasurement (loss) / gain on defined benefit plan		**(2,137)**	9,618
4	(16)	- Deferred tax on remeasurement gain on defined benefit plan		**620**	(2,789)
(8)	38			**(1,517)**	6,829
(2,379)	2,059	**Total comprehensive (loss) / income**		**(200,557)**	483,180

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

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

Unconsolidated

Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Capital reserve Statutory reserve*	Revenue reserve General reserve**	Capital reserve (Deficit) / surplus on revaluation of investments	Revenue reserve Unappropriated profit	Total
	(Rupees in '000)					
As at January 1, 2020	6,000,000	1,480,107	–	(150,898)	3,220,186	10,549,395
Total comprehensive income for the year						
Profit after taxation for the year ended December 31, 2020	–	–	–	–	718,373	718,373
Other comprehensive income / (loss)						
- Remeasurement gain on defined benefit plan - net of tax	–	–	–	–	6,829	6,829
- Movement in surplus on revaluation of investments - net of tax	–	–	–	(242,022)	–	(242,022)
	–	–	–	(242,022)	725,202	483,180
Transfer to statutory reserve	–	143,675	–	–	(143,675)	–
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 December 31, 2020	6,000,000	1,623,782	100,000	(392,920)	3,401,713	10,732,575
Total comprehensive income for the year						
Profit after taxation for the year ended December 31, 2021	–	–	–	–	481,339	481,339
Other comprehensive income / (loss)						
- Remeasurement gain on defined benefit plan - net of tax	–	–	–	–	(1,517)	(1,517)
- Movement in deficit on revaluation of investments - net of tax	–	–	–	(680,379)	–	(680,379)
	–	–	–	(680,379)	479,822	(200,557)
Transfer to statutory reserve	–	96,268	–	–	(96,268)	–
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)
Balance as at December 31, 2021	6,000,000	1,720,050	200,000	(1,073,299)	3,385,267	10,232,018

* This reserve is created under the requirement of section of 42(2) of SBP Act, 1956.

** This reserve is created under the requirement of Companies Act, 2017 for future losses and other contingencies.

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

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

Unconsolidated

Cash Flow Statement

For the Year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
3,986	5,855	Profit before taxation		**703,641**	1,033,423
792	892	Less: dividend income		**139,865**	157,535
3,194	4,963			**563,776**	875,888
		Adjustments:			
242	238	Depreciation	26	**42,711**	42,051
8	7	Amortisation	26	**1,410**	1,197
34	66	Interest expense on lease liability against right-of-use assets	22	**5,980**	11,678
69	123	Provision for Workers' Welfare Fund	28	**12,231**	21,754
401	192	Provision and write offs	29	**70,748**	33,970
(13)	14	(Gain) / loss on sale of assets classified as held-for-sale	25	**(2,221)**	2,449
–	(18)	Gain on modification of lease liability	25	**–**	(3,187)
–	(28)	Gain on sale of non-banking-assets	25	**–**	(4,999)
2	–	Loss on modification of lease receivable	25	**317**	–
(2)	(10)	Gain on sale of fixed assets	25	**(285)**	(1,745)
741	584			**130,891**	103,168
3,935	5,547			**694,667**	979,056
		(Increase) / decrease in operating assets			
2,877	22,617	Lendings to financial institutions		**507,800**	3,992,200
(7,307)	(2,916)	Advances		**(1,289,838)**	(514,751)
164	1,031	Others assets (excluding advance taxation, non banking assets and dividend receivable)		**28,934**	181,962
(4,266)	20,732			**(753,104)**	3,659,411
		Increase / (decrease) in operating liabilities			
70,937	(98,511)	Borrowings from financial institutions		**12,521,412**	(17,388,588)
(4,419)	1,190	Deposits		**(780,000)**	210,000
142	(3,149)	Other liabilities (excluding lease liability)		**24,945**	(555,861)
66,660	(100,470)			**11,766,357**	(17,734,449)
(1,910)	(2,598)	Income tax paid		**(337,095)**	(458,598)
64,419	(76,789)	Net cash generated from / (used in) operating activities		**11,370,825**	(13,554,580)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(54,389)	78,657	Net (investments) / divestments in available-for-sale securities		**(9,600,410)**	13,884,174
(40)	462	Net (investments) / divestments in held-to-maturity securities		**(7,116)**	81,716
(15)	–	Net investments in held-for-trading securities		**(2,505)**	–
792	892	Dividends received		**139,865**	157,535
(31)	(74)	Investments in operating fixed assets		**(5,458)**	(12,996)
–	(5)	Investments in operating intangible assets		**(16)**	(840)
2	22	Proceeds from sale of fixed assets		**422**	3,829
–	190	Proceeds from sale of non-banking assets		**–**	33,524
375	30	Proceeds from sale of assets classified as held-for-sale		**66,049**	5,217
(53,305)	80,174	Net cash (used in) / generated from investing activities		**(9,409,169)**	14,152,159
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,700)	(1,700)	Dividend paid		**(300,000)**	(300,000)
(365)	(5)	Rentals paid during the year		**(64,422)**	(848)
(2,065)	(1,705)	Net cash used in financing activities		**(364,422)**	(300,848)
9,049	1,680	**Increase in cash and cash equivalents**		**1,597,234**	296,731
3,344	1,663	Cash and cash equivalents at beginning of the year		**590,211**	293,480
12,393	3,343	**Cash and cash equivalents at end of the year**	32	**2,187,445**	590,211

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

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

Notes to and Forming part of the Unconsolidated Financial Statements

For the Year ended December 31, 2021

1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (2020: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards 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 State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

2.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 40, Investment Property, for banking companies / DFIs till further instructions. Further, the SECP, through S.R.O. 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, for banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 for banks and DFIs to accounting periods beginning on or after January 1, 2022. Investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

2.3.1 There are certain 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 do not have any significant effect on the Company's operations and, therefore, not detailed in these unconsolidated financial statements.

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

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

Standard, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2022*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 3 - 'Business combinations' (amendments)	January 1, 2022

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

* The SBP vide its BPRD Circular Letter no. 24 dated July 05, 2021 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Company which are exposed to credit risk. The impact of application of IFRS 9 in Pakistan on the Company's financial statements is being assessed and the final implementation guidelines are awaited.

2.4.2 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, 2022 but are considered not to be relevant or will not have any significant impact on the Company's operations and are therefore not detailed in these unconsolidated financial statements.

2.5 **Critical accounting estimates and judgments**

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

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

i) classification, valuation and provisioning of investments (notes 4.3 and 8);
ii) classification and provisioning against loans and advances (notes 4.5 and 9 and 29);
iii) provision for defined benefit plan (notes 4.13 and 34);
iv) lease liability and right-of-use assets (notes 4.6.2 and 10);
v) taxation (notes 4.11 and 30); and
vi) assets classified as held-for-sale (notes 9 and 14).

2.6 **Separate financial statements**

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

3 BASIS OF MEASUREMENT

3.1 **Accounting convention**

These unconsolidated financial statements have been prepared under the historical cost convention except for the following:

- Non-current assets classified as held for sale are valued at lower of carrying amount and fair value less cost to sell;
- Certain investments are marked to market and carried at fair value;
- Obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation; and
- Lease liability against right-of-use assets is carried at present value of rentals.

3.2 **US Dollar equivalent**

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs 176.5135 to US Dollars has been used for 2021 and 2020 as it was the prevalent rate on December 31, 2021.

3.3 **Functional and presentation currency**

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 **Cash and cash equivalents**

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

4.2 **Lendings to / borrowings from financial and other institutions**

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

(a) **Sale of securities under repurchase agreements**

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

(b) **Purchase of securities under resale agreements**

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

4.3 Investments (other than in subsidiaries and associates)

4.3.1 Classification

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

4.3.2 Initial measurement

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

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

4.3.3 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

4.4 Investments in subsidiaries and associates

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

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

4.5 Advances

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

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance lease. A receivable is recognised on the commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. Specific and general provisions for net investment in finance lease are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the unconsolidated profit and loss account.

4.5.1 Change in accounting estimate

Uptil last year, management was maintaining general provision as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. During the current year, the management has decided to maintain additional general provision in excess of the requirements specified in the Prudential Regulations based on its internal review of portfolio and has made a provision of Rs 50 million in this respect. This change has been accounted for as change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Estimates and Errors" whereby the effect of the change has been recognised prospectively by including the same in the unconsolidated profit and loss account in the period of the change. Had the Company's accounting estimate not been changed, advances of the Company and profit after taxation for the year would have been higher by Rs. 50 million and Rs. 35.5 million respectively.

4.6 Fixed assets and depreciation

4.6.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the unconsolidated profit and loss account using the straight line method at the rates stated in note 10 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

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

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

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

4.6.2 Lease liability and right-of-use assets

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

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the unconsolidated profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.6.3 Capital work-in-progress

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

4.7 Intangible assets and amortisation

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

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

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

4.8 Impairment

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

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

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

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

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

4.8.2 Impairment of investments in subsidiaries and associates

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

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

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

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

4.9 Assets classified as held-for-sale

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

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

4.10 Assets acquired in satisfaction of claims

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

4.11 Taxation

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

4.11.1 Current

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

4.11.2 Deferred

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

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

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

4.12 Borrowings / deposits

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

4.13 Staff retirement benefits

Defined benefit plan - staff gratuity fund

The Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The Projected Unit Credit Method is used for actuarial valuations. Valuations are conducted by an independent actuary with the last valuation conducted as at December 31, 2021.

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

Defined contribution plan - staff provident fund

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

4.14 Financial instruments

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

Derivative financial instruments

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

Offsetting

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

4.15 Provisions, contingent assets and contingent liabilities

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

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

4.16 Commitments

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

4.17 Revenue recognition

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

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.
- Dividend income is recognised when the Company's right to receive dividend is established.

- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised as services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.
- Rental income is recognised on accrual basis.

4.18 Earnings per share

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

4.19 Foreign currency transactions

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

4.20 Proposed dividends and transfers between reserves

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

4.21 Segment reporting

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

The Chief Executive Officer has been identified as the chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments.

4.21.1 Business segments

Corporate finance

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

Trading and sales

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

Commercial banking

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

4.21.2 Geographical segments

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

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2021	2020
		(Rupees in '000)	
With State Bank of Pakistan in:			
Local currency current account	5.1	**122,751**	168,090

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

6 BALANCES WITH OTHER BANKS

	Note	2021	2020
		(Rupees in '000)	
In Pakistan			
In deposit accounts	6.1	**64,694**	422,121

6.1 These carry mark-up at rates ranging from 2.33% to 8.26% per annum (2020: 4.51% to 5.5% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2021	2020
		(Rupees in '000)	
Repurchase agreement lendings (reverse repo)		**–**	507,800
Term deposit receipts (TDRs)	7.1	**2,000,000**	–
		2,000,000	507,800

7.1 These carry mark-up at rates ranging from 11.75% to 14% (2020: Nil) and and are due to mature latest by January 6, 2022 (2020: Nil).

7.2 Particulars of lending

	Note	2021	2020
		(Rupees in '000)	
In local currency		**2,000,000**	507,800
In foreign currencies		**–**	–
		2,000,000	507,800

7.3 Securities held as collateral against lendings to financial institutions

	2021			2020		
	(Rupees in '000)					
	Held by the company	**Further given as collateral**	**Total**	Held by the company	Further given as collateral	Total
Pakistan Investment Bonds	–	–	–	507,800	(507,800)	–
Total	–	–	–	507,800	(507,800)	–

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
Held-for-trading securities									
Ordinary shares		2,501	–	4	2,505	–	–	–	–
		2,501	–	4	2,505	–	–	–	–
Available-for-sale securities									
Federal government securities	8.3	22,597,778	–	(1,188,220)	21,409,558	12,434,784	–	(553,286)	11,881,498
Ordinary shares		1,110,619	(27,891)	(263,316)	819,412	809,168	(77,837)	(3,252)	728,079
Non-government debt securities		2,227,114	(266,221)	1,040	1,961,933	2,851,129	(269,110)	12,563	2,594,582
Units of mutual funds		–	–	–	–	240,020	–	(7,344)	232,676
Preference shares		–	–	–	–	–	–	–	–
		25,935,511	(294,112)	(1,450,496)	24,190,903	16,335,101	(346,947)	(551,319)	15,436,835
Held-to-maturity securities									
Commercial paper		49,858	–	–	49,858	42,742	–	–	42,742
		49,858	–	–	49,858	42,742	–	–	42,742
Subsidiaries	8.4	2,003,372	–	–	2,003,372	2,003,372	–	–	2,003,372
Total investments		27,991,242	(294,112)	(1,450,492)	26,246,638	18,381,215	(346,947)	(551,319)	17,482,949

8.2 Investments by segments:

(Rupees in '000)

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
Federal government securities									
Market Treasury Bills		9,742,610	–	(117,594)	9,625,016	1,394,174	–	629	1,394,803
Pakistan Investment Bonds		12,855,168	–	(1,070,626)	11,784,542	11,040,610	–	(553,915)	10,486,695
		22,597,778	–	(1,188,220)	21,409,558	12,434,784	–	(553,286)	11,881,498
Ordinary Shares									
Listed companies		1,091,789	(6,560)	(263,312)	821,917	787,837	(56,506)	(3,252)	728,079
Unlisted companies		21,331	(21,331)	–	–	21,331	(21,331)	–	–
		1,113,120	(27,891)	(263,312)	821,917	809,168	(77,837)	(3,252)	728,079
Preference shares		–	–	–	–	–	–	–	–
Non-government debt securities									
Listed		1,101,946	(15,841)	1,040	1,087,145	1,207,550	(16,136)	12,563	1,203,977
Unlisted		1,125,168	(250,380)	–	874,788	1,643,579	(252,974)	–	1,390,605
		2,227,114	(266,221)	1,040	1,961,933	2,851,129	(269,110)	12,563	2,594,582
Units of mutual funds		–	–	–	–	240,020	–	(7,344)	232,676
Commercial paper		49,858	–	–	49,858	42,742	–	–	42,742
Subsidiaries									
Awwal Modaraba Management Limited		105,000	–	–	105,000	105,000	–	–	105,000
Primus Leasing Limited		1,000,000	–	–	1,000,000	1,000,000	–	–	1,000,000
Awwal Modaraba		898,372	–	–	898,372	898,372	–	–	898,372
	8.4	2,003,372	–	–	2,003,372	2,003,372	–	–	2,003,372
Total investments		27,991,242	(294,112)	(1,450,492)	26,246,638	18,381,215	(346,947)	(551,319)	17,482,949

8.2.1 Investments given as collateral

(Rupees in '000)

	2021 Cost / amortised cost	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Surplus / (deficit)	2020 Carrying value
Pakistan Investment Bonds	11,591,587	(895,056)	10,696,531	8,706,074	(39,944)	8,666,130
Market Treasury Bills	8,940,956	(107,852)	8,833,104	1,193,232	932	1,194,164
Term finance certificates / sukuks certificates	759,788	–	759,788	739,824	–	739,824
Ordinary shares	161,026	(42,402)	118,624	–	–	–
	21,453,357	(1,045,310)	20,408,047	10,639,130	(39,012)	10,600,118

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield of 7.66% to 7.67% (2020: 6.99% to 9.53%) per annum and will mature within 6 months (2020: 8 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% to 13.00% (2020: 7.71% to 13.00%) per annum on a semi-annual basis and will mature within 18 years (2020: 19 years). Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 Summary of financial information of subsidiaries

(Rupees in '000)

2021	Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	Cost
Investment in subsidiaries								
Awwal Modaraba Management Limited	100.00	Pakistan	170,761	100,680	12,034	(31,942)	(14,991)	105,000
Awwal Modaraba*	89.78	Pakistan	1,196,402	28,872	92,794	41,028	48,032	898,372
Primus Leasing Limited	100.00	Pakistan	1,739,343	706,063	150,541	69,457	69,457	1,000,000
								2,003,372

(Rupees in '000)

2020	Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	Cost
Investment in subsidiaries								
Awwal Modaraba Management Limited	100.00	Pakistan	124,711	79,650	20,078	(19,462)	(35,976)	105,000
Awwal Modaraba*	89.78	Pakistan	1,243,691	44,193	176,325	102,646	103,741	898,372
Primus Leasing Limited	100.00	Pakistan	1,366,096	342,274	125,955	66,562	66,562	1,000,000
								2,003,372

* The details for Awwal Modaraba have been provided based on its audited financial statements for the year ended June 30, 2021.

8.5 Provision for diminution in value of investments

	2021	2020
	(Rupees in '000)	
8.5.1 Opening balance	**346,947**	342,385
Charge / reversals		
Charge for the year	**1,998**	94,842
Reversals for the year	**(54,833)**	(90,280)
	(52,835)	4,562
Closing balance	**294,112**	346,947

8.5.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2021 Non-performing investments	2021 Provision	2020 Non-performing investments	2020 Provision
Domestic				
Loss	**266,221**	**266,221**	269,110	269,110

8.6 Quality of available-for-sale securities

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

(Rupees in '000)

	2021	2020
	Cost	
Federal government securities - Government guaranteed		
Market Treasury Bills	**9,742,610**	1,394,174
Pakistan Investment Bonds	**12,855,168**	11,040,610
	22,597,778	12,434,784
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	**135,295**	57,389
Power generation and distribution	**435,440**	341,580
Cement	**281,242**	78,778
Chemicals	**–**	49,506
Engineering	**51,484**	–
Food and personal care products	**42,623**	86,121
Textile composite	**72,863**	167,963
Technology and communication	**37,097**	–
Refinery	**35,745**	–
Investment banks / investment companies / securities companies	**–**	6,500
	1,091,789	787,837

(Rupees in '000)

	2021		2020	
	Cost	Breakup value	Cost	Breakup value
Unlisted companies				
Pakistan Mercantile Exchange Limited*	**21,331**	**2,789**	21,331	2,789

* This investment has been fully provided.

(Rupees in '000)

	2021	2020
	Cost	
Non-government debt securities		
Listed		
- AAA	**486,105**	291,102
- AA+, AA, AA-	**500,000**	800,000
- A+, A, A-	**100,000**	100,000
- CCC and below	**15,841**	16,448
	1,101,946	1,207,550
Unlisted		
- AA+, AA, AA-	**834,860**	1,350,701
- A+, A, A-	**39,928**	39,944
- CCC and below	**137,684**	140,238
- Unrated	**112,696**	112,696
	1,125,168	1,643,579
Units of mutual funds - listed		
Unrated	**–**	240,020
Equity securities		
Listed		
Oil and gas marketing / exploration companies		
Oil and Gas Development Company Limited	**57,293**	–
Sui Northern Gas Pipelines Limited	**53,323**	46,102
Sui Southern Gas Company Limited	**24,679**	11,287
Power generation and distribution		
The Hub Power Company Limited	**38,780**	–
K-Electric Limited	**24,562**	24,562
Kot Addu Power Company Limited	**136,936**	85,767
Nishat Power Limited	**235,162**	231,251
Cement		
D.G. Khan Cement Company Limited	**39,412**	–
Lucky Cement Limited	**101,094**	35,001
Maple Leaf Cement Factory Limited	**83,684**	43,777
Power Cement Limited	**57,052**	–
Chemicals		
Agritech Limited	**–**	49,506
Engineering		
International Industries Limited	**51,484**	–
Food and personal care products		
Treet Corporation Limited	**42,623**	–
Bunny's Limited	**–**	86,121
Textile composite		
Nishat (Chunian) Limited	**–**	51,660
Towellers Limited	**–**	61,506
Nishat Mills Limited	**72,863**	54,797

(Rupees in '000)

	2021	2020
	Cost	
Technology and communication		
NetSol Technologies Limited	**37,097**	–
Refinery		
Cnergyico PK Limited (formerly: Byco Petroleum Pakistan Limited)	**35,745**	–
Investment banks / investment companies / securities companies		
Trust Investment Bank Limited	**–**	6,500
	1,091,789	787,837
Unlisted		
Pakistan Mercantile Exchange Limited	**21,331**	21,331

8.7 Particulars relating to held to maturity securities are as follows:

	2021	2020
Non-government debt securities		
Unlisted and unrated		
Commercial paper	**49,858**	42,742

8.7.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 49.857 million (2020: Rs. 42.612 million).

9 ADVANCES

(Rupees in '000)

	Note	Performing 2021	Performing 2020	Non-performing 2021	Non-performing 2020	Total 2021	Total 2020
Loans, cash credits, running finances, etc.	9.1	**19,828,288**	18,573,440	**1,018,878**	983,888	**20,847,166**	19,557,328
Advances - gross		**19,828,288**	18,573,440	**1,018,878**	983,888	**20,847,166**	19,557,328
Provision against advances	9.4						
- Specific		**–**	–	**497,025**	423,442	**497,025**	423,442
- General		**50,000**	–	**–**	–	**50,000**	–
		50,000	–	**497,025**	423,442	**547,025**	423,442
Advances - net of provision		**19,778,288**	18,573,440	**521,853**	560,446	**20,300,141**	19,133,886

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

(Rupees in '000)

	2021 Not later than one year	2021 Later than one year and less than five years	2021 Over five years	2021 Total	2020 Not later than one year	2020 Later than one year and less than five years	2020 Over five years	2020 Total
Lease rentals receivable	**309,228**	**498,194**	**–**	**807,422**	345,429	232,094	–	577,523
Residual value	**153,006**	**139,613**	**–**	**292,619**	173,234	80,219	–	253,453
Minimum lease payments	**462,234**	**637,807**	**–**	**1,100,041**	518,663	312,313	–	830,976
Financial charges for future periods	**(67,309)**	**(51,061)**	**–**	**(118,370)**	(38,124)	(23,237)	–	(166,039)
Present value of minimum lease payments	**394,925**	**586,746**	**–**	**981,671**	480,539	289,076	–	769,615

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 25% (2020: 10% to 33.33%) of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 9.68% to 16.47% per annum (2020: 10.67% to 22.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are pledged in favour of the Company.

9.2 Particulars of advances (gross)

	2021	2020
	(Rupees in '000)	
In local currency	**20,847,166**	19,557,328
In foreign currencies	**–**	–
	20,847,166	19,557,328

9.3 Advances include Rs. 1,018.878 million (2020: Rs. 983.888 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2021 Non Performing Loans	2021 Provision	2020 Non Performing Loans	2020 Provision
Domestic					
Other Assets Especially Mentioned	9.3.1	**1,500**	**150**	285	28
Substandard		**47,356**	**11,839**	415,489	888
Doubtful		**2,141**	**1,070**	11,832	5,916
Loss		**967,881**	**483,966**	556,282	416,610
Total		**1,018,878**	**497,025**	983,888	423,442

9.3.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 1.5 million (2020: Rs. 0.285 million).

9.4 Particulars of provision against advances

(Rupees in '000)

	2021			2020		
	Specific	General	Total	Specific	General	Total
Opening balance	423,442	–	423,442	394,034	–	394,034
Charge for the year	84,982	50,000	134,982	54,768	–	54,768
Reversals	(11,399)	–	(11,399)	(25,360)	–	(25,360)
	73,583	50,000	123,583	29,408	–	29,408
Amounts written off	–	–	–	–	–	–
Closing balance	497,025	50,000	547,025	423,442	–	423,442

9.4.1 Particulars of provision against advances

(Rupees in '000)

	2021			2020		
	Specific	General	Total	Specific	General	Total
In local currency	497,025	50,000	547,025	423,442	–	423,442
In foreign currencies	–	–	–	–	–	–
	497,025	50,000	547,025	423,442	–	423,442

9.4.2 The Company has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 01 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 483.916 million (2020: Rs. 242.656 million). The FSV benefit availed - net of tax amounting to Rs. 343.580 million (2020: 172.286 million) is not available for the distribution as either cash or stock dividend to the shareholders.

9.5 Details of loans written-off of Rs.500,000 and above

During the years ended December 31, 2021 and 2020, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2021	2020
		(Rupees in '000)	
Property and equipment	10.1	19,084	24,491
Right-of-use assets	10.1	35,460	90,980
		54,544	115,471

10.1 Property and equipment

(Rupees in '000)

	Note	2021						
		Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2021								
Cost		150,597	46,924	17,333	37,792	36,756	409	289,811
Accumulated depreciation		(59,617)	(44,817)	(15,899)	(29,983)	(23,615)	(409)	(174,340)
Net book value		90,980	2,107	1,434	7,809	13,141	–	115,471
Year ended December 31, 2021								
Opening net book value		90,980	2,107	1,434	7,809	13,141	–	115,471
Additions		–	–	–	5,458	–	–	5,458
Lease modification		(23,537)	–	–	–	–	–	(23,537)
Disposals								
Cost		–	–	(490)	(3,050)	(224)	–	(3,764)
Accumulated depreciation		–	–	490	2,935	202	–	3,627
	10.1.1	–	–	–	(115)	(22)	–	(137)
Depreciation charge		(31,983)	(828)	(649)	(4,817)	(4,434)	–	(42,711)
Closing net book value	10.1.2	35,460	1,279	785	8,335	8,685	–	54,544
At December 31, 2021								
Cost		127,060	46,924	16,843	40,200	36,532	409	267,968
Accumulated depreciation		(91,600)	(45,645)	(16,058)	(31,865)	(27,847)	(409)	(213,424)
Net book value	10.1.2	35,460	1,279	785	8,335	8,685	–	54,544
Rate of depreciation (percentage)		33.33% - 50%	20%	20%	20% - 33.33%	25%	50%	–

(Rupees in '000)

	Note	2020						
		Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2020								
Cost		134,310	46,604	17,725	35,590	36,474	409	271,112
Accumulated depreciation		(28,141)	(43,979)	(15,558)	(27,936)	(19,067)	(409)	(135,090)
Net book value		106,169	2,625	2,167	7,654	17,407	–	136,022
Year ended December 31, 2020								
Opening net book value		106,169	2,625	2,167	7,654	17,407	–	136,022
Additions		18,364	320	–	4,618	282	–	23,584
Disposals								
Cost		(2,077)	–	(6)	(1)	–	–	(2,084)
Accumulated depreciation		–	–	–	–	–	–	–
	10.1.1	(2,077)	–	(6)	(1)	–	–	(2,084)
Depreciation charge		(31,476)	(838)	(727)	(4,462)	(4,548)	–	(42,051)
Closing net book value	10.1.2	90,980	2,107	1,434	7,809	13,141	–	115,471
At December 31, 2020								
Cost		150,597	46,924	17,333	37,792	36,756	409	289,811
Accumulated depreciation		(59,617)	(44,817)	(15,899)	(29,983)	(23,615)	(409)	(174,340)
Net book value	10.1.2	90,980	2,107	1,434	7,809	13,141	–	115,471
Rate of depreciation (percentage)		33.33%-36.36%	20%	20%	20%-33.33%	25%	50%	–

10.1.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
Electrical, office and computer equipment					
Laptop	86	–	50	Sale	Abdul Hafeez (Ex-employee)
Laptop	140	66	95	Sale	Ahmed Ateeq (Ex-employee)
2021	**226**	**66**	**145**		
2020	–	–	–		

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

	Note	2021	2020
		(Rupees in '000)	
Leasehold improvements		**43,044**	42,500
Furniture and fixtures		**13,539**	13,607
Electrical, office and computer equipment		**20,368**	19,186
Vehicles		**4,429**	4,654
		81,380	79,947

11 INTANGIBLE ASSETS

	Note	2021	2020
Intangible assets	11.1	**170**	1,580
Capital work-in-progress	11.2	**2,354**	2,338
		2,524	3,918

11.1 Intangible assets

	Note	2020 Computer software	2020 Total
		(Rupees in '000)	
At January 1, 2021			
Cost		**19,050**	**19,050**
Accumulated amortisation		**(17,470)**	**(17,470)**
Net book value		**1,580**	**1,580**
Year ended December 31, 2021			
Opening net book value		**1,580**	**1,580**
Additions		**–**	**–**
Amortisation charge		**(1,410)**	**(1,410)**
Closing net book value		**170**	**170**
At December 31, 2021			
Cost	11.1.1	**19,050**	**19,050**
Accumulated amortisation		**(18,880)**	**(18,880)**
Net book value		**170**	**170**
Rate of amortisation (percentage)		**33.33%**	
Useful life (in years)		**3**	

	Note	2020 Computer software	2020 Total
		(Rupees in '000)	
At January 1, 2020			
Cost		19,050	19,050
Accumulated amortisation		(16,273)	(16,273)
Net book value		2,777	2,777
Year ended December 2020			
Opening net book value		2,777	2,777
Additions		–	–
Amortisation charge		(1,197)	(1,197)
Closing net book value		1,580	1,580
At December 31, 2020			
Cost	11.1.1	19,050	19,050
Accumulated amortisation		(17,470)	(17,470)
Net book value		1,580	1,580
Rate of amortisation (percentage)		33.33%	
Useful life (in years)		3	

11.1.1 The cost of fully amortised intangible assets still in use amounts to Rs. 18.423 million (2020: Rs. 16.449 million).

11.2 Capital work-in-progress

	2021	2020
	(Rupees in '000)	
Advance against software	**2,354**	2,338

12 DEFERRED TAX ASSETS

(Rupees in '000)

	2021			
	At January 1, 2021	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 2021
Deductible temporary differences on				
- Provision for diminution in the value of investments	91,157	(8,494)	–	82,663
- Provision against advances, other assets, etc.	122,798	35,839	–	158,637
- Deficit on revaluation of investments	158,399	–	218,798	377,197
- Accelerated tax depreciation	4,552	995	–	5,547
- Lease liability against right-of-use assets	21,945	(21,142)	–	803
- Carry forward of alternate corporate tax	–	49,910	–	49,910
- Provision for bonus	11,600	5,176	–	16,776
	410,451	62,284	218,798	691,533
Taxable temporary differences on:				
- Net investment in finance lease	(20,189)	(4,847)	–	(25,036)
- Post retirement employee benefits	(2,541)	–	620	(1,921)
- Right-of-use assets	(26,384)	16,101	–	(10,283)
- Amortisation of discount on investments	(9,862)	(95,418)	–	(105,280)
	(58,976)	(84,164)	620	(142,520)
	351,475	(21,880)	219,418	549,013

	2020			
	At January 1, 2020	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 2020
	(Rupees in '000)			
Deductible temporary differences on				
- Post retirement employee benefits	249	–	(249)	–
- Provision for diminution in the value of investments	90,473	684	–	91,157
- Provision against advances, other assets, etc.	114,270	8,528	–	122,798
- Deficit on revaluation of investments	35,977	–	122,422	158,399
- Accelerated tax depreciation	3,560	992	–	4,552
- Lease liability against right-of-use assets	36,315	(14,370)	–	21,945
- Carry forward of alternate corporate tax	49,910	(49,910)	–	–
- Capital loss on investments	5,746	(5,746)	–	–
- Provision for bonus	7,250	4,350	–	11,600
	343,750	(55,472)	122,173	410,451
Taxable temporary differences on:				
- Net investment in finance lease	(24,401)	4,212	–	(20,189)
- Post retirement employee benefits	–	–	(2,541)	(2,541)
- Right-of-use assets	(30,789)	4,405	–	(26,384)
- Amortisation of discount on investments	(79,448)	69,586	–	(9,862)
	(134,638)	78,203	(2,541)	(58,976)
	209,112	22,731	119,632	351,475

13 OTHER ASSETS

	Note	2021	2020
		(Rupees in '000)	
Income / mark-up accrued in local currency		**604,269**	593,580
Advances, deposits, advance rent and other prepayments		**19,888**	8,494
Advance taxation (payments less provisions)		**790,357**	653,684
Advance against subscription of term finance certificates		**70,500**	150,000
Receivable against sale of shares		**56,317**	65,406
Receivable from related parties	13.1	**2,462**	3,613
Non-banking asset acquired in satisfaction of claims	13.2	**–**	–
Lease receivable under IFRS-16	13.1.1	**1,096**	2,092
Advance against investment in right shares -related party	13.3	**40,000**	–
Receivable from defined benefit plan - related party	34	**7,820**	10,238
		1,592,709	1,487,107
Less: Provision held against other assets		**–**	–
		1,592,709	1,487,107

13.1 Receivable from related parties

	2021	2020
Receivable from Awwal Modaraba (subsidiary)	**837**	–
Receivable from other Modarabas managed by Awwal Modaraba Management Limited (related parties)	**810**	1,024
Receivable from Primus Leasing Company Limited (subsidiary)	**695**	2,589
Receivable from Awwal Corporate Restructuring Company Limited (subsidiary)	**120**	–
	2,462	3,613

13.1.1 This represents lease receivable against sublease under IFRS-16 amounting to Rs. 1.096 million (2020: Rs. 2.092 million) from Primus Leasing Limited.

13.1.2 Maximum amount outstanding at the end of any month during the year against sublease to Awwal Modaraba Management Limited and Primus Leasing Limited was Rs. 2.596 and Rs. 2.092 million respectively (2020: Rs. 2.596 and Rs. 2.092 million).

13.1.3 Particulars of lease receivable under finance lease

(Rupees in '000)

	2021				2020			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	**704**	**488**	**–**	**1,192**	852	1,497	–	2,349
Minimum lease payments	**704**	**488**	**–**	**1,192**	852	1,497	–	2,349
Financial charges for future periods	**(79)**	**(17)**	**–**	**(96)**	(148)	(109)	–	(257)
Present value of minimum lease payments	**625**	**471**	**–**	**1,096**	704	1,388	–	2,092

13.2 Non-banking asset acquired in satisfaction of claims

	Note	2021	2020
		(Rupees in '000)	
Opening balance		**–**	106,215
Additions during the year		**–**	–
Transfer to non-current assets classified as held-for-sale	14	**–**	(77,690)
Disposals during the year	13.2.1	**–**	(28,525)
Closing balance		**–**	–

13.2.1 Gain on disposal of assets acquired in satisfaction of claims during the year

	2021	2020
Disposal proceed	**–**	33,524
Less: cost	**–**	(28,525)
	–	4,999

13.3 During the year, the Company has paid an advance against right issue to the Awwal Modaraba Management Limited (Subsidiary Company) amounting to Rs 40 million against which shares have not been issued as at December 31, 2021.

14 ASSETS CLASSIFIED AS HELD-FOR-SALE

	Note	2021	2020
		(Rupees in '000)	
Land, building and machinery acquired from:			
Sufi Steel Industries (Private) Limited		**387,745**	387,745
Lion Steel Industries (Private) Limited		**129,023**	86,111
Orbit Developers (Private) Limited		**–**	29,050
Atlas Cables (Private) Limited		**–**	77,690
Total assets classified as held-for-sale	14.1	**516,768**	580,596

14.1 These represent land, building and machinery which have been classified as 'non-current assets as held for sale' as at December 31, 2021. The Company acquired these assets by settling total outstanding principal and mark-up of Rs 454 million and Rs 62 million respectively. It is expected that the process of sale of these assets will be completed in the near future.

14.2 Movement of assets classified as held for sale:

	Note	2021	2020
		(Rupees in '000)	
Opening		**580,596**	387,745
Additions		**42,912**	122,827
Transfers	13.2	**–**	77,690
Disposals	14.3	**(106,740)**	(7,666)
Closing		**516,768**	580,596

14.3 Gain on disposal of assets classified as held-for-sale

	2021	2020
Disposal proceed	**108,961**	5,217
Less: cost	**106,740**	7,666
	2,221	(2,449)

15 BORROWINGS

	Note	2021	2020
Secured			
Borrowings from State Bank of Pakistan under:			
- Long-Term Finance Facility (LTFF) scheme	15.2	**5,130,003**	5,249,794
- Power Plants Using Renewable Energy (PPRE) scheme	15.3	**65,567**	104,562
- Temporary Economic Refinance Facility (TERF)	15.4	**742,405**	156,759
- Finance for Storage of Agriculture Produce (FSAP) scheme	15.5	**148,887**	213,492
- Credit Guarantee (CGS) Scheme	15.6	**53,119**	20,999
- Special Persons (SP) Scheme	15.7	**3,850**	2,425
- COVID - 19 Scheme	15.8	**8,000**	–
- Balancing, Modernization & Replacement (BMR) scheme	15.9	**97,991**	20,602
		6,249,822	5,768,633
Repurchase agreement borrowings	15.10	**19,495,978**	7,391,858
Borrowings from banks	15.11	**10,262,441**	12,162,316
Total secured		**36,008,241**	25,322,807
Unsecured			
Letters of placement:			
- Primus Leasing Limited (subsidiary)		**–**	132,982
- Awwal Modaraba (subsidiary)		**39,000**	200,000
- Staff retirement funds (related party)		**66,654**	72,722
- other related parties		**124,500**	–
- Others		**4,046,429**	2,034,901
	15.12	**40,284,824**	27,763,412

15.1 Particulars of borrowings with respect to currencies

	2021	2020
	(Rupees in '000)	
In local currency	**40,284,824**	27,763,412
In foreign currencies	**–**	–
	40,284,824	27,763,412

15.2 The Company has entered into agreements for financing with the SBP for Long-Term Financing under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2% to 6% per annum (2020: 2.00% to 6.00% per annum). These are secured against demand promissory notes and are repayable within 9 years (2020: 10 years).

15.3 These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at rates ranging from 2.00% to 5.00% per annum (2020: 2.00% to 3.00% per annum) and are due to mature latest by June 30, 2026. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

15.4 These represent borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1% to 2% per annum (2020: 1% per annum) payable on quarterly basis, with maturities upto December, 2031 (2020: September, 2030). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

15.5 These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rates ranging from 3% to 4% per annum (2020: 3% to 4% per annum) and are due to mature latest by January 31, 2025.

15.6 These represent borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2020: 0% per annum) payable on quarterly basis, with maturities upto November, 2026 (2020: November, 2025). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

15.7 These represent financing facilities to special persons to meet credit needs for setting up of new business enterprises or for expansion of existing ones and claim refinance from State Bank of Pakistan up to 100% of finance extended by them. The spread is capped at 5% per annum (2020: 5% per annum) by SBP whereas SBP's refinance rate for this facility is 0% per annum (2020: 0% per annum) . In case of default of the counterparty, upto 60% of principal is covered by SBP. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

15.8 In accordance with the refinance facility for combating COVID-19, the Company has entered into agreements for financing with the SBP for extending medical equipment finances to the customers. The average profit rate on this facility is 0% (2020: Nil) with maturities upto October 2025. As per the agreements, the Company has granted the SBP the right to recover the outstanding amounts from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP.

15.9 These represent borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% to 2% per annum (2020: 1% per annum) payable on quarterly basis, with maturities upto December, 2026 (2020: July, 2025). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

15.10 These represent borrowings from various financial institutions at mark-up rates ranging from 10.01% to 10.75% per annum (2020: 7.00% to 7.03% per annum). Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 11,400 million (2020: Nil) and Rs. 9,200 million (2020: Rs. 1,200 million) have been given as collateral against these borrowings respectively.

15.11 These borrowings carry mark-up at rates ranging from 7.79% to 11.65% per annum (2020: 7.45% to 7.80% per annum) and are repayable within 3 years (2020: 3 years). These are secured against hypothecation of receivables and floating charge over term finance certificates having a face value of Rs. 760 million (2020: 740 million).

15.12 Particulars of borrowings

	2021		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Awwal Modaraba (subsidiary)	7.10	7.10	1 month
- Staff retirement funds	9.00	14.00	1 year
- Other related parties	7.10	7.10	1 month
- Others	8.25	9.60	3 months

	2020		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Primus Leasing Limited (subsidiary)	7.00	7.00	1 month
- Awwal Modaraba (subsidiary)	6.50	6.50	7 months
- Staff retirement funds	7.10	14.00	2 years
- Others	6.50	7.50	3 months

16 DEPOSITS AND OTHER ACCOUNTS

		2021			2020		
		(Rupees in '000)					
	Note	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers							
- Certificate of investments (COIs)	16.1	50,000	–	50,000	830,000	–	830,000
Financial institutions							
- Certificate of investments (COIs)	16.1	–	–	–	–	–	–
		50,000	–	50,000	830,000	–	830,000

16.1 Composition of deposits

	Note	2021	2020
		(Rupees in '000)	
- Public sector entities		–	500,000
- Private sector		50,000	330,000
		50,000	830,000

17 OTHER LIABILITIES

	Note	2021	2020
Mark-up / return / interest payable in local currency		200,945	164,436
Unearned commission and income on bills discounted		26,283	30,085
Accrued expenses		81,173	61,150
Brokerage / commission payable		1,266	1,401
Payable against purchase of shares		89,311	100,456
Payable to related party	17.1	28	10,706
Lease liability against right-of-use assets		29,457	111,119
Security deposits against advances		292,617	253,450
Provision for Worker's Welfare Fund		134,893	122,662
Advance from customers		13,293	63,596
Others		13,674	8,365
		882,940	927,426

17.1 Payable to related party

	2021	2020
Payable to Awwal Modaraba (subsidiary)	–	10,706
Payable to Primus Leasing Limited (subsidiary)	28	–
	28	10,706

17.1.1 The maximum aggregate amount due to Awwal Modarada and Primus Leasing Limited at the end of any month during the year was Rs. 10.706 million (2020: 10.706 million) and 0.28 million (2020: 0.28 million) respectively.

18 SHARE CAPITAL

18.1 Authorised capital

2021	2020			2021	2020
(Number of shares)				(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each		6,000,000	6,000,000

18.2 Issued, subscribed and paid-up capital

		Ordinary shares			
600,000,000	600,000,000	Fully paid in cash	18.2.1	6,000,000	6,000,000

18.2.1 As at December 31, 2021, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2020: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2020: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2021	2020
		(Rupees in '000)	
Deficit on revaluation of			
- available-for-sale securities	8.1	**(1,450,496)**	(551,319)
Deferred tax on deficit on revaluation of:			
- available-for-sale securities		**377,197**	158,399
		(1,073,299)	(392,920)

19.1 Movement in revaluation of assets

	2021	2020
Deficit on revaluation as at January 01	**(551,319)**	(186,875)
Revaluation (deficit) / surplus recognised during the year	**(899,177)**	(364,444)
Deficit on revaluation as at December 31	**(1,450,496)**	(551,319)
Less: related deferred tax asset on		
- Revaluation as at January 01	**158,399**	35,977
- Revaluation recognised during the year	**218,798**	122,422
	377,197	158,399
Deficit on revaluation of assets - net of tax	**(1,073,299)**	(392,920)

20 CONTINGENCIES AND COMMITMENTS

	Note	2021	2020
- Guarantees	20.1	**1,098,728**	980,103
- Commitments	20.2	**20,686,758**	11,244,892
- Other contingent liabilities	20.3	**–**	–
		21,785,486	12,224,995

20.1 Guarantees

	2021	2020
Financial guarantees	**1,098,728**	980,103

20.2 Commitments

	Note	2021	2020
Documentary credits and short-term trade-related transactions			
- letters of credit		**374,020**	323,157
Commitments in respect of:			
- repo transactions	20.2.1	**19,574,994**	7,908,009
- forward lendings	20.2.2	**694,630**	2,263,726
- forward shares	20.2.3	**43,114**	–
Other commitments		**–**	750,000
		20,686,758	11,244,892

20.2.1 Commitments in respect of repo transactions

	2021	2020
	(Rupees in '000)	
Repurchase of government securities	**19,574,994**	7,399,831
Reverse repurchase of government securities	**–**	508,178
	19,574,994	7,908,009

20.2.2 Commitments in respect of forward lendings

	2021	2020
Undrawn formal standby facilities, credit lines and other commitments to lend	**694,630**	2,263,726

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 Commitments in respect of forward shares transactions

	2021	2020
	(Rupees in '000)	
Sale	**43,114**	–

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 2021 had been filed with the tax authorities. From tax year 2008 upto tax year 2020, these returns have been revised and additional tax demands have been raised of which Rs. 782.07 million are outstanding as at December 31, 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 (note 13). The management is confident that the matters will eventually be decided in favour of the Company and that the Company will be able to adjust amounts in respect of matters decided against the Company (if any) against the tax refunds currently being claimed by it.

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

21 MARK-UP / RETURN / INTEREST EARNED

	Note	2021	2020
		(Rupees in '000)	
On:			
a) Loans and advances		**1,163,127**	1,410,722
b) Investments		**2,132,078**	2,120,949
c) Lendings to financial institutions		**35,591**	139,685
d) Sub-lease of premises		**147**	395
e) Balances with banks		**4,086**	8,927
		3,335,029	3,680,678

22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**16,860**	57,539
Interest expense on lease liability against right-of-use assets		**5,980**	11,678
Borrowings		**2,446,037**	2,843,771
		2,468,877	2,912,988

23 FEE AND COMMISSION INCOME

Processing fee income		**6,311**	–
Participation fee		**2,250**	3,844
Commitment fee		**8,336**	11,479
Trustee fee		**55,169**	58,575
		72,066	73,898

24 GAIN ON SECURITIES

Realised	24.1	**124,415**	448,118
Unrealised - held for trading - net		**1,030**	–
		125,445	448,118

24.1 Realised gain / (loss) on:

Federal government securities		**58,817**	548,345
Shares		**49,156**	(104,298)
Non-government debt securities		**353**	(280)
Commercial paper		**6**	44
Units of mutual funds		**16,083**	4,307
		124,415	448,118

25 OTHER INCOME

	Note	2021	2020
		(Rupees in '000)	
Rent on property		**705**	150
Gain on sale of non-banking assets held for satisfaction of claims	13.2.1	**–**	4,999
Gain / (loss) on sale of assets classified as held-for-sale		**2,221**	(2,449)
Gain / (loss) on modification of lease liability against right-of-use assets		**–**	3,187
Loss on modification of lease receivable		**(317)**	–
Gain on sale of fixed assets - net		**285**	1,745
Others		**–**	511
		2,894	8,143

26 OPERATING EXPENSES

Total compensation expenses	26.1	**254,666**	224,684
Property expense			
Rent and taxes		**121**	242
Insurance		**6,101**	5,004
Utilities cost		**5,298**	4,364
Security (including guards)		**1,696**	1,569
Repairs and maintenance (including janitorial charges)		**6,107**	6,327
Depreciation	10.1	**32,811**	32,314
		52,134	49,820
Information technology expenses			
Software maintenance		**2,826**	5,439
Hardware maintenance		**713**	819
Depreciation	10.1	**3,597**	3,145
Amortisation	11.1	**1,410**	1,197
		8,546	10,600
Other operating expenses			
Directors' fees and allowances		**4,800**	4,800
Fees and subscription		**2,247**	1,798
Legal and professional charges		**24,185**	12,894
Travelling and conveyance		**28,893**	24,446
Brokerage commission		**13,078**	14,344
Depreciation	10.1	**6,303**	6,592
Training and development		**1,548**	513
Postage and courier charges		**517**	516
Communication		**2,943**	2,888
Stationery and printing		**1,709**	1,237
Marketing, advertisement and publicity		**167**	403
Donations	26.3	**3,500**	5,000
Auditors' remuneration	26.4	**2,038**	3,268
Others		**1,581**	2,434
		93,509	81,133
		408,855	366,237

26.1 Managerial Remuneration

	2021	2020
	(Rupees in '000)	
Fixed	**123,068**	125,213
Contractual Staff		
Contractual staff: In-house	**22,454**	16,181
Salaried outsourced staff	**6,392**	5,985
	28,846	22,166
Other benefits		
Cash bonus / awards	**82,777**	51,572
Charge for defined benefit plan	**6,004**	7,426
Contribution to defined contribution plan	**8,156**	8,541
Medical	**7,182**	6,296
Fuel reimbursement	**13,999**	10,639
Leave fare assistance	**9,042**	9,448
Leave encashment	**–**	925
Others	**2,437**	2,068
	129,597	96,915
Re-imbursement of salaries - subsidiaries	**(26,845)**	(19,610)
Total compensation expense	**254,666**	224,684

26.2 The Company does not have any material outsourcing arrangements.

26.3 Details of donations

	2021	2020
Donations individually exceeding Rs 500,000		
Prime Minister's COVID - 19 Pandemic relief fund - 2020	**–**	5,000
Institute of Business Administration	**2,000**	–
Friends of Burn Centre Patients Welfare Society	**1,500**	–
Donations individually not exceeding Rs 500,000	**–**	–
	3,500	5,000

26.4 Auditors' remuneration

	2021	2020
Audit fee for annual financial statements	**1,058**	897
Half yearly review fee	**363**	330
Special certifications and sundry advisory services	**375**	1,821
Out-of-pocket expenses	**242**	220
	2,038	3,268

27 OTHER CHARGES

	Note	2021	2020
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan	27.1	**10,947**	–

27.1 This penalty was imposed by State Bank of Pakistan (SBP) for violation of provisions of Prudential Regulations, Banking ordinance, 1962 and directives issued by SBP.

28 WORKERS' WELFARE FUND

	Note	2021	2020
		(Rupees in '000)	
Provision for Workers' Welfare Fund	28.1	**12,231**	21,754

28.1 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 134.893 million which includes a provision of Rs 12.231 million for the current year.

29 PROVISIONS AND WRITE OFFS - NET

	Note	2021	2020
		(Rupees in '000)	
(Reversal of provision) / provision against investments	8.5.1	**(52,835)**	4,562
Provisions against loans and advances	9.4	**123,583**	29,408
		70,748	33,970

30 TAXATION

	Note	2021	2020
Current		**149,459**	306,028
Prior years		**50,963**	31,753
Deferred	12	**21,880**	(22,731)
		222,302	315,050

30.1 Relationship between tax expense and accounting profit

	2021	2020
	(Rupees in '000)	
Accounting profit before tax	**703,641**	1,033,423
Tax rate	**29%**	29%
Tax on accounting profit	**204,056**	299,693
Tax effect of:		
Income chargeable to tax at special rate	**19,347**	(15,662)
Permanent differences	**3,175**	(734)
Prior year charge	**–**	31,753
Others	**(4,276)**	–
	222,302	315,050

31 BASIC EARNINGS PER SHARE

	2021	2020
	(Rupees in '000)	
Profit for the year	**481,339**	718,373
	Number of shares	
Weighted average number of ordinary shares	**600,000**	600,000
	Rupees	
Basic earnings per share	**0.81**	1.20

31.1 Diluted earnings per share

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

32 CASH AND CASH EQUIVALENTS

	Note	2021	2020
		(Rupees in '000)	
Cash and balance with treasury banks	5	**122,751**	168,090
Balance with other banks	6	**64,694**	422,121
Term deposit receipts (TDRs)	7	**2,000,000**	–
		2,187,445	590,211

33 STAFF STRENGTH

		2021	2020
		(Number)	
Permanent		**60**	58
On Company's contract		**16**	15
Outsourced	33.1	**20**	18
Company's own staff strength at the end of the year		**96**	91

33.1 This includes 7 (2020:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

34 DEFINED BENEFIT PLAN

34.1 General description

As mentioned in note 4.13, the Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

34.2 Number of employees under the defined benefit plan

	2021	2020
	Number	
The number of employees covered under the defined benefit plan as at December 31	**73**	71

34.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
	Per annum	
Discount rate	**11.75%**	9.75%
Expected rate of salary increase	**11.75%**	9.75%

34.4 Reconciliation of receivable from defined benefit plan

	Note	2021	2020
		(Rupees in '000)	
Present value of obligation	34.6	**57,120**	63,313
Fair value of plan assets	34.7	**(64,940)**	(73,551)
Receivable		**(7,820)**	(10,238)

34.5 Movement in defined benefit plan

	Note	2021	2020
At the beginning of the year		**(10,238)**	(717)
Current service cost	34.8.1	**6,004**	7,426
Actual contributions by the Company		**(2,975)**	(2,975)
Benefits paid by the Company		**(2,748)**	(4,354)
Re-measurement loss / (gain)	34.8.2	**2,137**	(9,618)
At the end of the year		**(7,820)**	(10,238)

34.6 Movement in payable under defined benefit plan

	Note	2021	2020
Opening balance		**63,313**	61,582
Current service cost	34.8.1	**7,451**	7,727
Interest cost on defined benefit obligation		**4,986**	6,630
Re-measurement loss / (gain) recognised in OCI during the year	34.8.2	**2,226**	(8,272)
Benefits paid by the Company to outgoing members		**(20,856)**	(4,354)
Closing balance		**57,120**	63,313

34.7 Movement in fair value of plan assets

	Note	2021	2020
		(Rupees in '000)	
Fair value at the beginning of the year		**73,551**	62,299
Interest income on plan assets		**6,433**	6,931
Contribution by the Company - net		**2,975**	2,975
Actual benefits paid from the fund during the year		**(18,108)**	–
Re-measurement gain / (loss)	34.8.2	**89**	1,346
Fair value at the end of the year		**64,940**	73,551

34.8 Charge for defined benefit plan

34.8.1 Cost recognised in unconsolidated profit and loss account

	2021	2020
Current service cost	**7,451**	7,727
Net interest income on plan	**(1,447)**	(301)
	6,004	7,426

34.8.2 Re-measurements recognised in OCI during the year

	2021	2020
Loss / (gain) on obligation		
- financial assumptions	**153**	(138)
- experience adjustments	**2,073**	(8,134)
	2,226	(8,272)
Return on plan assets over interest income	**(89)**	(1,346)
Total re-measurements recognised in OCI	**2,137**	(9,618)

34.9 Components of plan assets

	2021	2020
Cash and cash equivalents - net	**19,352**	2,978
Government securities	**45,588**	70,573
	64,940	73,551

34.9.1 Description of risks

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

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

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

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

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

34.10 Sensitivity analysis

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

	2021	2020
	(Rupees in '000)	
1% increase in discount rate	**4,864**	(5,868)
1% decrease in discount rate	**(3,446)**	4,618
1 % increase in expected rate of salary increase	**3,484**	4,662
1 % decrease in expected rate of salary increase	**(4,970)**	(5,998)

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

	(Rupees in '000)
34.11 Expected contributions to be paid to the fund in the next financial year	5,081

34.12 The expected charge for the next financial year commencing January 1, 2022 works out to Rs 5.081 million (2020: 6.214 million).

34.13 Maturity profile

The weighted average duration of the obligation is 8.4 years (2020: 10 years).

34.14 Funding policy

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

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

35 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2020: 10% per annum) of basic salaries are made both by the Company and employees. Contributions made to the provident fund during the year are as follows:

	2021	2020
	(Rupees in '000)	
Contribution made by the Company	**8,156**	8,541
Contribution made by employees	**8,156**	8,541
	16,312	17,082

36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

(Rupees in '000)

Items	2021					
	Directors					
	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	1,600	–	3,200	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	23,976	66,225	89,015
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	16,798	26,197	33,863
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	–	–	–
Contribution to defined contribution plan	–	–	–	1,654	2,812	4,186
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	2,267	1,655	4,209
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	3,761	4,345	7,782
- TDA	–	–	–	32	75	108
- Fuel	–	–	–	475	3,791	4,662
- Leave encashment	–	–	–	–	–	–
- Mobile reimbursement	–	–	–	43	335	364
- others	–	–	–	728	349	1,372
Total	1,600	–	3,200	49,734	105,784	145,561
Number of persons	1	–	2	1	20	21

(Rupees in '000)

Items	2020					
	Directors					
	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	2,000	–	3,600	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	22,200	67,208	105,885
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	5,550	16,138	24,593
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,333	2,891	4,900
Contribution to defined contribution plan	–	–	–	1,531	3,431	5,779
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	–
Medical	–	–	–	916	1,730	3,333
Conveyance	–	–	–	–	–	–
Others						
- LFA	–	–	–	–	3,427	3,882
- TDA	–	–	–	102	55	157
- Fuel	–	–	–	202	3,383	4,734
- Leave encashment	–	–	–	925	–	925
- Mobile reimbursement	–	–	–	333	432	801
- others	–	–	–	68	386	763
Total	2,000	–	3,600	33,160	99,081	155,752
Number of persons	1	–	3	1	13	21

The term "Key Management Personnel" means any executive or key executive reporting directly to the CEO / President.

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

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

(Rupees in '000)

Sr. No.	Name of Director	2021				
		Meeting Fees and Allowances Paid				
		For Board Meetings	For Board Committees: Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	1,600	–	–	–	1,600
2	Mr. Arif Ahmed Khan	1,600	–	–	–	1,600
3	Mr. Edzwan Zukri Adanan	1,600	–	–	–	1,600
	Total Amount Paid	4,800	–	–	–	4,800

(Rupees in '000)

Sr. No.	Name of Director	2020				
		Meeting Fees and Allowances Paid				
		For Board Meetings	For Board Committees: Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	2,000	–	–	–	2,000
2	Mr. Arif Ahmed Khan	2,000	–	–	–	2,000
3	Mr. Edzwan Zukri Adanan	1,600	–	–	–	1,600
	Total Amount Paid	5,600	–	–	–	5,600

37 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.

37.1 Fair value of financial assets

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

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

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

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

Valuation techniques and inputs used in determination of fair values

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

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

(Rupees in '000)

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	21,409,558	–	21,409,558
Ordinary shares	821,917	–	–	821,917
Non-Government debt securities	–	1,961,933	–	1,961,933
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	19,574,994	–	19,574,994

(Rupees in '000)

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	11,881,498	–	11,881,498
Ordinary shares	728,079	–	–	728,079
Non-Government debt securities	–	2,594,582	–	2,594,582
Units of mutual funds	–	232,676	–	232,676
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	7,908,009	–	7,908,009

38 SEGMENT INFORMATION

38.1 Segment details with respect to business activities

(Rupees in '000)

	2021			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit & Loss Account				
Net Mark-up / return / profit	–	598,416	267,736	866,152
Non mark-up / return / interest income	72,065	268,205	–	340,270
Total income	72,065	866,621	267,736	1,206,422
Total expenses	26,091	311,417	94,525	432,033
Provisions	–	(44,561)	115,309	70,748
Profit before tax	45,974	599,765	57,902	703,641
Unconsolidated Statement of Financial Position				
Cash and bank balances	11,197	134,649	41,599	187,445
Investments	–	26,246,638	–	26,246,638
Lendings to financial institutions	–	2,000,000	–	2,000,000
Advances - performing	–	900,770	18,877,518	19,778,288
Advances - non-performing	–	17,397	504,456	521,853
Others	3,409	2,071,200	640,949	2,715,558
Total assets	14,606	31,370,654	20,064,522	51,449,782
Borrowings	–	24,177,900	16,106,924	40,284,824
Deposits & other accounts	–	30,009	19,991	50,000
Others	–	673,398	209,542	882,940
Total liabilities	–	24,881,307	16,336,457	41,217,764
Equity	14,606	6,489,347	3,728,065	10,232,018
Total equity and liabilities	14,606	31,370,654	20,064,522	51,449,782
Contingencies and commitments	–	20,312,738	1,472,748	21,785,486

(Rupees in '000)

	2020			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit and Loss Account				
Net mark-up / return / profit	–	585,876	181,814	767,690
Non mark-up / return / interest income	73,898	613,796	–	687,694
Total income	73,898	1,199,672	181,814	1,455,384
Total expenses	19,700	319,821	48,470	387,991
Provisions	–	10,823	23,147	33,970
Profit before tax	54,198	869,028	110,197	1,033,423
Unconsolidated Statement of Financial Position				
Cash and bank balances	29,968	486,510	73,733	590,211
Investments	–	17,482,949	–	17,482,949
Lendings to financial institutions	–	507,800	–	507,800
Advances - performing	–	516,832	18,056,608	18,573,440
Advances - non-performing	–	34,218	526,228	560,446
Others	5,161	2,222,437	310,969	2,538,567
Total assets	35,129	21,250,746	18,967,538	40,253,413
Borrowings	–	24,109,537	3,653,875	27,763,412
Subordinated debt	–	–	–	–
Deposits and other accounts	–	720,766	109,234	830,000
Others	–	802,811	124,615	927,426
Total liabilities	–	25,633,114	3,887,724	29,520,838
Equity	35,129	(4,382,368)	15,079,814	10,732,575
Total equity and liabilities	35,129	21,250,746	18,967,538	40,253,413
Contingencies and commitments	–	63,300	12,161,695	12,224,995

38.2 Segment details with respect to geographical location

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

39 TRUST ACTIVITIES

The Company is acting as Debt Securities Trustee and Investment Agent to Issues of Commercial Paper, Term Finance Certificates (TFCs) and Sukuk ("Debt Securities") and is holding Secured Properties on behalf of Investors in a fiduciary capacity. The Company is authorised to provide said services under the Securities of Debt Securities, Regulation 2020 ("Structuring Regulations") of the Securities & Exchange Commission of Pakistan (SECP).

Presently, the Company is acting as a Trustee and Investment Agent to fifty-one (51) debt securities issued by Agha Steel Industries Limited, Agritech Limited, Airlink Communication Limited. Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, Dubai Islami Bank Pakistan Limited, Engro Polymer & Chemicals Limited, Habib Bank Limited, HUB Power Holding Company Limited, HUBCO Power Company Limited, International Brands Limited, Jahangir Siddiqui & Company Limited, Javedan Corporation Limited, JS Bank Limited, JS Global Capital Limited, K-Electric Limited, Khushali Microfinance Bank Limited, Neelum Jhelum Hydro Power Company (Private) Limited, Next Capital Limited, Pak Elektron Limited, Pakistan Services Limited, Secure Logistics Group, Silk Bank Limited, Sindh Nooriabad Power Company Ph. (II) Pvt. Limited, Sindh Nooriabad Power Company (Pvt.) Limited, Soneri Bank Limited, Summit Bank Limited, Telecard Limited, The Bank of Punjab, U Microfinance Bank Limited, and WAPDA Dasu Hydro Power Project. The combined value of debt securities as at December 31, 2021 amounted to Rs. 386,557 million (2020: Rs. 428,294 million).

40 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited), First Pak Modaraba, First Prudential Modaraba, KASB Modaraba, KSB Pumps Company Limited, Trade Development Authority of Pakistan, Engro Polymer and Chemicals Limited employees' defined benefit and defined contribution plan, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are made in accordance with the actuarial valuations / terms of scheme. Remuneration to executives is disclosed in note 36 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

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

(Rupees in '000)

	2021				2020			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
Lendings								
Opening balance	–	–	–	–	–	–	–	–
Addition during the year	–	–	–	109,511	–	–	–	–
Repaid during the year	–	–	–	(109,511)	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–	–	–	–
Closing balance	–	–	–	–	–	–	–	–
Investments								
Opening balance	–	–	2,003,372	–	–	–	2,003,372	–
Investment made during the year	–	–	–	39,277	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	(39,277)	–	–	–	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–	–	–
Transfer in / (out)	–	–	–	–	–	–	–	–
Classified as held-for-sale	–	–	–	–	–	–	–	–
Closing balance	–	–	2,003,372	–	–	–	2,003,372	–
Advances								
Opening balance	–	94,365	40,792	–	–	81,077	17,320	–
Addition during the year	–	20,781	358,332	300,000	–	4,345	30,776	–
Repaid during the year	–	(66,568)	(27,901)	(150,000)	–	(18,300)	(7,304)	–
Transfer in / (out) - net	–	40,631	–	–	–	27,243	–	–
Closing balance	–	89,209	371,223	150,000	–	94,365	40,792	–
Other assets								
Interest / mark-up accrued	–	–	4,080	52	–	–	–	–
Lease receivable under IFRS-16	–	–	1,096	–	–	–	2,092	–
Receivable from defined benefit plan	–	–	–	7,820	–	–	–	10,238
Preliminary expense	–	–	120	–	–	–	–	–
Advance against investments in right shares	–	–	40,000	–	–	–	–	–
Others	–	–	1,532	7,581	–	–	2,589	–
	–	–	46,828	15,453	–	–	4,681	10,238
Borrowings								
Opening balance	–	–	332,982	72,723	–	–	460,000	66,014
Borrowings during the year	–	–	535,341	1,240,360	–	–	1,430,428	68,893
Settled during the year	–	–	(829,323)	(1,121,928)	–	–	(1,557,446)	(62,185)
Transfer in / (out) - net	–	–	–	–	–	–	–	–
Closing balance	–	–	39,000	191,155	–	–	332,982	72,722
Deposits and other accounts								
Opening balance	–	–	–	–	–	–	–	–
Received during the year	–	–	–	–	–	–	–	–
Withdrawn during the year	–	–	–	–	–	–	–	–
Closing balance	–	–	–	–	–	–	–	–
Other Liabilities								
Interest / mark-up payable	–	–	197	2,214	–	–	6,035	1,209
Other liabilities	–	–	28	–	–	–	10,706	–
	–	–	225	2,214	–	–	16,741	1,209
Income								
Mark-up / return / interest earned	–	5,748	11,046	15,616	–	3,739	3,203	–
Dividend income	–	–	88,728	–	–	–	126,824	–
Expense								
Mark-up / return / interest paid	–	–	10,733	15,815	–	–	39,636	9,387
Operating expenses	3,200	99,578	912	–	5,600	132,241	–	–
Reimbursement of expenses	–	6,204	–	–	–	4,257	52,571	–
Expenses charged (note 40.1)	–	–	20,709	8,722	–	–	26,480	–

40.1 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).

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	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	**8,435,693**	8,046,697
Eligible Additional Tier 1 (ADT 1) Capital	**–**	–
Total Eligible Tier 1 Capital	**8,435,693**	8,046,697
Eligible Tier 2 Capital	**–**	–
Total Eligible Capital (Tier 1 + Tier 2)	**8,435,693**	8,046,697
Risk Weighted Assets (RWAs):		
Credit Risk	**21,681,140**	22,526,883
Market Risk	**5,023,295**	5,795,062
Operational Risk	**1,972,722**	1,883,002
Total	**28,677,157**	30,204,947
Common Equity Tier 1 Capital Adequacy ratio	**29.42%**	26.64%
Tier 1 Capital Adequacy Ratio	**29.42%**	26.64%
Total Capital Adequacy Ratio	**29.42%**	26.64%

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

The paid-up capital and CAR of the Company stands at Rs. 6 billion and 29.42% of its risk weighted exposure as at December 31, 2021.

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

	2021	2020
Notional minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**11.50%**	11.50%

	2021	2020
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**8,435,693**	8,046,697
Total Exposures	**51,770,833**	42,044,518
Leverage Ratio	**16.29%**	19.14%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**11,216,690**	9,207,538
Total Net Cash Outflow	**11,713,912**	7,900,138
Liquidity Coverage Ratio	**95.76%**	116.55%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**21,834,760**	21,586,084
Total Required Stable Funding	**19,904,685**	19,210,958
Net Stable Funding Ratio	**109.70%**	112.36%

41.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2020/03/BaselIII2020Disclosure-Standalone.pdf

42 RISK MANAGEMENT

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

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

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company.

Liquidity risk The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

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

Reputational risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

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

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

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

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

The Company manages 3 principal sources of credit risk:

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

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

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

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

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

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

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

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

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

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

42.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**2,000,000**	507,800	**–**	–	**–**	–
	2,000,000	507,800	**–**	–	**–**	–

42.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**58,320**	–	**58,320**	58,320	**58,320**	58,320
Textile	**42,920**	–	**42,920**	45,514	**42,920**	45,514
Electronics and electrical appliances	**155,358**	–	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	–	**43,641**	43,641	**43,641**	43,641
Transport, Storage and Communication	**15,840**	42,764	**15,840**	16,135	**15,840**	16,135
Financial institution	**1,960,893**	2,851,107	**–**	–	**–**	–
	2,276,972	2,893,871	**266,221**	269,110	**266,221**	269,110
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**2,276,972**	2,893,871	**266,221**	269,110	**266,221**	269,110
	2,276,972	2,893,871	**266,221**	269,110	**266,221**	269,110

42.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by industry sector						
Agriculture, Forestry, Hunting And Fishing	**156,685**	243,528	**–**	–	**–**	–
Textile	**4,288,560**	4,321,873	**21,485**	23,981	**16,664**	21,970
Chemical and Pharmaceuticals	**3,087,373**	3,016,706	**–**	–	**–**	–
Cement	**1,000,000**	1,200,000	**–**	–	**–**	–
Sugar	**715,652**	854,943	**21,998**	21,998	**4,821**	–
Automobile and transportation equipment	**284,348**	3,002	**1,143**	3,832	**1,143**	2,498
Electronics and electrical appliances	**1,447,892**	1,548,940	**411,937**	411,937	**13,804**	–
Construction	**864,606**	464,975	**–**	–	**–**	–
Power (Electricity), Gas, Water, Sanitary	**3,269,083**	2,788,327	**138,073**	138,073	**92,278**	47,384
Transport, Storage And Communication	**108,172**	271,041	**71,421**	65,457	**59,700**	61,439
Financial	**521,223**	163,219	**–**	–	**–**	–
Services	**94,970**	56,639	**6,083**	–	**3,811**	–
Individuals	**159,426**	178,098	**–**	–	**–**	–
Packaging	**1,073,848**	899,342	**591**	591	**591**	148
Engineering	**13,536**	17,006	**10,791**	–	**2,698**	–
Food and beverages	**1,830,724**	1,727,561	**312,227**	307,859	**290,736**	280,873
Steel and engineering	**1,370,422**	488,193	**6,270**	6,270	**6,270**	6,270
Information Technology	**35,000**	297,778	**–**	–	**–**	–
Hotels	**25,021**	950,000	**–**	–	**–**	–
Others	**500,625**	66,157	**16,859**	3,890	**54,509**	2,860
	20,847,166	19,557,328	**1,018,878**	983,888	**547,025**	423,442
Credit risk by public / private sector						
Public / Government	**20,656**	11,622	**–**	–	**–**	–
Private	**20,826,510**	19,545,706	**1,018,878**	983,888	**547,025**	423,442
	20,847,166	19,557,328	**1,018,878**	983,888	**547,025**	423,442

42.1.4 Contingencies and Commitments

	2021	2020
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	**–**	5,000
Textile	**449,120**	101,127
Chemical and Pharmaceuticals	**47,524**	589,099
Construction	**98,728**	480,103
Power (Electricity), Gas, Water, Sanitary	**1,304,000**	1,623,157
Transport, Storage And Communication	**–**	–
Financial	**19,675,492**	8,658,009
Services	**18,000**	–
Packaging	**107,466**	260,000
Food and beverages	**9,745**	508,500
Steel and engineering	**29,797**	–
Leather & footwear	**2,500**	–
Others	**43,114**	–
	21,785,486	12,224,995
Credit risk by public / private sector		
Public / Government	**18,614,537**	4,237,001
Private	**3,170,949**	7,987,993
	21,785,486	12,224,994

42.1.5 Concentration of advances

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

	2021	2020
	(Rupees in '000)	
Funded	**7,598,140**	6,745,912
Non Funded	**1,318,276**	1,520,908
Total Exposure	**8,916,416**	8,266,820

The sanctioned limits against these top 10 exposures aggregated to Rs. 9,670 million (2020: Rs. 9,684 million).

42.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

	2021					
		Utilisation				
	Disbursements	**Punjab**	**Sindh**	**Balochistan**	**Islamabad**	**KPK**
Province / Region						
Punjab	**4,339,308**	**4,339,308**	**–**	**–**	**–**	**–**
Sindh	**8,274,684**	**–**	**8,274,684**	**–**	**–**	**–**
Balochistan	**1,800,000**	**–**	**–**	**1,800,000**	**–**	**–**
Islamabad	**–**	**–**	**–**	**–**	**–**	**–**
KPK	**10,000**	**–**	**–**	**–**	**–**	**10,000**
Total	**14,423,992**	**4,339,308**	**8,274,684**	**1,800,000**	**–**	**10,000**

(Rupees in '000)

	2020					
		Utilisation				
	Disbursements	Punjab	Sindh	Balochistan	Islamabad	KPK
Province / Region						
Punjab	2,404,348	2,404,348	–	–	–	–
Sindh	2,790,794	–	2,790,794	–	–	–
Balochistan	301,000	–	–	301,000	–	–
Islamabad	–	–	–	–	–	–
Total	5,496,142	2,404,348	2,790,794	301,000	–	–

42.2 Market risk

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

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

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

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

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

(Rupees in '000)

	2021			2020		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
Cash and balances with treasury banks	**122,751**	**–**	**122,751**	168,090	–	168,090
Balances with other banks	**64,694**	**–**	**64,694**	422,121	–	422,121
Lendings to financial institutions	**2,000,000**	**–**	**2,000,000**	507,800	–	507,800
Investments	**4,015,163**	**22,231,475**	**26,246,638**	4,640,696	12,842,253	17,482,949
Advances	**20,300,141**	**–**	**20,300,141**	19,133,886	–	19,133,886
Fixed assets	**54,544**	**–**	**54,544**	115,471	–	115,471
Intangible assets	**2,524**	**–**	**2,524**	3,918	–	3,918
Deferred tax assets	**549,013**	**–**	**549,013**	351,475	–	351,475
Other assets	**1,592,709**	**–**	**1,592,709**	1,487,107	–	1,487,107
Assets classified as held-for-sale	**516,768**	**–**	**516,768**	580,596	–	580,596
	29,218,307	**22,231,475**	**51,449,782**	27,411,160	12,842,253	40,253,413

42.2.2 Foreign exchange risk

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

(Rupees in '000)

	2021				2020			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet**	**Net foreign currency**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet	Net foreign currency
United States Dollar	**–**	**–**	**–**	**–**	6	–	–	6
	–	**–**	**–**	**–**	6	–	–	6

(Rupees in '000)

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Unconsolidated profit and loss account	**–**	**–**	0.00037	–

42.2.3 Equity position risk

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

(Rupees in '000)

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 5% change in equity prices on				
- Unconsolidated profit and loss account	**–**	**–**	–	–
- Other comprehensive income	**–**	**(41,096)**	–	(36,404)

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

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

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

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

(Rupees in '000)

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in interest rates on				
- Unconsolidated profit and loss account	**(77,980)**	**–**	(138,365)	–
- Other comprehensive income	**–**	**(357,800)**	–	(453,411)

42.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	2021											
	Effective yield/ interest rate %	**Total**	**Exposed to yield/interest risk**									**Non-interest Bearing Financial Instruments**
			Upto 1 month	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks		122,751	–	–	–	–	–	–	–	–	–	122,751
Balances with other banks	4.51% to 5.51%	64,694	64,694	–	–	–	–	–	–	–	–	–
Lending to financial institutions		2,000,000	2,000,000	–	–	–	–	–	–	–	–	–
Investments	6.99% to 15.93%	24,243,266	769,853	4,995,776	10,365,045	1,968	1,110	958,923	1,002,887	5,076,046	249,981	821,677
Advances	3.50% to 22.00%	20,300,141	9,208,573	4,378,130	708,746	1,092,062	1,091,015	1,009,110	1,501,908	1,226,743	33,674	50,180
Other assets	9.03%	734,644	–	–	–	–	–	–	–	–	–	734,644
		47,465,496	12,043,120	9,373,906	11,073,791	1,094,030	1,092,125	1,968,033	2,504,795	6,302,789	283,655	1,729,252
Liabilities												
Borrowings	2.00% to 14.00%	40,284,824	22,423,030	7,982,272	3,406,387	965,094	1,421,162	1,328,818	1,495,946	1,262,115	–	–
Deposits and other accounts	7.20% to 7.50%	50,000	–	–	–	50,000	–	–	–	–	–	–
Other liabilities		415,826	–	–	–	–	–	–	–	–	–	415,826
		40,750,650	22,423,030	7,982,272	3,406,387	1,015,094	1,421,162	1,328,818	1,495,946	1,262,115	–	415,826
On-balance sheet gap		6,714,846	(10,379,910)	1,391,634	7,667,404	78,936	(329,037)	639,215	1,008,849	5,040,674	283,655	1,313,426
Non financial net assets		3,517,172										
Total net assets		10,232,018										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,472,748	1,472,748	–	–	–	–	–	–	–	–	–
Commitments in respect of:												
- forward foreign exchange contracts		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		694,630	694,630	–	–	–	–	–	–	–	–	–
- forward shares		43,114	43,114	–	–	–	–	–	–	–	–	–
- repo transactions		19,574,994	19,574,994	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		21,785,486	21,785,486	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap			11,405,576	1,391,634	7,667,404	78,936	(329,037)	639,215	1,008,849	5,040,674	283,655	1,313,426
Cumulative yield / interest risk sensitivity gap			11,405,576	12,797,210	20,464,614	20,543,550	20,214,513	20,853,728	21,862,577	26,903,251	27,186,906	28,500,332

(Rupees in '000)

	2020											
	Effective yield/ interest rate %	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks		168,090	–	–	–	–	–	–	–	–	–	168,090
Balances with other banks	2.33% to 8.26%	422,121	422,121	–	–	–	–	–	–	–	–	–
Lending to financial institutions		507,800	507,800	–	–	–	–	–	–	–	–	–
Investments	6.99% to 15.93%	15,479,577	1,918,863	2,186,403	940,955	12,670	2,034	–	2,050,199	6,197,298	1,210,400	960,755
Advances	3.50% to 22.00%	19,133,886	7,736,097	3,648,934	1,761,089	1,041,924	1,016,009	967,914	1,495,849	1,392,443	33,584	40,043
Other assets	9.03%	814,691	–	150,000	–	–	–	–	–	–	–	664,691
		36,526,165	10,584,881	5,985,337	2,702,044	1,054,594	1,018,043	967,914	3,546,048	7,589,741	1,243,984	1,833,579
Liabilities												
Borrowings	2.00% to 14.00%	27,763,412	13,806,181	5,452,960	2,814,820	829,570	1,074,085	957,424	1,476,082	1,352,290	–	–
Deposits and other accounts	7.20% to 7.50%	830,000	–	330,000	500,000	–	–	–	–	–	–	–
Other liabilities		446,927	–	–	–	–	–	–	–	–	–	446,927
		29,040,339	13,806,181	5,782,960	3,314,820	829,570	1,074,085	957,424	1,476,082	1,352,290	–	446,927
On-balance sheet gap		7,485,826	(3,221,300)	202,377	(612,776)	225,024	(56,042)	10,490	2,069,966	6,237,451	1,243,984	1,386,652
Non financial net assets		3,246,749										
Net assets		10,732,575										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,303,260	224,173	448,346	–	2,278,814	–	–	980,103	–	–	–
Commitments in respect of:												
- forward government securities transactions		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		2,263,726	2,263,726	–	–	–	–	–	–	–	–	–
- repo transactions		7,908,009	7,908,009	–	–	–	–	–	–	–	–	–
Other commitment		750,000	150,000	600,000	–	–	–	–	–	–	–	–
Off-balance sheet gap		12,224,995	10,545,908	1,048,346	–	2,278,814	–	–	980,103	–	–	–
Total yield / interest risk sensitivity gap			7,324,608	1,250,723	(612,776)	2,503,838	(56,042)	10,490	3,050,069	6,237,451	1,243,984	1,386,652
Cumulative yield / interest risk sensitivity gap			7,324,608	8,575,331	7,962,555	10,466,393	10,410,351	10,420,841	13,470,910	19,708,361	20,952,345	22,338,997

42.3 Operational risk

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

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

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

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

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

42.4 Liquidity risk

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

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

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

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

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

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

(Rupees in '000)

	2021														
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets															
Cash and balances with treasury banks	122,751	103,204	–	–	–	–	–	–	–	–	–	–	–	19,547
Balances with other banks	64,694	–	–	–	2,119	–	–	–	–	62,575	–	–	–	–
Lendings to financial institutions	2,000,000	–	1,000,000	–	1,000,000	–	–	–	–	–	–	–	–	–
Investments	26,246,638	–	–	49,858	198,482	77,929	77,929	10,601,337	79,897	1,957,481	4,490,964	1,155,050	1,002,967	6,554,744
Advances	20,300,141	454,163	1,461,083	34,261	2,430,743	296,094	451,804	2,748,396	878,986	2,515,215	2,763,957	2,265,685	2,552,631	1,447,123
Fixed assets	54,544	–	59	863	1,807	1,638	1,807	5,308	5,364	5,364	24,092	4,955	3,287	–
Intangible assets	2,524	–	–	–	165	–	–	2,359	–	–	–	–	–	–
Deferred tax assets	549,013	–	–	–	–	–	–	–	–	549,013	–	–	–	–
Other assets	1,592,709	133,511	7,120	148,573	49,394	94,429	90,321	419,780	483,406	95,895	–	–	70,280	–
Assets classified as held-for-sale	516,768	–	–	–	–	86,111	–	387,745	–	42,912	–	–	–	–
	51,449,782	690,878	2,468,262	233,555	3,682,710	556,201	621,861	14,164,925	1,447,653	5,228,455	7,279,013	3,425,690	3,629,165	8,021,414
Liabilities														
Borrowings	40,284,824	4,498	16,384,208	11,326	6,023,381	4,507,195	391,743	1,468,887	1,133,795	1,456,300	2,983,662	2,162,151	2,497,071	1,260,607
Deposits and other accounts	50,000	–	–	–	–	–	–	–	–	–	50,000	–	–	–
Other liabilities	882,940	116,557	5,480	18,935	185,685	45,581	45,753	89,799	3,351	222,916	24,374	90,184	30,475	3,850
	41,217,764	121,055	16,389,688	30,261	6,209,066	4,552,776	437,496	1,558,686	1,137,146	1,679,216	3,058,036	2,252,335	2,527,546	1,264,457
Net assets	10,232,018	569,823	(13,921,426)	203,294	(2,526,356)	(3,996,575)	184,365	12,606,239	310,507	3,549,239	4,220,977	1,173,355	1,101,619	6,756,957
Share capital	6,000,000													
Reserves	1,920,050													
Unappropriated profit	3,385,267													
Deficit on revaluation of assets	(1,073,299)													
	10,232,018													

(Rupees in '000)

	2020													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	168,090	129,148	–	–	–	–	–	–	–	–	–	–	38,942	–
Balances with other banks	422,121	–	–	–	309,838	–	–	–	–	112,283	–	–	–	–
Lendings to financial institutions	507,800	–	507,800	–	–	–	–	–	–	–	–	–	–	–
Investments	17,482,949	2,293	–	920,600	269,195	421,800	297,891	207,957	75,323	2,202,664	940,695	247,941	2,211,541	9,685,049
Advances	19,133,886	292,587	398,384	2,228,567	1,474,053	123,963	378,367	2,758,931	1,128,069	1,258,134	2,585,161	2,183,980	2,703,371	1,620,319
Fixed assets	115,471	156	1,089	2,178	1,244	5,589	5,589	9,024	20,008	43,575	26,870	–	149	–
Intangible assets	3,918	18	124	247	140	–	526	526	2,337	–	–	–	–	–
Deferred tax assets	351,475	–	–	–	–	–	–	–	–	351,475	–	–	–	–
Other assets	1,487,107	137,950	741	225,916	89,509	92,857	115,422	370,458	278,467	1,191	–	150,000	53	24,543
Assets classified as held-for-sale	580,596	–	–	–	–	–	–	580,596	–	–	–	–	–	–
	40,253,413	562,152	908,138	3,377,508	2,143,979	644,209	797,795	3,927,492	1,504,204	3,969,322	3,552,726	2,581,921	4,954,056	11,329,911
Liabilities														
Borrowings	27,763,412	4,064	8,498,649	3,663,530	1,640,438	1,087,527	532,224	1,143,987	1,567,138	1,173,509	4,271,216	1,353,258	1,474,650	1,353,222
Deposits and other accounts	830,000	–	330,000	500,000	–	–	–	–	–	–	–	–	–	–
Other liabilities	927,426	73,789	35,161	44,266	111,334	85,437	127,419	7,414	6,224	64,026	94,133	189,125	59,304	29,794
	29,520,838	77,853	8,863,810	4,207,796	1,751,772	1,172,964	659,643	1,151,401	1,573,362	1,237,535	4,365,349	1,542,383	1,533,954	1,383,016
Net assets	10,732,575	484,299	(7,955,672)	(830,288)	392,207	(528,755)	138,152	2,776,091	(69,158)	2,731,787	(812,623)	1,039,538	3,420,102	9,946,895
Share capital	6,000,000													
Reserves	1,723,782													
Unappropriated profit	3,401,713													
Deficit on revaluation of assets	(392,920)													
	10,732,575													

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

(Rupees in '000)

	2021									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	122,751	103,204	–	–	–	–	–	–	19,547	–
Balances with other banks	64,694	2,119	–	–	62,575	–	–	–	–	–
Lendings to financial institutions	2,000,000	2,000,000	–	–	–	–	–	–	–	–
Investments	26,246,638	248,340	155,858	10,601,337	2,037,378	4,490,964	1,155,050	1,002,967	6,554,744	–
Advances	20,300,141	4,380,250	747,898	2,748,396	3,394,201	2,763,957	2,265,685	2,552,631	1,447,123	–
Fixed assets	54,544	2,729	3,445	5,308	10,728	24,092	4,955	3,287	–	–
Intangible assets	2,524	165	–	2,359	–	–	–	–	–	–
Deferred tax assets	549,013	–	–	–	549,013	–	–	–	–	–
Other assets	1,592,709	338,598	184,750	419,780	579,301	–	–	70,280	–	–
Assets classified as held-for-sale	516,768	–	86,111	387,745	42,912	–	–	–	–	–
	51,449,782	7,075,405	1,178,062	14,164,925	6,676,108	7,279,013	3,425,690	3,629,165	8,021,414	–
Liabilities										
Borrowings	40,284,824	22,423,413	4,898,938	1,468,887	2,590,095	2,983,662	2,162,151	2,497,071	1,260,607	–
Deposits and other accounts	50,000	–	–	–	–	50,000	–	–	–	–
Other liabilities	882,940	326,657	91,334	89,799	226,267	24,374	90,184	30,475	3,850	–
	41,217,764	22,750,070	4,990,272	1,558,686	2,816,362	3,058,036	2,252,335	2,527,546	1,264,457	–
Net assets	10,232,018	(15,674,665)	(3,812,210)	12,606,239	3,859,746	4,220,977	1,173,355	1,101,619	6,756,957	–
Share capital	6,000,000									
Reserves	1,920,050									
Unappropriated profit	(1,073,299)									
Deficit on revaluation of assets	3,385,267									
	10,232,018									

(Rupees in '000)

	2020									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	168,090	129,148	–	–	–	–	–	38,942	–	–
Balances with other banks	422,121	309,838	–	–	112,283	–	–	–	–	–
Lendings to financial institutions	507,800	507,800	–	–	–	–	–	–	–	–
Investments	17,482,949	1,192,088	719,691	207,957	2,277,987	940,695	247,941	2,211,541	9,685,049	–
Advances	19,133,886	4,393,591	502,330	2,758,931	2,386,203	2,585,161	2,183,980	2,703,371	1,620,319	–
Fixed assets	115,471	4,667	11,178	9,024	63,583	26,870	–	149	–	–
Intangible assets	3,918	529	526	526	2,337	–	–	–	–	–
Deferred tax assets	351,475	–	–	–	351,475	–	–	–	–	–
Other assets	1,487,107	454,116	208,279	370,458	279,658	–	150,000	53	24,543	–
Assets classified as held-for-sale	580,596	–	–	580,596	–	–	–	–	–	–
	40,253,413	6,991,777	1,442,004	3,927,492	5,473,526	3,552,726	2,581,921	4,954,056	11,329,911	–
Liabilities										
Borrowings	27,763,412	13,806,681	1,619,751	1,143,987	2,740,647	4,271,216	1,353,258	1,474,650	1,353,222	–
Deposits and other accounts	830,000	–	330,000	500,000	–	–	–	–	–	–
Other liabilities	927,426	264,550	212,856	7,414	70,250	94,133	189,125	59,304	29,794	–
	29,520,838	14,071,231	2,162,607	1,651,401	2,810,897	4,365,349	1,542,383	1,533,954	1,383,016	–
Net assets	10,732,575	(7,079,454)	(720,603)	2,276,091	2,662,629	(812,623)	1,039,538	3,420,102	9,946,895	–
Share capital	6,000,000									
Reserves	1,723,782									
Unappropriated profit	(392,920)									
Deficit on revaluation of assets	3,401,713									
	10,732,575									

43 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2021 of Re. **0.50** per share (2020: Re.0.50 per share), amounting to Rs. **300** million (2020: Rs.300 million) at their meeting held on **March 28, 2022** , for approval of the members at the annual general meeting to be held on **April 28, 2022** . The unconsolidated financial statements for the year ended December 31, 2021 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2022.

44 GENERAL

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

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Annexure - I

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

During the year ended December 31, 2021

(Rupees in '000)

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

Consolidated Financial Statements

Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Opinion
We have audited the annexed consolidated financial statements of Pak Brunei Investment Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated profit and loss account, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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

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

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

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

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

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

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI ▪ LAHORE ▪ ISLAMABAD

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

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

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

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

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

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

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

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

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

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

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: April 07, 2022

Consolidated
Statement of Financial Position

As at December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		ASSETS			
696	953	Cash and balances with treasury banks	5	**122,856**	168,197
1,653	3,577	Balances with other banks	6	**291,710**	631,457
11,775	3,154	Lendings to financial and other institutions	7	**2,078,487**	556,679
138,532	87,698	Investments	8	**24,452,231**	15,479,577
125,729	118,368	Advances	9	**22,192,370**	20,893,180
421	873	Fixed assets	10	**74,321**	153,954
17	33	Intangible assets	11	**3,075**	5,826
3,119	1,908	Deferred tax assets	12	**550,449**	336,854
9,414	9,081	Other assets	13	**1,661,731**	1,602,911
2,928	3,289	Assets classified as held-for-sale	14	**516,768**	580,596
294,284	228,934			**51,943,998**	40,409,231
		LIABILITIES			
–	–	Bills payable		**–**	–
228,009	155,404	Borrowings	15	**40,245,824**	27,430,430
284	4,702	Deposits and other accounts	16	**50,000**	830,000
7,535	7,338	Other liabilities	17	**1,330,194**	1,295,143
235,828	167,444			**41,626,018**	29,555,573
58,456	61,490	**NET ASSETS**		**10,317,980**	10,853,658
		REPRESENTED BY			
33,992	33,992	Share capital	18	**6,000,000**	6,000,000
10,878	9,766	Reserves		**1,920,050**	1,723,782
19,672	19,945	Unappropriated profit		**3,472,236**	3,520,451
(6,099)	(2,226)	Deficit on revaluation of assets	19	**(1,076,611)**	(392,920)
58,443	61,477	Total equity attributable to the equity holders of the Holding Company		**10,315,675**	10,851,313
13	13	Non-controlling interest		**2,305**	2,345
58,456	61,490			**10,317,980**	10,853,658
		CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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

Consolidated
Profit and Loss Account

For the Year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
19,969	22,189	Mark-up / return / interest earned	21	**3,524,670**	3,916,518
13,941	16,269	Mark-up / return / interest expensed	22	**2,460,568**	2,871,657
6,028	5,920	Net mark-up / interest income		**1,064,102**	1,044,861
		Non mark-up / interest income			
541	446	Fee and commission income	23	**95,533**	78,770
290	174	Dividend income		**51,137**	30,711
711	2,539	Gain on securities	24	**125,445**	448,118
23	48	Other income	25	**4,096**	8,385
1,565	3,207	Total non-markup / interest income / expense		**276,211**	565,984
7,593	9,127	Total income		**1,340,313**	1,610,845
		Non mark-up / interest expenses			
2,958	2,842	Operating expenses	26	**522,288**	501,580
62	–	Other Charges	27	**10,947**	–
85	141	Workers' Welfare Fund	28	**15,035**	24,914
3,105	2,983	Total non mark-up / interest expenses		**548,270**	526,494
4,488	6,144	Profit before provisions		**792,043**	1,084,351
479	238	Provisions and write offs - net	29	**84,557**	42,018
4,009	5,906	**Profit before taxation**		**707,486**	1,042,333
1,467	1,959	Taxation	30	**259,010**	345,728
2,542	3,947	**Profit after taxation**		**448,476**	696,605
		Attributable to:			
2,541	3,946	Equity holders of the Holding Company		**448,424**	696,446
1	1	Non-controlling interest		**52**	159
2,542	3,947			**448,476**	696,605
USD				(Rupees)	
0.00423	0.00658	**Basic and diluted earning per share**	31	**0.75**	1.16

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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

Consolidated

Statement of Comprehensive Income

For the year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		Profit after taxation for the year attributable to:			
2,541	3,946	Equity holders of the Holding Company		**448,424**	696,446
1	1	Non-controlling interest		**52**	159
2,542	3,947			**448,476**	696,605
		Other comprehensive loss			
		Items that may be reclassified to consolidated profit and loss account in subsequent periods:			
(5,113)	(2,065)	- Movement in deficit on revaluation of investments	19.1	**(902,489)**	(364,444)
1,240	694	- Deferred tax on revaluation of investments	19.1	**218,798**	122,422
(3,873)	(1,371)			**(683,691)**	(242,022)
		Items that will not be reclassified to consolidated profit and loss account in subsequent periods:			
(6)	63	- Remeasurement (loss) / gain on defined benefit plan		**(1,013)**	11,098
4	(16)	- Deferred tax on remeasurement (loss) / gain on defined benefit plan		**620**	(2,789)
(2)	47			**(393)**	8,309
(2,573)	1,929	**Total comprehensive (loss) / income**		**(235,608)**	340,470

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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

Consolidated

Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Capital reserve Statutory reserve (a)	General reserve	Capital reserve Surplus / (deficit) on revaluation of investments	Revenue reserve Unappropriated profit	Non-controlling interest	Total
				(Rupees in '000)			
As at January 1, 2020	6,000,000	1,480,107	–	(150,898)	3,359,371	2,361	10,690,941
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2020	–	–	–	–	696,446	159	696,605
Other comprehensive income / (loss)							
- Remeasurement gain on defined benefit obligations - net of tax	–	–	–	–	8,309	–	8,309
- Movement in deficit on revaluation of investments - net of tax	–	–	–	(242,022)	–	–	(242,022)
	–	–	–	(242,022)	704,755	159	462,892
Transfer to statutory reserve	–	143,675	–	–	(143,675)	–	–
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)
Dividend payout by Awwal Modaraba @ Rs. 0.80 per certificate	–	–	–	–	–	(175)	(175)
Balance as at December 31, 2020	6,000,000	1,623,782	100,000	(392,920)	3,520,451	2,345	10,853,658
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2021	–	–	–	–	448,424	52	448,476
Other comprehensive income / (loss)							
- Remeasurement gain on defined benefit obligations - net of tax	–	–	–	–	(371)	(22)	(393)
- Movement in deficit on revaluation of investments - net of tax	–	–	–	(683,691)	–	–	(683,691)
	–	–	–	(683,691)	448,053	30	(235,608)
Transfer to statutory reserve	–	96,268	–	–	(96,268)	–	–
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)
Dividend payout by Awwal Modaraba @ Rs. 0.80 per certificate	–	–	–	–	–	(70)	(70)
Balance as at December 31, 2021	6,000,000	1,720,050	200,000	(1,076,611)	3,472,236	2,305	10,317,980

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

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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

Consolidated

Cash Flow Statement

For the Year ended December 31, 2021

2021	2020		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
4,009	5,906	Profit before taxation		**707,486**	1,042,333
290	174	Less: Dividend income		**51,137**	30,711
3,719	5,732			**656,349**	1,011,622
		Adjustments:			
326	289	Depreciation	26	**57,461**	51,024
20	7	Amortisation	26	**3,561**	1,197
46	68	Interest expense - lease liability against right-of-use assets		**8,193**	11,998
–	(2)	Interest income on lease receivable		**–**	(205)
85	142	Provision for Workers' Welfare Fund	28	**15,035**	24,914
479	238	Provision and write-offs	29	**84,557**	42,018
(13)	14	(Gain) / loss on sale of assets classified as held-for-sale	25	**(2,221)**	2,449
2	(19)	Loss / (gain) on modification of lease liability	25	**317**	(3,187)
–	(29)	Gain on sale of non banking assets	25	**–**	(4,999)
(2)	(10)	Gain on sale of fixed assets	25	**(285)**	(1,745)
943	698			**166,618**	123,464
4,662	6,430			**822,967**	1,135,086
		(Increase) / decrease in operating assets			
2,709	22,618	Lendings to financial institutions		**478,192**	3,992,200
(8,367)	(2,913)	Advances		**(1,476,884)**	(514,051)
450	934	Others assets (excluding advance taxation, lease receivable and non banking assets acquired in satisfaction of claims)		**79,446**	164,875
(5,208)	20,639			**(919,246)**	3,643,024
		Increase / (decrease) in operating liabilities			
72,604	(97,794)	Borrowings from financial institutions		**12,815,394**	(17,261,570)
(4,419)	1,190	Deposits		**(780,000)**	210,000
558	(2,921)	Other liabilities (excluding current taxation, lease liability and WWF)		**98,534**	(515,595)
68,743	(99,525)			**12,133,928**	(17,567,165)
(434)	7	Rentals (paid) / received		**(76,643)**	1,214
(2,135)	(2,778)	Taxes paid		**(376,886)**	(490,316)
65,628	(75,227)	Net cash generated from / (used in) operating activities		**11,584,120**	(13,278,157)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(55,593)	78,655	Net (investments) / divestments in available-for-sale securities		**(9,812,687)**	13,883,326
(40)	463	Net (investments) / divestments in held-to-maturity securities		**(7,116)**	81,716
(14)	–	Net investments in held-for-trading securities		**(2,505)**	–
290	174	Dividends received		**51,137**	30,711
(38)	(31)	Investments in operating fixed assets		**(6,540)**	(5,426)
(4)	(5)	Investments in operating intangible assets		**(810)**	(825)
3	1	Proceeds from sale of fixed assets		**422**	159
618	30	Proceeds from sale of assets classified as held for sale		**108,961**	5,217
–	190	Proceeds from sale of non banking assets		**–**	33,524
(54,778)	79,477	Net cash (used in) / generated from investing activities		**(9,669,138)**	14,028,402
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,700)	(1,700)	Dividend paid to equity shareholders of the Holding Company		**(300,000)**	(300,000)
–	(1)	Dividend paid to non-controlling interests		**(70)**	(175)
(1,700)	(1,701)	Net cash used in financing activities		**(300,070)**	(300,175)
9,150	2,549	**Increase in cash and cash equivalents**		**1,614,912**	450,070
4,530	1,981	Cash and cash equivalents at beginning of the year		**799,654**	349,584
13,680	4,530	**Cash and cash equivalents at end of the year**	32	**2,414,566**	799,654

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Notes to and Forming part of the Consolidated Financial Statements

For the Year ended December 31, 2021

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

Pak Brunei Investment Company Limited (the Holding Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Holding Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Holding Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Holding Company is in operation with 2 offices (2020: 2) one located in Karachi and the other in Lahore.

Subsidiaries

Awwal Modaraba Management Limited (AMML) - 100% holding

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

The principal activity of the Company is to engage in the business of floatation of Modarabas and to function as a Modaraba Management Company within the meaning of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Company is managing the following modarabas:

- Awwal Modaraba;
- KASB Modaraba;
- First Prudential Modaraba; and
- First Pak Modaraba.

The Company floated Awwal Modaraba on January 4, 2016 and has been managing Awwal Modaraba since then. The Securities and Exchange Commission of Pakistan (SECP) via order no. SC/M/PRDD/KASB/2019/36 dated January 31, 2020, appointed Awwal Modaraba Management Limited as the Management Company of KASB Modaraba, First Prudential Modaraba and First Pak Modaraba with effect from February 3, 2020.

These Modarabas are perpetual in nature and are engaged in providing working capital, term finance, ijarah, musharaka, morabaha and other shariah compliant instruments to credit worthy customers and investment in securities. These Modarabas are listed on the Pakistan Stock Exchange Limited.

Primus Leasing Limited (PLL) - 100% holding

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

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

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

Awwal Modaraba is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing working capital, term finance, ijarah, musharika, morabaha, advisory services and other shari'ah compliant investment / instrument to clients which include distressed assets with high potential of turnaround, project finance, infrastructure and high growth companies and is listed on Pakistan Stock Exchange Limited (PSX).

2 BASIS OF PRESENTATION

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

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

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

2.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 40, Investment Property, for banking companies / DFIs till further instructions. Further, the SECP, through S.R.O. 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, for banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 for banks and DFIs to accounting periods beginning on or after January 1, 2022. Investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Group operations and, therefore, not detailed in these consolidated financial statements.

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

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

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2022*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 3 - 'Business combinations' (amendments)	January 1, 2022

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

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022 for the Holding Company. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Group which are exposed to credit risk. The impact of application of IFRS 9 in Pakistan on the Holding Company's financial statements is being assessed and the final implementation guidelines are awaited. Primus Leasing Limited and Awwal Modaraba (subsidiary companies) have, however, recorded provision against loan, leases and musharika finance in accordance with IFRS 9 as per the regulatory and financial reporting requirements applicable to them.

2.4.2 There are certain other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or will not have any significant impact on the Group operations and are therefore not detailed in these consolidated financial statements.

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

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

i) classification and valuation of investments (notes 4.4 and 8);
ii) classification and provisioning against loans and advances (notes 4.6 and 9);
iii) accounting for defined benefit plan (notes 4.14 and 34);

iv) lease liability and right-of-use assets (notes 4.7.2, 10 and 17);
v) taxation (notes 4.12 and 30) and;
vi) assets classified as held-for-sale (notes 4.10 and 14).

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- Non-current assets classified as held for sale are valued at lower of carrying amount and fair value less cost to sell;
- Certain investments are marked to market and carried at fair value;
- Obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation; and
- Lease liability against right-of-use assets is carried at present value of rentals.

3.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of the consolidated financial statements. For the purpose of conversion to US Dollars, the rate of Rs 176.5135 to US Dollars has been used for 2021 and 2020 as it was the prevalent rate on December 31, 2021.

3.3 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of consolidation

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

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

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

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

Material intra-group balances and transactions have been eliminated.

4.2 Cash and cash equivalents

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

4.3 Lendings to / borrowings from financial and other institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

4.4 Investments

4.4.1 Classification

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

4.4.2 Initial measurement

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

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

4.4.3 **Subsequent measurement**

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

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

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

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

4.5 **Investments in associates**
Associates are entities over which the Group has a significant influence but over which control does not exist.

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

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

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

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

4.6.1 **Change in accounting estimate**
Uptil last year, management was maintaining general provision as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. During the current year, the management has decided to maintain additional general provision in excess of the requirements specified in the Prudential Regulations based on its internal review of portfolio and has made a provision of Rs 50 million in this respect. This change has been accounted for as change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Estimates and Errors" whereby the effect of the change has been recognised prospectively by including the same in the unconsolidated profit and loss account in the period of the change. Had the Group's accounting estimate not been changed, advances of the Group and profit after taxation for the year would have been higher by Rs. 50 million and Rs. 35.5 million respectively.

4.7 **Fixed assets and depreciation**

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

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

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

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

4.7.2 **Lease liability and right-of-use assets**
On initial recognition, right-of-use assets is measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets is subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets is depreciated over the expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the consolidated profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.7.3 Capital work-in-progress

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

4.8 Intangible assets and amortisation

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

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

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

4.9 Impairment

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

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

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

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

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

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

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

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

4.10 Assets classified as held-for-sale

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

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

4.11 Assets acquired in satisfaction of claims

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

4.12 Taxation

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

4.12.1 Current

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

4.12.2 Deferred

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

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

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

4.13 Borrowings / deposits

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

4.14 Staff retirement benefits

4.14.1 Defined benefit plan - Holding Company

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2021.

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

Defined contribution plan - Holding Company

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

4.14.2 Staff retirement benefits of the subsidiaries

Staff gratuity scheme - subsidiaries

Awwal Modaraba and AMML operates a funded gratuity scheme for their employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2021.

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

PLL, currently, does not offer any such benefits to its employees.

Staff provident fund - subsidiaries

Awwal modaraba, PLL and AMML operate a contributory provident scheme for which Awwal modaraba, PLL and AMML and their employees make equal monthly contributions at the rate of 10% of basic salary.

4.15 Financial instruments

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

Derivative financial instruments

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

Offsetting

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

4.16 Provisions, contingent assets and contingent liabilities

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

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

4.17 Commitments

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

4.18 Revenue recognition

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

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP’s Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.
- Dividend income is recognised when the Group’s right to receive dividend is established.
- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Income from Diminishing Musharika is recognised on an accrual basis.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.
- Rental income is recorded when due.
- Income recognised by Awwal Modaraba from Shari’ah non-compliant avenues is not recognised in the consolidated profit and loss account and is classified as charity payable.

4.19 Earnings per share

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

4.20 Foreign currency translation

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

4.21 Proposed dividends and transfers between reserves

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

4.22 Segment reporting

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

The Chief Executive Officer of the Holding Company has been identified as the chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments.

4.22.1 Business segments

Corporate finance

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

Trading and sales

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

Commercial banking

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

4.22.2 Geographical segments

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

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2021	2020
		(Rupees in '000)	
With State Bank of Pakistan in:			
Local currency current account	5.1	**122,856**	168,113
With National Bank of Pakistan in:			
Local currency deposit account		**–**	84
		122,856	168,197

5.1 This includes the minimum cash reserve required to be maintained with the State Bank of Pakistan (SBP) in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6 BALANCES WITH OTHER BANKS

	Note	2021	2020
		(Rupees in '000)	
In Pakistan			
- In deposit accounts	6.1	**285,006**	621,389
- In current account		**6,704**	10,068
		291,710	631,457

6.1 These carry mark-up at rates ranging from 2.33% to 9% per annum (2020: 3.90% to 12.50% per annum).

7 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

	Note	2021	2020
		(Rupees in '000)	
Investments against repurchase agreements	7.1	**78,487**	556,679
Term deposit receipts	7.1	**2,000,000**	–
		2,078,487	556,679

7.1 These carry mark-up at rates ranging from 11.75% to 14% (2020: 6.06% to 14.07%) and will mature latest by January 6, 2022 (2020: January 6, 2021).

On January 16, 2018, Awwal Modaraba had entered into an agreement with a shareholder of a company (the investee company) for the purchase of 2,518,045 shares of the investee company. Concurrently, Awwal Modaraba had entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares transferred in the name of Awwal Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price. The outstanding amount as at December 31, 2021 aggregated to Rs 78.487 million (2020: 48.879 million).

7.2 Particulars of lending

	2021	2020
	(Rupees in '000)	
In local currency	**2,078,487**	556,679
In foreign currencies	**–**	–
	2,078,487	556,679

7.3 Securities held as collateral against lendings to financial and other institutions

(Rupees in '000)

	2021			2020		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
Pakistan Investment Bonds	–	–	–	507,800	(507,800)	–

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

		2021				2020			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held-for-trading securities									
Ordinary shares		2,501	–	4	2,505	–	–	–	–
		2,501	–	4	2,505	–	–	–	–
Available-for-sale securities									
Federal government securities	8.3	22,597,778	–	(1,188,220)	21,409,558	12,434,784	–	(553,286)	11,881,498
Ordinary shares		1,110,619	(27,891)	(263,316)	819,412	809,168	(77,837)	(3,252)	728,079
Non-government debt securities		2,400,114	(266,221)	7,960	2,141,853	2,851,129	(269,110)	12,563	2,594,582
Units of mutual funds		39,277	–	(10,232)	29,045	240,020	–	(7,344)	232,676
Preference shares		–	–	–	–	–	–	–	–
		26,147,788	(294,112)	(1,453,808)	24,399,868	16,335,101	(346,947)	(551,319)	15,436,835
Held-to-maturity securities									
Commercial paper		49,858	–	–	49,858	42,742	–	–	42,742
		49,858	–	–	49,858	42,742	–	–	42,742
Total investments		26,200,147	(294,112)	(1,453,804)	24,452,231	16,377,843	(346,947)	(551,319)	15,479,577

8.2 Investments by segments:

(Rupees in '000)

		2021				2020			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Federal government securities									
Market Treasury Bills		9,742,610	–	(117,594)	9,625,016	1,394,174	–	629	1,394,803
Pakistan Investment Bonds		12,855,168	–	(1,070,626)	11,784,542	11,040,610	–	(553,915)	10,486,695
		22,597,778	–	(1,188,220)	21,409,558	12,434,784	–	(553,286)	11,881,498
Ordinary Shares									
Listed companies		1,091,789	(6,560)	(263,312)	821,917	787,837	(56,506)	(3,252)	728,079
Unlisted companies		21,331	(21,331)	–	–	21,331	(21,331)	–	–
		1,113,120	(27,891)	(263,312)	821,917	809,168	(77,837)	(3,252)	728,079
Non-government debt securities									
Listed		1,274,946	(15,841)	7,960	1,267,065	1,207,550	(16,136)	12,563	1,203,977
Unlisted		1,125,168	(250,380)	–	874,788	1,643,579	(252,974)	–	1,390,605
		2,400,114	(266,221)	7,960	2,141,853	2,851,129	(269,110)	12,563	2,594,582
Units of mutual funds		39,277	–	(10,232)	29,045	240,020	–	(7,344)	232,676
Commercial paper		49,858	–	–	49,858	42,742	–	–	42,742
Total investments		26,200,147	(294,112)	(1,453,804)	24,452,231	16,377,843	(346,947)	(551,319)	15,479,577

8.2.1 Investments given as collateral

(Rupees in '000)

	2021			2020		
	Cost / amortised cost	Surplus / (deficit)	Carrying value	Cost / amortised cost	Surplus / (deficit)	Carrying value
Market Treasury Bills	11,595,980	(899,449)	10,696,531	1,193,232	932	1,194,164
Pakistan Investment Bonds	8,940,956	(107,852)	8,833,104	8,706,074	(39,944)	8,666,130
Term finance certificates / sukuks certificates	759,788	–	759,788	739,824	–	739,824
Ordinary shares	161,026	(42,402)	118,624	–	–	–
	21,457,750	(1,049,703)	20,408,047	10,639,130	(39,012)	10,600,118

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield of 7.66% to 7.67% (2020: 6.99% to 9.53%) per annum and will mature within 6 months (2020: 8 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% to 13.00% (2020: 7.71% to 13.00%) per annum on a semi-annual basis and will mature within 18 years (2020: 19 years). Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 Provision for diminution in value of investments

	2021	2020
	(Rupees in '000)	
8.4.1 Opening balance	346,947	342,385
Charge / reversals		
Charge for the year	1,998	94,842
Reversal during the year	(54,833)	(90,280)
	(52,835)	4,562
Closing balance	294,112	346,947

8.4.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2021		2020	
	Non-performing investments	Provision	Non-performing investments	Provision
Domestic				
Loss	266,221	266,221	269,110	269,110

8.5 Quality of available-for-sale securities

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

(Rupees in '000)

	2021	2020
	Cost	
Federal government securities - Government guaranteed		
Market Treasury Bills	**9,742,610**	1,394,174
Pakistan Investment Bonds	**12,855,168**	11,040,610
	22,597,778	12,434,784
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	**135,295**	57,389
Power generation and distribution	**435,440**	341,580
Cement	**281,242**	78,778
Chemicals	**–**	49,506
Engineering	**51,484**	–
Food and personal care products	**42,623**	86,121
Textile composite	**72,863**	167,963
Technology and communication	**37,097**	–
Refinery	**35,745**	–
Investment banks / investment companies / securities companies	**–**	6,500
	1,091,789	787,837

(Rupees in '000)

	2021		2020	
	Cost	Breakup value	Cost	Breakup value
Unlisted companies				
Pakistan Mercantile Exchange Limited*	**21,331**	**2,789**	21,331	2,789

* This investment has been fully provided.

(Rupees in '000)

	2021	2020
	Cost	
Non-government debt securities		
Listed		
- AAA	**659,105**	291,102
- AA+, AA, AA-	**500,000**	800,000
- A+, A, A-	**100,000**	100,000
- CCC and below	**15,841**	16,448
	1,274,946	1,207,550
Unlisted		
- AA+, AA, AA-	**834,860**	1,350,701
- A+, A, A-	**39,928**	39,944
- CCC and below	**137,684**	140,238
- Unrated	**112,696**	112,696
	1,125,168	1,643,579
Units of mutual funds - listed		
Unrated	**39,277**	240,020
Equity securities		
Listed		
Oil and gas marketing / exploration companies		
Oil and Gas Development Company Limited	**57,293**	–
Sui Northern Gas Pipelines Limited	**53,323**	46,102
Sui Southern Gas Company Limited	**24,679**	11,287
Power generation and distribution		
The Hub Power Company Limited	**38,780**	–
K-Electric Limited	**24,562**	24,562
Kot Addu Power Company Limited	**136,936**	85,767
Nishat Power Limited	**235,162**	231,251
Cement		
D.G. Khan Cement Company Limited	**39,412**	–
Lucky Cement Limited	**101,094**	35,001
Maple Leaf Cement Factory Limited	**83,684**	43,777
Power Cement Limited	**57,052**	–
Chemicals		
Agritech Limited	**–**	49,506
Engineering		
International Industries Limited	**51,484**	–
Food and personal care products		
Treet Corporation Limited	**42,623**	–
Bunny's Limited	**–**	86,121
Textile composite		
Nishat (Chunian) Limited	**–**	51,660
Towellers Limited	**–**	61,506
Nishat Mills Limited	**72,863**	54,797

	(Rupees in '000)	
	2021	2020
	Cost	
Technology and communication		
NetSol Technologies Limited	**37,097**	–
Refinery		
Cnergyico PK Limited (formerly: Byco Petroleum Pakistan Limited)	**35,745**	–
Investment banks / investment companies / securities companies		
Trust Investment Bank Limited	**–**	6,500
	1,091,789	787,837

8.6 Particulars relating to held to maturity securities are as follows:

	2021	2020
Non-government debt securities		
Unlisted and unrated		
Commercial paper	**49,858**	42,742

9 ADVANCES

(Rupees in '000)

	Note	Performing		Non-performing		Total	
		2021	2020	**2021**	2020	**2021**	2020
Loans, cash credits, running finances, etc.	9.1	**21,148,462**	19,744,147	**1,018,878**	983,888	**22,167,340**	20,728,035
Islamic financing and related assets	9.2	**601,333**	606,667	**–**	–	**601,333**	606,667
Advances - gross		**21,749,795**	20,350,814	**1,018,878**	983,888	**22,768,673**	21,334,702
Provision against advances	9.5						
- Specific		**–**	–	**497,025**	423,442	**497,025**	423,442
- General		**79,278**	18,080	**–**	–	**79,278**	18,080
		79,278	18,080	**497,025**	423,442	**576,303**	441,522
Advances - net of provision		**21,670,517**	20,332,734	**521,853**	560,446	**22,192,370**	20,893,180

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

(Rupees in '000)

	2021				2020			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	**762,411**	**1,015,448**	**–**	**1,777,859**	739,732	628,889	–	1,368,621
Residual value	**266,038**	**397,366**	**–**	**663,404**	269,836	291,278	–	561,114
Minimum lease payments	**1,028,449**	**1,412,814**	**–**	**2,441,263**	1,009,568	920,167	–	1,929,735
Financial charges for future periods	**(157,712)**	**(116,854)**	**–**	**(274,566)**	448,392	271,551	–	719,943
Present value of minimum lease payments	**870,737**	**1,295,960**	**–**	**2,166,697**	1,457,960	1,191,718	–	2,649,678

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 25% (2020: 10% to 33.33%) of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 9.68% to 16.47% per annum (2020: 10.67% to 22.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are pledged in favour of the Group.

9.2 This includes contractual rentals receivable on musharika and diminishing musharika finance facilities provided under long-term arrangements the details of which are provided below:

(Rupees in '000)

	2021				2020			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Principal repayments in respect of:								
- Musharika finance (note 9.2.1)	**202,800**	**115,200**	**–**	**318,000**	306,667	–	–	306,667
- Diminishing Musharika finance (note 9.2.2)	**123,333**	**160,000**	**–**	**283,333**	66,667	216,667	16,666	300,000
	326,133	**275,200**	**–**	**601,333**	373,334	216,667	16,666	606,667
Profit repayments in respect of:								
- Musharika finance (note 9.2.1)	**30,382**	**16,629**	**–**	**47,011**	12,637	–	–	12,637
- Diminishing Musharika finance (note 9.2.2)	**46,816**	**125,520**	**–**	**172,336**	31,987	138,690	4,472	175,149
	77,198	**142,149**	**–**	**219,347**	44,624	138,690	4,472	187,786
	403,332	**417,349**	**–**	**820,680**	417,958	355,357	21,138	794,453

9.2.1 The Group has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Modaraba and the customers ranges from 10% to 90% (2020: 5.71% to 94.29%) and 10% to 90% (2020: 19.77% to 94.29%) respectively. The customers have either transferred the titles of the assets in the name of the Group or the assets are held in trust by Agent, being related party of the Group, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Group to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 552 million (2020: Rs. 506 million) in aggregate. The Group has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 493.33 million (2020: Rs. 800.67 million). Further, in case of a customer, the Group holds Rs nil (2020: Rs 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account as a security.

These facilities carry profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3.5% and are due to mature on various dates latest by December 28, 2024.

9.2.2 The Group has provided Diminishing Musharika Finance facilities to its corporate customers for various purposes. The facilities are secured against various collaterals which mainly include first (exclusive) mortgage charge on land and first hypothecation charge over all present and future current and fixed assets of the customers with 25% margin over the facility amount as well as pledge of shares of a listed company with 30% margin over the market value of these shares (this pledge may be replaced by corporate guarantee of a reputable private company equivalent to the facility amount with a 25% margin).

These facilities carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by April 20, 2026.

9.3 Particulars of advances (gross)

	2021	2020
	(Rupees in '000)	
In local currency	**22,768,673**	21,334,702
In foreign currencies	**–**	–
	22,768,673	21,334,702

9.4 Advances include Rs. 1,018.878 million (2020: Rs. 983.888 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2021 Non Performing Loans	2021 Provision	2020 Non Performing Loans	2020 Provision
Domestic					
Other Assets Especially Mentioned	9.4.1	1,500	150	285	28
Substandard		47,356	11,839	415,489	888
Doubtful		2,141	1,070	11,832	5,916
Loss		967,881	483,966	556,282	416,610
Total		1,018,878	497,025	983,888	423,442

9.4.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 1.5 million (2020: Rs. 0.285 million).

9.5 Particulars of provision against advances

(Rupees in '000)

	2021 Specific	2021 General	2021 Total	2020 Specific	2020 General	2020 Total
Opening balance	423,442	18,080	441,522	394,034	10,032	404,066
Charge for the year	84,982	61,521	146,503	54,768	8,048	62,816
Reversals during the year	(11,399)	(323)	(11,722)	(25,360)	–	(25,360)
	73,583	61,198	134,781	29,408	8,048	37,456
Amounts written off	–	–	–	–	–	–
Closing balance	497,025	79,278	576,303	423,442	18,080	441,522

9.5.1 Particulars of provision against advances

(Rupees in '000)

	2021 Specific	2021 General	2021 Total	2020 Specific	2020 General	2020 Total
In local currency	497,025	79,278	576,303	423,442	18,080	441,522
In foreign currencies	–	–	–	–	–	–
	497,025	79,278	576,303	423,442	18,080	441,522

9.5.2 The Group has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 01 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 483.915 million (2020: Rs. 242.656 million). The FSV benefit availed - net of tax amounting to Rs. 343.580 million (2020: 172.286 million) is not available for the distribution as either cash or stock dividend to the shareholders.

9.6 Details of loans written-off of Rs.500,000 and above
During the years ended December 31, 2021 and December 31, 2020, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2021	2020
		(Rupees in '000)	
Property and equipment	10.1	74,321	153,954

10.1 Property and equipment

(Rupees in '000)

2021	Note	Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2021								
Cost		189,014	51,556	23,896	44,014	45,481	470	354,431
Accumulated depreciation		(66,980)	(47,595)	(20,646)	(35,955)	(28,831)	(470)	(200,477)
Net book value		122,034	3,961	3,250	8,059	16,650	–	153,954
Year ended December 31, 2021								
Opening net book value		122,034	3,961	3,250	8,059	16,650	–	153,954
Additions		–	100	159	6,232	–	49	6,540
Lease modification		(28,575)	–	–	–	–	–	(28,575)
Disposals		–	–	–	(115)	(22)	–	(137)
Depreciation charge for the year		(43,144)	(1,764)	(1,506)	(5,037)	(6,009)	(1)	(57,461)
Closing net book value	10.1.2	50,315	2,297	1,903	9,139	10,619	48	74,321
At December 31, 2021								
Cost		160,439	51,656	24,055	50,131	45,459	519	332,259
Accumulated depreciation		(110,124)	(49,359)	(22,152)	(40,992)	(34,840)	(471)	(257,938)
Net book value	10.1.2	50,315	2,297	1,903	9,139	10,619	48	74,321
Rates of depreciation		33.33% - 50%	20%	20%	20% - 50%	25%	50%	

(Rupees in '000)

2020	Note	Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2020								
Cost		142,189	51,236	23,902	39,191	45,199	470	302,187
Accumulated depreciation		(31,227)	(45,831)	(19,075)	(30,507)	(22,343)	(470)	(149,453)
Net book value		110,962	5,405	4,827	8,684	22,856	–	152,734
Year ended December 31, 2020								
Opening net book value		112,159	5,405	4,827	8,684	22,856	–	153,931
Additions		50,875	320	–	4,824	282	–	56,301
Disposals		(5,247)	–	(6)	(1)	–	–	(5,254)
Depreciation charge for the year		(35,753)	(1,764)	(1,571)	(5,448)	(6,488)	–	(51,024)
Closing net book value	10.1.2	122,034	3,961	3,250	8,059	16,650	–	153,954
At December 31, 2020								
Cost		189,014	51,556	23,896	44,014	45,481	470	354,431
Accumulated depreciation		(66,980)	(47,595)	(20,646)	(35,955)	(28,831)	(470)	(200,477)
Net book value	10.1.2	122,034	3,961	3,250	8,059	16,650	–	153,954
Rates of depreciation		19.22% - 59.38%	20%	20%	20% - 50%	25%	50%	

10.1.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
Electrical, office and computer equipment					
Laptop	86	–	50	Sale	Abdul Hafeez (Ex-employee)
Laptop	140	66	95	Sale	Ahmed Ateeq (Ex-employee)
Laptop	92	–	50	Sale	Irfan Ahmed (Key management personnel)
2021	318	66	195		
2020	–	–	–		

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

	Note	2021	2020
		(Rupees in '000)	
Leasehold improvements		**43,044**	42,500
Furniture and fixtures		**13,539**	13,607
Electrical, office and computer equipment		**22,090**	20,967
Vehicles		**4,429**	4,654
		83,102	81,728

11 INTANGIBLE ASSETS

	Note	2021	2020
Intangible assets	11.1	**721**	3,488
Capital work-in-progress	11.2	**2,354**	2,338
		3,075	5,826

11.1 Intangible assets

	Note	2021	2020
		Computer software	
		(Rupees in '000)	
At January 1			
Cost		**21,499**	21,499
Accumulated amortisation		**(18,011)**	(16,814)
Net book value		**3,488**	4,685
Year ended December 31			
Opening net book value		**3,488**	4,685
Additions		**794**	–
Amortisation charge		**(3,561)**	(1,197)
Closing net book value		**721**	3,488
At December 31			
Cost	11.1.1	**22,293**	21,499
Accumulated amortisation		**(21,572)**	(18,011)
Net book value		**721**	3,488
Rate of amortisation (percentage)		**33.33%**	33.33%
Useful life (in years)		**3**	3

11.1.1 The cost of fully amortised intangible assets still in use amounts to Rs. 18.503 million (2020: Rs. 16.658 million).

11.2 Capital work-in-progress

	2021	2020
	(Rupees in '000)	
Software	**2,354**	2,338

12 DEFERRED TAX ASSETS

	At January 1, 2021	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 2021
	(Rupees in '000)			
	2021			
Deductible temporary differences on				
- Provision for diminution in the value of investments	**91,157**	**(8,588)**	**–**	**82,569**
- Provision against advances, other assets, etc.	**132,132**	**35,839**	**–**	**167,971**
- Deficit on revaluation of investments	**158,399**	**–**	**218,798**	**377,197**
- Net investment in finance lease	**20,874**	**11,306**	**–**	**32,180**
- Tax losses carried forward	**1,058**	**–**	**–**	**1,058**
- Preliminary expenses	**685**	**(685)**	**–**	**–**
- Lease liability against right-of-use asset	**24,594**	**(21,958)**	**–**	**2,636**
- Carry forward of alternate corporate tax	**–**	**49,910**	**–**	**49,910**
- Provision for bonus	**11,631**	**5,176**	**–**	**16,807**
	440,530	**71,000**	**218,798**	**730,328**
Taxable temporary differences on:				
- Post retirement employee benefits	**(2,541)**	**–**	**620**	**(1,921)**
- Amortisation of discount on investments	**(70,391)**	**(95,418)**	**–**	**(165,809)**
- Accelerated tax depreciation	**(1,550)**	**1,406**	**–**	**(144)**
- Right-of-use assets	**(29,194)**	**17,189**	**–**	**(12,005)**
	(103,676)	**(76,823)**	**620**	**(179,879)**
	336,854	**(5,823)**	**219,418**	**550,449**

	At January 1, 2020	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 2020
	(Rupees in '000)			
	2020			
Deductible temporary differences on				
- Post retirement employee benefits	249	–	(249)	–
- Provision for diminution in the value of investments	90,473	684	–	91,157
- Provision against advances, other assets, etc.	120,977	11,155	–	132,132
- Deficit on revaluation of investments	35,976	–	122,423	158,399
- Net investment in finance lease	6,819	14,055	–	20,874
- Tax losses carried forward	1,058	–	–	1,058
- Preliminary expenses	1,369	(684)	–	685
- Lease liability against right-of-use asset	36,553	(11,959)	–	24,594
- Capital loss on investments	5,746	(5,746)	–	–
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	62,001	(62,001)	–	–
- Provision for bonus	7,281	4,350	–	11,631
	368,502	(50,146)	122,174	440,530
Taxable temporary differences on:				
- Post retirement employee benefits	–	–	(2,541)	(2,541)
- Amortisation of discount on investments	(139,977)	69,586	–	(70,391)
- Accelerated tax depreciation	(3,058)	1,508	–	(1,550)
- Right-of-use assets	(31,015)	1,821	–	(29,194)
	(174,050)	72,915	(2,541)	(103,676)
	194,452	22,769	119,633	336,854

13 OTHER ASSETS

	Note	2021	2020
		(Rupees in '000)	
Income / mark-up accrued in local currency		**656,404**	656,941
Advances, deposits, advance rent and other prepayments		**24,141**	14,214
Advance taxation (payments less provisions)		**806,925**	665,035
Advance against subscription of term finance certificates		**70,500**	150,000
Receivable against sale of shares		**56,317**	65,406
Receivable against advisory fee		**34,183**	38,983
Receivable from related parties		**7,746**	1,024
Non-banking asset acquired in satisfaction of claims	13.1	**–**	–
Receivable from defined benefit plan - related party	34	**8,126**	10,609
Others		**–**	699
		1,664,342	1,602,911
Less: Provision held against other assets	13.2	**(2,611)**	–
		1,661,731	1,602,911

13.1 Non-banking asset acquired in satisfaction of claims

	Note	2021	2020
Opening balance		**–**	106,215
Additions during the year		**–**	–
Transfer to assets classified as held-for-sale	14	**–**	(77,690)
Disposals during the year		**–**	(28,525)
Closing balance		**–**	–

13.1.1 Gain on disposal of non-banking assets during the year

	2021	2020
Disposal proceed	**–**	33,524
Less: cost	**–**	(28,525)
	–	4,999

13.2 Provision held against other assets

	2021	2020
Income / mark-up accrued in local currency	**2,611**	–

13.2.1 Movement in provision held against other assets

	2021	2020
Opening balance	**–**	–
Charge for the year	**2,611**	–
Reversals	**–**	–
Amount Written off	**–**	–
Closing balance	**2,611**	–

14 ASSETS CLASSIFIED AS HELD-FOR-SALE

	Note	2021	2020
		(Rupees in '000)	
Land, building and machinery acquired from:			
Sufi Steel Industries (Private) Limited		**387,745**	387,745
Lion Steel Industries (Private) Limited		**129,023**	86,111
Orbit Developers (Private) Limited		**–**	29,050
Atlas Cables (Private) Limited	13.1	**–**	77,690
Total assets classified as held-for-sale	14.1 & 14.2	**516,768**	580,596

14.1 These represent land, building and machinery which have been classified as 'non-current assets as held for sale' as at December 31, 2021. The Holding Company acquired these assets by settling total outstanding principal and mark-up of Rs 454 million and Rs 62 million respectively. It is expected that the process of sale of these assets will be completed in the near future.

14.2 Movement of assets classified as held for sale:

	Note	2021	2020
		(Rupees in '000)	
Opening		**580,596**	387,745
Additions		**42,912**	122,827
Transfers		**–**	77,690
Disposals		**(106,740)**	(7,666)
Closing		**516,768**	580,596

15 BORROWINGS

	Note	2021	2020
Secured			
Borrowings from State Bank of Pakistan under:			
- Long-Term Finance Facility (LTFF) scheme	15.2	**5,130,003**	5,249,794
- Power Plants Using Renewable Energy (PPRE) scheme	15.3	**65,567**	104,562
- Finance for Storage of Agriculture Produce (FSAP) scheme	15.4	**148,887**	213,492
- Temporary Economic Refinance Facility (TERF)	15.5	**742,405**	156,759
- COVID - 19 Scheme	15.6	**8,000**	–
- Credit Guarantee (CGS) Scheme	15.7	**53,119**	20,999
- Special Persons (SP) Scheme	15.8	**3,850**	2,425
- Balancing, Modernization & Replacement (BMR) scheme	15.9	**97,991**	20,602
		6,249,822	5,768,633
Repurchase agreement borrowings	15.10	**19,495,978**	7,391,858
Borrowings from banks	15.11	**10,262,441**	12,162,316
Total secured		**36,008,241**	25,322,807
Unsecured			
Letters of placement	15.12	**4,237,583**	2,107,623
		40,245,824	27,430,430

15.1 Particulars of borrowings with respect to currencies

	2021	2020
	(Rupees in '000)	
In local currency	**40,245,824**	27,430,430
In foreign currencies	**–**	–
	40,245,824	27,430,430

15.2 The Holding Company has entered into agreements for financing with the SBP for Long-Term Financing under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Holding Company at the due date by directly debiting the current account maintained by the Holding Company with the SBP. The rate of return ranges from 2% to 6% per annum (2020: 2.00% to 6.00% per annum). These are secured against demand promissory notes and are repayable within 9 years (2020: 10 years).

15.3 These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at rates ranging from 2.00% to 5.00% per annum (2020: 2.00% to 3.00% per annum) and are due to mature latest by June 30, 2026 (June 30, 2025). As per the terms of the agreement, the Holding Company has granted the SBP a right to recover the outstanding amount from the Holding Company at the respective date of maturity of finances by directly debiting the current account of the Holding Company maintained with the SBP.

15.4 These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rates ranging from 3% to 4% per annum (2020: 3% to 4% per annum) and are due to mature latest by January 31, 2025.

15.5 These represent borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1% to 2% per annum (2020: 1% per annum) payable on quarterly basis, with maturities upto December, 2031 (2020: September, 2030). As per the terms of the agreement, the Holding Company has granted the SBP a right to recover the outstanding amount from the Holding Company at the respective date of maturity of finances by directly debiting the current account of the Holding Company maintained with the SBP.

15.6 In accordance with the refinance facility for combating COVID-19, the Holding Company has entered into agreements for financing with the SBP for extending medical equipment finances to the customers. The average profit rate on this facility is 0% (2020: Nil) with maturities upto October 2025. As per the agreements, the Holding Company has granted the SBP the right to recover the outstanding amounts from the Holding Company at the date of maturity of the finances by directly debiting the current account maintained by the Holding Company with the SBP.

15.7 These represent borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2020: 0% per annum) payable on quarterly basis, with maturities upto November, 2026 (2020: November, 2025). As per the terms of the agreement, the Holding Company has granted the SBP a right to recover the outstanding amount from the Holding Company at the respective date of maturity of finances by directly debiting the current account of the Holding Company maintained with the SBP.

15.8 These represent financing facilities to special persons to meet credit needs for setting up of new business enterprises or for expansion of existing ones and claim refinance from State Bank of Pakistan up to 100% of finance extended by them. The spread is capped at 5% per annum (2020: 5% per annum) by SBP whereas SBP's refinance rate for this facility is 0% per annum (2020: 0% per annum) . In case of default of the counterparty, upto 60% of principal is covered by SBP. As per the terms of the agreement, the Holding Company has granted the SBP a right to recover the outstanding amount from the Holding Company at the respective date of maturity of finances by directly debiting the current account of the Holding Company maintained with the SBP.

15.9 These represent borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% to 2% per annum (2020: 1% per annum) payable on quarterly basis, with maturities upto December, 2026 (2020: July, 2025). As per the terms of the agreement, the Holding Company has granted the SBP a right to recover the outstanding amount from the Holding Company at the respective date of maturity of finances by directly debiting the current account of the Holding Company maintained with the SBP.

15.10 These represent borrowings from various financial institutions at mark-up rates ranging from 10.01% to 10.75% per annum (2020: 7.00% to 7.03% per annum). Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 11,400 million (2020: Nil) and Rs. 9,200 million (2020: Rs. 1,200 million) have been given as collateral against these borrowings respectively.

15.11 These borrowings carry mark-up at rates ranging from 7.79% to 11.65% per annum (2020: 7.45% to 7.80% per annum) and are repayable within 3 years (2020: 3 years). These are secured against hypothecation of receivables and floating charge over term finance certificates having a face value of Rs. 760 million (2020: 740 million).

15.12 Particulars of borrowings

	2021		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Staff retirement funds	**9.00**	**14.00**	**1 year**
- Other related parties	**7.10**	**7.10**	**1 month**
- Others	**8.25**	**9.60**	**3 months**

	2020		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Staff retirement funds	7.10	14.00	3 years
- Others	6.50	7.50	6 months

16 DEPOSITS AND OTHER ACCOUNTS

		2021			2020		
	Note	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		(Rupees in '000)					
Customers							
- Certificate of investments (COIs)	16.1	**50,000**	**–**	**50,000**	830,000	–	830,000

16.1 Composition of deposits

	2021	2020
	(Rupees in '000)	
- Public sector entities	**–**	500,000
- Private sector	**50,000**	330,000
	50,000	830,000

17 OTHER LIABILITIES

	Note	2021	2020
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**200,945**	158,401
Unearned commission and income on bills discounted		**26,283**	30,085
Accrued expenses		**106,364**	95,212
Brokerage / commission payable		**1,266**	1,401
Payable against purchase of shares		**89,311**	100,456
Lease liability against right-of-use assets		**44,361**	141,069
Security deposits against advances		**663,403**	561,111
Provision for Worker's Welfare Fund		**140,581**	125,546
Sindh sales tax payable on modaraba management fee	17.1	**9,835**	8,716
Taxation payable		**19,293**	1,102
Unclaimed dividend		**186**	184
Advance from customers		**13,293**	63,596
Payable to related party		**2,226**	–
Others		**12,847**	8,264
		1,330,194	1,295,143

17.1 AMML has recorded a provision in respect of Sindh Sales Tax (SST) on management fee at the rate of 14% per annum from July 1, 2015 to June 30, 2016 and at the rate of 13% subsequently. However, certain other Modaraba Management Companies have filed petitions in the Sindh High Court (SHC) challenging the orders passed by various income tax authorities regarding the applicability of tax on modaraba management company's remuneration which is currently pending adjudication. In view of the pendency of such matter with the SHC, AMML has not recovered from Awwal modaraba and has, hence, not paid / discharged SST on management fee. However, a full provision has been maintained there against in these consolidated financial statements.

18 SHARE CAPITAL

18.1 Authorised capital

2021	2020		2021	2020
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

18.2 Issued, subscribed and paid-up capital

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

18.3 As at December 31, 2021, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2020: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2020: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2021	2020
		(Rupees in '000)	
Deficit on revaluation of			
- Available-for-sale securities	8.2	**(1,453,808)**	(551,319)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		**377,197**	158,399
		(1,076,611)	(392,920)
19.1 Movement in revaluation of assets			
Deficit on revaluation as at January 01		**(551,319)**	(186,875)
Revaluation deficit recognised during the year		**(902,489)**	(364,444)
Deficit on revaluation as at December 31		**(1,453,808)**	(551,319)
Less: related deferred tax asset on			
- Revaluation as at January 01		**158,399**	35,977
- Revaluation recognised during the year		**218,798**	122,422
		377,197	158,399
Deficit on revaluation of assets - net of tax		**(1,076,611)**	(392,920)

20 CONTINGENCIES AND COMMITMENTS

	Note	2021	2020
- Guarantees	20.1	**1,098,728**	980,103
- Commitments	20.2	**20,686,758**	11,244,892
- Other contingent liabilities	20.3	**–**	–
		21,785,486	12,224,995
20.1 Guarantees			
Financial guarantees		**1,098,728**	980,103
20.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		**374,020**	323,157
Commitments in respect of:			
- repo transactions	20.2.1	**19,574,994**	7,908,009
- forward lendings	20.2.2	**694,630**	2,263,726
- forward shares	20.2.3	**43,114**	–
Other commitments		**–**	750,000
		20,686,758	11,244,892
20.2.1 Commitments in respect of repo transactions			
Repurchase of government securities		**19,574,994**	7,399,831
Reverse repurchase of government securities		**–**	508,178
		19,574,994	7,908,009

20.2.2 Commitments in respect of forward lendings

	2021	2020
	(Rupees in '000)	
Undrawn formal standby facilities, credit lines and other commitments to lend	**694,630**	2,263,726

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

20.2.3 Commitments in respect of forward shares transactions

	2021	2020
	(Rupees in '000)	
Sale	**43,114**	–

20.3 Other contingent liabilities

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

20.3.2 The returns of income of the Holding Company from tax years 2008 to 2021 had been filed with the tax authorities. From tax year 2008 upto tax year 2021, these returns have been revised and additional tax demands have been raised of which Rs. 782.07 million are outstanding as at December 31, 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 Holding Company is contesting these demands and appeals have been filed by the Holding Company against the same which are pending adjudication at various legal and appellate forums. The Holding Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 13). The management is confident that the matters will eventually be decided in favour of the Holding Company and that the Holding Company will be able to adjust amounts in respect of matters decided against the Holding Company (if any) against the tax refunds currently being claimed by it.

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

21 MARK-UP / RETURN / INTEREST EARNED

	Note	2021	2020
		(Rupees in '000)	
On:			
a) Loans and advances		**1,359,268**	1,662,477
b) Investments		**2,132,078**	2,120,949
c) Lendings to financial institutions		**29,009**	123,690
d) Sub-lease of premises		**–**	205
e) Balances with banks		**4,315**	9,197
		3,524,670	3,916,518

22 MARK-UP / RETURN / INTEREST EXPENSED

	2021	2020
Deposits	**16,860**	57,539
Interest expense on lease liability against right-of-use assets	**8,193**	11,998
Borrowings	**2,435,515**	2,802,120
	2,460,568	2,871,657

23 FEE AND COMMISSION INCOME

	2021	2020
Advisory / arrangement fee	**18,272**	3,100
Processing fee income	**11,506**	5,616
Participation fee	**2,250**	–
Commitment fee	**8,468**	11,479
Trustee fee	**55,037**	58,575
	95,533	78,770

24 GAIN ON SECURITIES

	Note	2021	2020
Realised	24.1	**124,415**	448,118
Unrealised - held for trading		**1,030**	–
		125,445	448,118

24.1 Realised gain / (loss) on:

	2021	2020
Federal government securities	**58,817**	548,345
Shares	**49,156**	(104,298)
Non-government debt securities	**353**	(280)
Commercial paper	**6**	44
Mutual funds	**16,083**	4,307
	124,415	448,118

25 OTHER INCOME

	Note	2021	2020
		(Rupees in '000)	
Rent on property		**705**	392
Gain on sale of non-banking assets	13.1.1	**–**	4,999
Gain / (loss) on sale of non current asset held for sale		**2,221**	(2,449)
(Loss) / gain on modification of lease liability		**(317)**	3,187
Gain on sale of fixed assets - net		**285**	1,745
Others		**1,202**	511
		4,096	8,385

26 OPERATING EXPENSES

	Note	2021	2020
Total compensation expense	26.1	**327,828**	327,110
Property expense			
Rent and taxes		**885**	2,171
Insurance		**6,836**	5,902
Security		**5,298**	1,569
Utilities cost		**2,122**	4,733
Repairs and maintenance (including janitorial charges)		**7,571**	7,070
Depreciation	10.1	**44,909**	37,517
		67,621	58,962
Information technology expenses			
Software maintenance		**2,826**	5,439
Hardware maintenance		**713**	819
Depreciation	10.1	**3,817**	4,131
Amortisation	11.1	**3,561**	1,197
		10,917	11,586
Other operating expenses			
Directors' fees and allowances		**8,682**	8,390
Fees and subscription		**4,259**	3,807
Legal and professional charges		**30,052**	17,963
Travelling and conveyance		**30,994**	26,912
Brokerage commission		**13,078**	14,344
Depreciation	10.1	**8,735**	9,376
Training and development		**1,548**	513
Postage and courier charges		**758**	1,012
Communication		**4,826**	4,672
Stationery and printing		**1,878**	1,326
Marketing, advertisement and publicity		**334**	176
Donations	26.3	**3,500**	5,000
Auditors' remuneration	26.4	**2,856**	3,987
Others		**3,808**	4,909
Provision for Sindh sales tax on management company's remuneration	17.1	**614**	1,535
		115,922	103,922
		522,288	501,580

26.1 Managerial Remuneration

	Note	2021	2020
		(Rupees in '000)	
Fixed		**180,040**	179,990
Contractual Staff			
Contractual staff: In-house		**17,382**	17,297
Salaried outsourced staff		**7,078**	6,567
		24,460	23,864
Other benefits			
Cash bonus / awards		**68,721**	66,833
Charge for defined benefit plan		**8,307**	10,112
Contribution to defined contribution plan		**11,704**	11,697
Medical		**7,273**	6,793
Fuel reimbursement		**11,185**	12,350
Leave fare assistance		**12,981**	11,826
Leave encashment		**–**	925
Others		**3,157**	2,720
		123,328	123,256
Total compensation expense		**327,828**	327,110

26.2 The Group does not have any material outsourcing arrangements.

26.3 Details of donations

		2021	2020
Donations individually exceeding Rs 500,000			
Prime Minister's COVID - 19 relief fund		**–**	5,000
Institute of Business Administration		**2,000**	–
Friends of Burn Centre Patients Welfare Society		**1,500**	–
Donations individually not exceeding Rs 500,000		**–**	–
		3,500	5,000

26.4 Auditors' remuneration

		2021	2020
Audit fee for annual financial statements		**1,518**	1,315
Half yearly review fee		**563**	512
Special certifications and sundry advisory services		**473**	1,888
Out-of-pocket expenses		**302**	272
		2,856	3,987

27 OTHER CHARGES

	Note	2021	2020
Penalties imposed by the State Bank of Pakistan	27.1	10,947	–

27.1 This penalty was imposed by State Bank of Pakistan (SBP) for violation of provisions of Prudential Regulations, Banking ordinance, 1962 and directives issued by SBP.

28 PROVISION FOR WORKERS' WELFARE FUND

	Note	2021	2020
		(Rupees in '000)	
Provision for Workers' Welfare Fund	28.1	**15,035**	24,914

28.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in these consolidated financial statements amounting to Rs 140.581 million which includes a provision of Rs 15.035 million for the current year.

29 PROVISIONS AND WRITE OFFS – NET

	Note	2021	2020
		(Rupees in '000)	
(Reversal of provision) / provision against investments - net	8.4.1	**(52,835)**	4,562
Provisions against loans and advances	9.5	**134,781**	37,456
Provisions against income / mark-up accrued in local currency		**2,611**	–
		84,557	42,018

30 TAXATION

	Note	2021	2020
Current	30.1	**202,224**	336,744
Prior years		**50,963**	31,753
Deferred		**5,823**	(22,769)
		259,010	345,728

30.1 Current tax charge for the year represents tax deducted on capital gains, minimum tax and tax liability under fixed tax regime.

30.2 Relationship between tax expense and accounting profit

	2021	2020
	(Rupees in '000)	
Accounting profit before tax	**707,486**	1,042,333
Tax rate	**29%**	29%
Tax on accounting profit	**205,171**	302,277
Tax effect of:		
Income chargeable to tax at special rate	**4,764**	(5,421)
Income exempt from tax	**–**	17,565
Permanent differences	**3,175**	6,826
Prior year charge	**50,963**	31,753
Others	**(5,063)**	(7,272)
	259,010	345,728

31 EARNINGS PER SHARE - BASIC AND DILUTED

31.1 Basic earnings per share

	2021	2020
	(Rupees in '000)	
Profit for the year after taxation attributable to equity holders of the Holding Company	**448,424**	696,446
	Number of shares	
Weighted average number of ordinary shares (in '000)	**600,000**	600,000
	Rupees	
Basic earnings per share	**0.75**	1.16

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

32 CASH AND CASH EQUIVALENTS

	Note	2021	2020
		(Rupees in '000)	
Cash and balance with treasury banks	5	**122,856**	168,197
Balance with other banks	6	**291,710**	631,457
Term deposits receipts	7	**2,000,000**	–
		2,414,566	799,654

33 STAFF STRENGTH

	2021	2020
	(Number)	
Permanent	**71**	75
On contract	**22**	22
Outsourced	**20**	18
Own staff strength at the end of the year	**113**	115

33.1 This includes 20 (2020:18) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

34 DEFINED BENEFIT PLAN

34.1 General description
As mentioned in note 4.14, the Holding Company, Awwal Modaraba and Awwal Modaraba Management Limited operate a funded gratuity scheme for all its permanent employees. During the year ended December 31, 2020, Awwal Modaraba and Awwal Modaraba Management Limited had converted their unfunded scheme to funded scheme. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier of cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

34.2 Number of employees under the defined benefit plan

	2021	2020
	(Number)	
The number of employees covered under the defined benefit plan as at December 31	76	76

34.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
	Per annum	
Discount rate	11.75%	9.75%
Expected rate of salary increase	10.75% - 11.75%	8.75% - 9.75%

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

	Note	2021	2020
		(Rupees in '000)	
Present value of obligation	34.6	**71,677**	77,003
Fair value of plan assets	34.7	**(79,803)**	(87,612)
Receivable		**(8,126)**	(10,609)

34.5 Movement in defined benefit obligations

	Note	2021	2020
Obligations at the beginning of the year		**(10,609)**	(717)
Conversion of unfunded scheme to funded scheme during the year		**–**	12,484
Current service cost	34.8.1	**6,801**	10,112
Actual contributions		**(3,424)**	(17,036)
Benefits paid to outgoing members		**(2,748)**	(4,354)
Re-measurement loss / (gain) recognised in OCI		**1,854**	(11,098)
Obligation at the end of the year		**(8,126)**	(10,609)

34.6 Movement in payable under defined benefit scheme

	Note	2021	2020
Opening balance		**77,003**	61,582
Conversion of unfunded scheme to funded scheme during the year		**–**	12,484
Charge for the year		**8,307**	8,683
Interest cost on defined benefit obligation		**5,538**	8,360
Re-measurement loss / (gain) recognised in OCI during the year	34.8.2	**1,685**	(9,752)
Benefits paid to outgoing members		**(20,856)**	(4,354)
Closing balance		**71,677**	77,003

34.7 Movement in fair value of plan assets

	Note	2021	2020
		(Rupees in '000)	
Fair value at the beginning of the year		**87,612**	62,299
Interest income on plan assets		**7,044**	6,931
Contributions - net		**3,424**	17,036
Actual benefits paid from the fund during the year		**(18,108)**	–
Re-measurement (loss) / gain	34.8.2	**(169)**	1,346
Fair value at the end of the year		**79,803**	87,612

34.8 Charge for defined benefit plan

34.8.1 Cost recognised in consolidated profit and loss account

	2021	2020
Current service cost	**8,307**	8,683
Net interest income on defined benefit asset / liability	**(1,506)**	(82)
	6,801	8,601

34.8.2 Re-measurements recognised in OCI during the year

	2021	2020
Loss / (gain) on obligation		
- financial assumptions	**170**	(197)
- experience adjustments	**1,515**	(9,555)
	1,685	(9,752)
Return on plan assets over interest income	**169**	(1,346)
Total re-measurements gain recognised in OCI	**1,854**	(11,098)

34.9 Components of plan assets

	2021	2020
Cash and cash equivalents - net	**34,215**	17,039
Government securities	**45,588**	70,573
Mutual funds	**–**	–
	79,803	87,612

34.9.1 Description of risks

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

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

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

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

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

34.10 Sensitivity analysis

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

	2021	2020
	(Rupees in '000)	
1% increase in discount rate	**11,073**	(14,701)
1% decrease in discount rate	**(10,338)**	14,235
1 % increase in expected rate of salary increase	**10,381**	14,284
1 % decrease in expected rate of salary increase	**(11,169)**	(14,819)

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

	(Rupees in '000)
34.11 Expected contributions to be paid to the fund in the next financial year	6,451

34.12 The expected charge for the next financial year commencing January 1, 2021 works out to Rs 6.451 million (2020: Rs 8.502 million).

34.13 Maturity profile

The weighted average duration of the obligation is 7.47 years (2020: 8.4 years).

34.14 Funding policy

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

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

35 DEFINED CONTRIBUTION PLANS

35.1 The Holding Company, Awwal Modaraba, PLL and AMML operates provident fund schemes for all their permanent employees. Equal monthly contributions at the rate of 10% per annum (2020: 10% per annum) of basic salaries are made both by the Holding Company, Awwal modaraba, PLL and AMML and employees. Contributions made to the provident fund during the year are as follows:

	2021	2020
	(Rupees in '000)	
Contribution made by the Holding Company, Awwal modaraba, PLL and AMML	**11,704**	11,697
Contribution made by employees	**11,704**	11,697
	23,408	23,394

35.2 Details in respect of defined contribution plans of the subsidiaries are provided in note 4.14.2.

36 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

(Rupees in '000)

	2021					
	Directors					
Items	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	1,600	–	3,200	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	23,976	95,029	91,727
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	16,798	29,848	33,863
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	–	799	–
Contribution to defined contribution plan	–	–	–	1,654	4,918	4,295
Rent & house maintenance	–	–	–	–	794	138
Utilities	–	–	–	–	–	–
Medical	–	–	–	2,267	1,885	4,209
Conveyance	–	–	–	–	46	86
Others						
- LFA	–	–	–	3,761	6,461	7,949
- TDA	–	–	–	32	75	108
- Fuel	–	–	–	475	5,087	4,802
- Leave encashment	–	–	–	–	–	–
- Mobile reimbursement	–	–	–	43	401	364
- others	–	–	–	728	680	1,527
Total	1,600	–	3,200	49,734	146,023	149,068
Number of persons	1	–	3	1	18	8

(Rupees in '000)

Items	2020					
		Directors				
	Chairman	Executives (other than CEO)	Non-Executive	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	2,000	–	3,600	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	22,200	90,672	105,885
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	5,550	20,987	24,593
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	1,333	8,890	4,900
Contribution to defined contribution plan	–	–	–	1,531	4,037	5779
Rent & house maintenance	–	–	–	–	–	–
Utilities	–	–	–	–	–	3,333
Medical	–	–	–	916	1,895	–
Conveyance	–	–	–	–	–	–
Others	–	–	–	–	–	3,882
- LFA	–	–	–	–	5,256	157
- TDA	–	–	–	102	55	4,734
- Fuel	–	–	–	202	4,176	925
- others	–	–	–	925	–	801
	–	–	–	333	459	763
Total	2,000	–	3,600	33,092	136,426	155,752
Number of persons	1	–	3	1	18	8

The term "Key Management Personnel" means any executive or key executive reporting directly to the CEO / President.

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

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

(Rupees in '000)

Sr. No.	Name of Director	2021				
		Meeting Fees and Allowances Paid				
			For Board Committees			
		For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	**1,600**	**–**	**–**	**–**	**1,600**
2	Mr. Arif Ahmed Khan	**1,600**	**–**	**–**	**–**	**1,600**
3	Mr. Edzwan Zukri Adanan	**1,600**	**–**	**–**	**–**	**1,600**
	Total Amount Paid	**4,800**	**–**	**–**	**–**	**4,800**

(Rupees in '000)

Sr. No.	Name of Director	2020				
		Meeting Fees and Allowances Paid				
			For Board Committees			
		For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	2,000	–	–	–	2,000
2	Mr. Arif Ahmed Khan	2,000	–	–	–	2,000
3	Mr. Edzwan Zukri Adanan	1,600	–	–	–	1,600
	Total Amount Paid	**5,600**	**–**	**–**	**–**	**5,600**

37 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, 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.

37.1 Fair value of financial assets

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

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

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

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

Valuation techniques and inputs used in determination of fair values

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

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

(Rupees in '000)

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	21,409,558	–	21,409,558
Shares	821,917	–	–	821,917
Non-Government debt securities	–	2,141,853	–	2,141,853
Units of mutual funds	–	29,045	–	29,045
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	19,574,994	–	19,574,994

(Rupees in '000)

	2020			
	Level 1	Level 2	Level 3	Total
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
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	7,908,009	–	7,908,009

38 SEGMENT INFORMATION

38.1 Segment details with respect to business activities

(Rupees in '000)

	2021			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit and Loss Account				
Net mark-up / return / profit	–	597,005	467,097	1,064,102
Non mark-up / return / interest income	72,065	180,679	23,467	276,211
Total income	72,065	777,684	490,564	1,340,313
Total expenses	26,091	347,215	174,964	548,270
Provisions	–	(44,561)	129,118	84,557
Profit before tax	45,974	475,030	186,482	707,486
Consolidated Statement of Financial Position				
Cash and bank balances	11,197	136,968	266,401	414,566
Investments	–	24,272,311	179,920	24,452,231
Lendings to financial institutions	–	2,000,000	78,487	2,078,487
Advances - performing	–	903,709	20,766,808	21,670,517
Advances - non-performing	–	17,397	504,456	521,853
Others	3,409	2,044,752	758,183	2,806,344
Total assets	14,606	29,375,137	22,554,255	51,943,998
Borrowings	–	24,177,900	16,067,924	40,245,824
Deposits & other accounts	–	30,009	19,991	50,000
Others	–	702,451	627,743	1,330,194
Total liabilities	–	24,910,360	16,715,658	41,626,018
Equity	14,606	4,464,777	5,838,597	10,317,980
Total equity and liabilities	14,606	29,375,137	22,554,255	51,943,998
Contingencies and commitments	–	20,312,738	1,472,748	21,785,486

(Rupees in '000)

	2020			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit and Loss Account				
Net mark-up / return / profit	20,078	615,379	409,404	1,044,861
Non mark-up / return / interest income	80,740	485,244	–	565,984
Total income	100,818	1,100,623	409,404	1,610,845
Total expenses	59,214	321,218	146,062	526,494
Provisions	–	10,823	31,195	42,018
Profit before tax	41,604	768,582	232,147	1,042,333
Consolidated 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
Advances - 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

38.2 Segment details with respect to geographical location

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

39 TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / sukuk issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Holding Company is registered as a Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2017 (DST Regulations, 2017) issued by the SECP.

Presently, the Holding Company is acting as a Trustee and Investment Agent to fifty-one (51) debt securities issued by Agha Steel Industries Limited, Agritech Limited, Airlink Communication Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, Dubai Islami Bank Pakistan Limited, Engro Polymer & Chemicals Limited, Habib Bank Limited, HUB Power Holding Company Limited, HUBCO Power Company Limited, International Brands Limited, Jahangir Siddiqui & Company Limited, Javedan Corporation Limited, JS Bank Limited, JS Global Capital Limited, K-Electric Limited, Khushali Microfinance Bank Limited, Neelum Jhelum Hydro Power Company (Private) Limited, Next Capital Limited, Pak Elektron Limited, Pakistan Services Limited, Secure Logistics Group, Silk Bank Limited, Sindh Nooriabad Power Company Ph. (II) Pvt. Limited, Sindh Nooriabad Power Company (Pvt.) Limited, Soneri Bank Limited, Summit Bank Limited, Telecard Limited, The Bank of Punjab, U Microfinance Bank Limited, and WAPDA Dasu Hydro Power Project. The combined value of debt securities as at December 31, 2021 amounted to Rs. 386,557 million (2020: Rs. 428,294 million).

40 RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employees' defined benefit and defined contribution plans, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 34 and 35 to these consolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to chief executive, directors and executives is disclosed in note 36 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

	2021			2020		
	Directors	**Key management personnel**	**Other related parties**	Directors	Key management personnel	Other related parties
Lendings						
Opening balance	–	–	–	–	–	–
Addition during the year	–	–	109,511	–	–	–
Repaid during the year	–	–	(109,511)	–	–	–
Transfer in / (out) - net	–	–	–	–	–	–
Closing balance	–	–	–	–	–	–
Investments						
Opening balance	–	–	–	–	–	–
Investment made during the year	–	–	39,277	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–
Closing balance	–	–	39,277	–	–	–
Advances						
Opening balance	–	92,939	–	–	80,719	–
Addition during the year	–	24,307	300,000	–	4,845	–
Repaid during the year	–	(67,600)	(150,000)	–	(19,868)	–
Transfer in / (out) - net	–	40,631	–	–	27,243	–
Closing balance	–	90,277	150,000	–	92,939	–
Other assets						
Interest / mark-up accrued	–	–	52	–	–	–
Receivable from defined benefit plan	–	–	8,126	–	–	10,609
Others	–	–	23,082	–	–	–
	–	–	31,259	–	–	–
Borrowings						
Opening balance	–	–	72,723	–	–	66,014
Borrowings during the year	–	–	1,240,360	–	–	37,427
Settled during the year	–	–	(1,121,928)	–	–	(62,185)
Closing balance	–	–	191,155	–	–	41,256
Other liabilities						
Interest / mark-up payable	–	–	2,214	–	–	1,209
Others	–	–	749	–	–	–
	–	–	2,963	–	–	1,209
Income						
Mark-up / return / interest earned	–	5,748	15,616	–	3,739	313
Expense						
Mark-up / return / interest paid	–	–	15,815	–	–	9,387
Operating expenses	3,200	114,164	–	9,190	164,913	–
Reimbursement of expenses	–	6,204	7,086	–	4,257	–
Expenses charged	–	–	8,772	–	–	–

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	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	**9,368,301**	9,137,523
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	**9,368,301**	9,137,523
Eligible Tier 2 Capital	–	–
Total Eligible Capital (Tier 1 + Tier 2)	**9,368,301**	9,137,523
Risk Weighted Assets (RWAs):		
Credit Risk	**21,473,594**	21,814,144
Market Risk	**5,052,444**	5,796,867
Operational Risk	**2,290,118**	2,210,082
Total	**28,816,156**	29,821,093
Common Equity Tier 1 Capital Adequacy ratio	**32.51%**	30.64%
Tier 1 Capital Adequacy Ratio	**32.51%**	30.64%
Total Capital Adequacy Ratio	**32.51%**	30.64%

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

The paid-up capital and CAR of the Group stands at Rs. 6 billion and 32.51% of its risk weighted exposure as at December 31, 2021.

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

	2021	2020
Notional minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**11.50%**	11.50%

	2021	2020
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**9,368,301**	9,137,523
Total Exposures	**53,072,617**	43,127,457
Leverage Ratio - percentage	**17.65%**	21.19%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**11,216,690**	9,207,538
Total Net Cash Outflow	**11,713,912**	7,900,138
Liquidity Coverage Ratio - percentage	**95.76%**	116.55%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**21,834,760**	21,586,084
Total Required Stable Funding	**19,904,685**	19,210,958
Net Stable Funding Ratio - percentage	**109.70%**	112.36%

41.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2021/03/BaselIII2020Disclosure-Consolidated.pdf

42 RISK MANAGEMENT

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

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

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group.

Liquidity risk The risk that the Group is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

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

Reputational risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

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

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

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

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

The Group manages 3 principal sources of credit risk:

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

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

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

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

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

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

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

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

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

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

42.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**2,078,487**	556,679	**–**	–	**–**	–
	2,078,487	556,679	**–**	–	**–**	–

42.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**58,320**	–	**58,320**	58,320	**58,320**	58,320
Textile	**42,920**	–	**42,920**	45,514	**42,920**	45,514
Electronics and electrical appliances	**155,358**	–	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	–	**43,641**	43,641	**43,641**	43,641
Transport, Storage and Communication	**15,840**	42,764	**15,840**	16,135	**15,840**	16,135
Financial	**2,133,893**	2,594,560	**–**	–	**–**	–
	2,449,972	2,637,324	**266,221**	269,110	**266,221**	269,110
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**2,449,972**	2,637,324	**266,221**	269,110	**266,221**	269,110
	2,449,972	2,637,324	**266,221**	269,110	**266,221**	269,110

42.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
Credit risk by industry sector						
Agriculture, forestry, hunting And fishing	**156,685**	315,543	**–**	–	**–**	–
Textile	**4,337,641**	4,476,903	**21,485**	23,981	**16,664**	21,971
Chemical and pharmaceuticals	**3,438,263**	3,179,465	**–**	–	**–**	–
Cement	**1,000,000**	1,400,000	**–**	–	**–**	–
Sugar	**715,681**	854,943	**21,998**	21,998	**4,821**	–
Automobile and transportation equipment	**284,348**	321,911	**1,143**	3,832	**1,143**	2,497
Electronics and electrical appliances	**1,447,892**	1,585,361	**411,937**	411,937	**13,804**	–
Construction	**864,606**	667,131	**–**	–	**–**	–
Power (Electricity), gas, water, sanitary	**3,836,083**	2,790,958	**138,073**	138,073	**92,278**	47,384
Wholesale and retail trade	**141,172**	319,629	**71,421**	65,457	**59,700**	61,439
Transport, storage And communication	**521,223**	163,219	**–**	–	**–**	–
Financial	**94,970**	56,639	**6,083**	–	**3,811**	–
Services	**159,426**	221,420	**–**	–	**–**	–
Individuals	**1,073,848**	1,099,342	**591**	591	**591**	148
Packaging	**13,536**	231,246	**10,791**	–	**2,698**	–
Engineering	**1,830,724**	1,727,561	**312,227**	307,859	**290,736**	280,875
Food and beverages	**2,291,929**	532,968	**6,270**	6,270	**6,270**	6,270
Steel and engineering	**35,000**	302,214	**–**	–	**–**	–
Information Technology	**25,021**	950,000	**–**	–	**–**	–
Others	**500,625**	138,249	**16,859**	3,890	**4,509**	2,858
	22,768,673	21,334,702	**1,018,878**	983,888	**497,025**	423,442
Credit risk by public / private sector						
Public / Government	**20,656**	11,622	**–**	–	**–**	–
Private	**22,748,017**	21,323,080	**1,018,878**	983,888	**497,025**	423,442
	22,768,673	21,334,702	**1,018,878**	983,888	**497,025**	423,442

42.1.4 Contingencies and Commitments

	2021	2020
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, forestry, hunting And fishing	–	5,000
Textile	449,120	101,127
Chemical and pharmaceuticals	47,524	589,099
Construction	98,728	480,103
Power (Electricity), gas, water, sanitary	1,304,000	1,623,157
Transport, storage and communication	–	–
Financial	19,675,492	8,658,009
Services	18,000	–
Packaging	107,466	260,000
Engineering	9,745	–
Food and beverages	29,797	508,500
Steel and engineering	2,500	–
Others	43,114	–
	21,785,486	12,224,995
Credit risk by public / private sector		
Public / Government	18,614,537	4,237,001
Private	3,170,949	7,987,994
	21,785,486	12,224,995

42.1.5 Concentration of advances

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

	2021	2020
	(Rupees in '000)	
Funded	7,598,140	6,745,912
Non Funded	1,318,276	1,520,908
Total Exposure	8,916,416	8,266,820

The sanctioned limits against these top 10 exposures aggregated to Rs.9,670 million (2020: Rs.9,684 million).

42.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

	2021				
		Utilisation			
	Disbursements	Punjab	Sindh	Balochistan	KPK
Province / Region					
Punjab	5,468,899	5,468,899	–	–	–
Sindh	8,403,031	–	8,403,031	–	–
KPK including FATA	10,000	–	–	–	10,000
Balochistan	1,800,000	–	–	1,800,000	–
Islamabad	–	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	15,681,930	5,468,899	8,403,031	1,800,000	10,000

(Rupees in '000)

	2020				
		Utilisation			
	Disbursements	Punjab	Sindh	Balochistan	KPK
Province / Region					
Punjab	3,566,932	3,566,932	–	–	–
Sindh	3,015,464	–	3,015,464	–	–
KPK including FATA	–	–	–	–	–
Balochistan	301,000	–	–	301,000	–
Islamabad	–	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	6,883,396	3,566,932	3,015,464	301,000	–

42.2 Market risk

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

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

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

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

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

(Rupees in '000)

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	122,856	–	122,856	168,197	–	168,197
Balances with other banks	291,710	–	291,710	631,457	–	631,457
Lendings to financial and other institutions	2,078,487	–	2,078,487	556,679	–	556,679
Investments	2,194,216	22,258,015	24,452,231	2,637,324	12,842,253	15,479,577
Advances	22,192,370	–	22,192,370	20,893,180	–	20,893,180
Fixed assets	74,321	–	74,321	153,954	–	153,954
Intangible assets	3,075	–	3,075	5,826	–	5,826
Deferred tax assets	550,449	–	550,449	336,854	–	336,854
Other assets	1,661,731	–	1,661,731	1,602,911	–	1,602,911
Assets classified as held-for-sale	516,768	–	516,768	580,596	–	580,596
	29,685,983	22,258,015	51,943,998	27,566,978	12,842,253	40,409,231

42.2.2 Foreign exchange risk

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

(Rupees in '000)

	2021				2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet	Net foreign currency	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet	Net foreign currency
United States Dollar	–	–	–	–	6	–	–	6
	–	–	–	–	6	–	–	6

(Rupees in '000)

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Consolidated profit and loss account	–	–	0.00006	–

42.2.3 Equity position risk

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

(Rupees in '000)

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Consolidated profit and loss account	–	(125)	–	–
- Other comprehensive income	–	(40,971)	–	(36,404)

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

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

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.
- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Group equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

(Rupees in '000)

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Consolidated profit and loss account	(77,980)	–	(138,365)	–
- Other comprehensive income	–	(357,800)	–	(453,411)

42.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	2021											
	Effective yield/ interest rate %	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks		122,856	–	–	–	–	–	–	–	–	–	122,857
Balances with other banks	2.33% to 9%	291,710	284,997	–	–	–	–	–	–	–	–	6,713
Lending to financial institutions	11.25% to 14%	2,078,487	2,000,000	–	78,487	–	–	–	–	–	–	–
Investments	6.99% to 15.93%	24,452,231	769,853	4,995,776	10,365,045	110,623	101,420	958,923	1,002,887	5,076,046	249,981	821,677
Advances	2.25% to 24.00%	22,192,370	9,267,970	4,448,003	1,270,569	1,092,062	1,091,015	1,042,992	2,469,162	1,226,743	233,674	50,180
Other assets		783,221	–	–	–	–	–	–	–	–	–	783,221
		49,920,875	12,322,820	9,443,779	11,714,101	1,202,685	1,192,435	2,001,915	3,472,049	6,302,789	483,655	1,784,648
Liabilities												
Borrowings	1.00% to 11.65%	40,245,824	22,384,030	7,982,272	3,406,387	965,094	1,421,162	1,328,818	1,495,946	1,262,115	–	–
Deposits and other accounts	11.25%	50,000	–	–	–	50,000	–	–	–	–	–	–
Other liabilities		455,280	–	–	–	–	–	–	–	–	–	455,280
		40,751,104	22,384,030	7,982,272	3,406,387	1,015,094	1,421,162	1,328,818	1,495,946	1,262,115	–	455,280
On-balance sheet gap		9,169,771	(10,061,210)	1,461,507	8,307,714	187,591	(228,727)	673,097	1,976,103	5,040,674	483,655	1,329,368
Non financial net assets		1,148,209										
Total net assets		10,317,980										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,472,748	1,472,748	–	–	–	–	–	–	–	–	–
Commitments in respect of:												
- forward foreign exchange contracts		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		694,630	694,630	–	–	–	–	–	–	–	–	–
- repo transactions		19,574,994	19,574,994	–	–	–	–	–	–	–	–	–
- forward shares		43,114	43,114	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		21,785,486	21,785,486	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap			11,724,276	1,461,507	8,307,714	187,591	(228,727)	673,097	1,976,103	5,040,674	483,655	1,329,368
Cumulative yield / interest risk sensitivity gap			11,724,276	13,185,783	21,493,497	21,681,088	21,452,361	22,125,458	24,101,561	29,142,235	29,625,890	30,955,258

(Rupees in '000)

	Effective yield/ interest rate %	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest Bearing Financial Instruments
			2020									
			Exposed to yield/interest risk									
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	3.99% to 12.25%	168,197	97	–	–	–	–	–	–	–	–	168,197
Balances with other banks	3.90% to 12.50%	631,457	621,379	–	–	–	–	–	–	–	–	10,078
Lending to financial and other institutions	6.06% to 14.07%	556,679	556,679	–	–	–	–	–	–	–	–	–
Investments	6.99% to 15.93%	15,479,577	2,051,845	2,186,403	940,955	212,670	2,034	–	2,050,199	6,197,298	1,210,400	627,773
Advances	3.50% to 22.00%	20,893,180	7,810,580	3,736,369	2,053,025	1,467,566	1,471,256	1,297,241	1,591,073	1,392,443	33,584	40,043
Other assets	9.03%	873,046	–	150,000	–	–	–	–	–	–	–	723,046
		38,602,136	11,040,580	6,072,772	2,993,980	1,680,236	1,473,290	1,297,241	3,641,272	7,589,741	1,243,984	1,569,040
Liabilities												
Borrowings	2.00% to 11.30%	27,430,430	13,806,181	5,452,960	2,814,820	829,570	1,074,085	957,424	1,476,082	1,019,308	–	–
Deposits and other accounts	10.00% to 10.50%	830,000	–	330,000	500,000	–	–	–	–	–	–	–
Other liabilities		504,987	–	–	–	–	–	–	–	–	–	504,987
		28,765,417	13,806,181	5,782,960	3,314,820	829,570	1,074,085	957,424	1,476,082	1,019,308	–	504,987
On-balance sheet gap		9,836,719	(2,765,601)	289,812	(320,840)	850,666	399,205	339,817	2,165,190	6,570,433	1,243,984	1,064,053
Non financial net assets		1,016,939										
Total Net assets		10,853,658										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related related transactions		1,303,260	224,173	448,346	–	–	–	–	630,741	–	–	–
Commitments in respect of:												
- forward lendings		2,263,726	2,263,726	–	–	–	–	–	–	–	–	–
- repo transactions		7,908,009	7,908,009	–	–	–	–	–	–	–	–	–
Other commitment		750,000	150,000	600,000	–	–	–	–	–	–	–	–
Off-balance sheet gap		12,224,995	10,545,908	1,048,346	–	–	–	–	630,741	–	–	–
Total yield / interest risk sensitivity gap			7,780,307	1,338,158	(320,840)	850,666	399,205	339,817	2,795,931	6,570,433	1,243,984	1,064,053
Cumulative yield / interest risk sensitivity gap			7,780,307	9,118,465	8,797,625	9,648,291	10,047,496	10,387,313	13,183,244	19,753,677	20,997,661	22,061,714

42.3 Operational risk

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

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

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

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

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

42.4 Liquidity risk

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

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

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

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

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

42.4.1 Maturities of assets and liabilities - based on contractual maturities of assets and liabilities of the Group

(Rupees in '000)

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	2021													
Assets														
Cash and balances with treasury banks	122,856	103,204	–	–	–	–	–	–	–	–	–	–	–	19,652
Balances with other banks	291,710	–	–	–	291,710	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	2,078,487	–	–	–	2,000,000	–	–	78,487	–	–	–	–	–	–
Investments	24,452,231	–	–	–	769,853	4,995,776	–	10,365,045	110,623	–	101,420	958,923	1,002,887	6,147,704
Advances	22,192,370	–	–	–	9,304,590	–	4,448,003	1,270,569	1,092,062	–	1,091,015	1,093,172	2,469,162	1,423,797
Fixed assets	74,321	–	59	2,863	1,807	4,638	6,807	5,308	5,364	5,364	24,092	13,955	4,064	–
Intangible assets	3,075	–	–	–	165	–	–	2,359	–	–	–	551	–	–
Deferred tax assets	550,449	–	–	–	–	–	–	–	–	550,449	–	–	–	–
Other assets	1,661,731	134,399	7,120	148,573	49,394	94,429	90,321	419,780	483,406	88,311	75,908	–	70,090	–
Assets classified as held-for-sale	516,768	–	–	–	–	86,111	–	387,745	–	42,912	–	–	–	–
	51,943,998	237,603	7,179	151,436	12,417,519	5,094,843	4,545,131	12,141,548	1,691,455	644,124	1,292,435	2,066,601	3,546,203	7,591,153
Liabilities														
Borrowings	40,245,824	4,498	16,345,208	11,326	6,023,381	4,507,195	391,743	1,468,887	1,133,795	1,456,300	2,983,662	2,162,151	2,497,071	1,260,607
Deposits and other accounts	50,000	–	–	–	–	–	–	–	–	50,000	–	–	–	–
Other liabilities	1,330,194	112,477	5,480	18,935	185,685	45,581	45,753	89,799	403,351	222,916	24,374	90,184	30,285	55,374
	41,626,018	116,975	16,350,688	30,261	6,209,066	4,552,776	437,496	1,558,686	1,537,146	1,729,216	3,008,036	2,252,335	2,527,356	1,315,981
Net assets	10,317,980	120,628	(16,343,509)	121,175	6,208,453	542,067	4,107,635	10,582,862	154,309	(1,085,092)	(1,715,601)	(185,734)	1,018,847	6,275,172
Share capital	6,000,000													
Reserves	1,920,050													
Unappropriated profit	3,472,236													
Deficit on revaluation of assets	(1,076,611)													
Total equity attributable to the equity holders of the Holding Company	10,315,675													
Non-controlling interest	2,305													
	10,317,980													

(Rupees in '000)

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	2020													
Assets														
Cash and balances with treasury banks	168,197	129,245	–	–	10	–	–	–	–	–	–	–	38,942	–
Balances with other banks	631,457	183,795	–	–	335,379	–	–	–	–	112,283	–	–	–	–
Lendings to financial and other institutions	556,679	–	507,800	–	48,879	–	–	–	–	–	–	–	–	–
Investments	15,479,577	2,293	48,879	920,600	269,195	421,800	297,891	207,957	75,323	2,202,664	940,695	247,941	2,211,541	7,632,798
Advances	20,893,180	252,127	401,870	2,233,269	1,532,945	204,044	416,284	3,111,327	1,248,336	1,484,652	3,019,403	2,578,565	2,790,039	1,620,319
Fixed assets	153,954	156	1,089	2,178	1,861	6,367	6,205	10,873	21,840	45,403	35,001	22,833	148	–
Intangible assets	5,826	18	124	247	360	220	746	1,185	2,416	510	–	–	–	–
Deferred tax assets	336,854	–	–	–	–	–	–	–	–	336,854	–	–	–	–
Other assets	1,602,911	147,609	3,316	226,598	102,513	80,996	144,503	349,944	310,112	4,453	28,514	162,178	20,422	21,753
Assets classified as held-for-sale	580,596	–	–	–	–	–	–	580,596	–	–	–	–	–	–
	40,409,231	715,243	963,078	3,382,892	2,291,142	713,427	865,629	4,261,882	1,658,027	4,186,819	4,023,613	3,011,517	5,061,092	9,274,870
Liabilities														
Borrowings	27,430,430	4,064	8,498,649	3,663,530	1,640,438	1,087,527	532,224	1,184,779	1,567,138	1,173,509	3,897,442	1,353,258	1,474,650	1,353,222
Deposits and other accounts	830,000	–	–	–	–	330,000	–	500,000	–	–	–	–	–	–
Other liabilities	1,295,143	73,791	35,161	44,673	122,769	85,596	129,160	30,086	16,104	69,642	163,262	397,235	59,304	68,360
	29,555,573	77,855	8,533,810	3,708,203	1,763,207	1,503,123	661,384	1,714,865	1,583,242	1,243,151	4,060,704	1,750,493	1,533,954	1,421,582
Net assets	10,853,658	637,388	(7,570,732)	(325,311)	527,935	(789,696)	204,245	2,547,017	74,785	2,943,668	(37,091)	1,261,024	3,527,138	7,853,288
Share capital	6,000,000													
Reserves	1,723,782													
Unappropriated profit	3,520,451													
Deficit on revaluation of assets	(392,920)													
Total equity attributable to the equity holders of the Holding Company	10,851,313													
Non-controlling interest	2,345													
	10,853,658													

42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

(Rupees in '000)

	Total	**Upto 1 month**	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**
	2021									
Assets										
Cash and balances with treasury banks	**122,856**	**103,204**	–	–	–	–	–	–	**19,652**	–
Balances with other banks	**291,710**	**291,710**	–	–	–	–	–	–	–	–
Lendings to financial and other institutions	**2,078,487**	**2,000,000**	–	**78,487**	–	–	–	–	–	–
Investments	**24,452,231**	**769,853**	**4,995,776**	**10,365,045**	**110,623**	**101,420**	**958,923**	**1,002,887**	**6,147,704**	–
Advances	**22,192,370**	**9,304,590**	**4,448,003**	**1,270,569**	**1,092,062**	**1,091,015**	**1,093,172**	**2,469,162**	**1,423,797**	–
Fixed assets	**74,321**	**4,729**	**11,445**	**5,308**	**10,728**	**24,092**	**13,955**	**4,064**	–	–
Intangible assets	**3,075**	**165**	–	**2,359**	–	–	**551**	–	–	–
Deferred tax assets	**550,449**	–	–	–	**550,449**	–	–	–	–	–
Other assets	**1,661,731**	**339,486**	**184,750**	**419,780**	**571,717**	**75,908**	–	**70,090**	–	–
Assets classified as held-for-sale	**516,768**	–	**86,111**	**387,745**	**42,912**	–	–	–	–	–
	51,943,998	**12,813,737**	**9,639,974**	**12,529,293**	**2,335,579**	**1,292,435**	**2,066,601**	**3,546,203**	**7,591,153**	–
Liabilities										
Borrowings	**40,245,824**	**22,384,413**	**4,898,938**	**1,468,887**	**2,590,095**	**2,983,662**	**2,162,151**	**2,497,071**	**1,260,607**	–
Deposits and other accounts	**50,000**	–	–	–	**50,000**	–	–	–	–	–
Other liabilities	**1,330,194**	**322,577**	**91,334**	**89,799**	**626,267**	**24,374**	**90,184**	**30,285**	**55,374**	–
	41,626,018	**22,706,990**	**4,990,272**	**1,558,686**	**3,266,362**	**3,008,036**	**2,252,335**	**2,527,356**	**1,315,981**	–
Net assets	**10,317,980**	**(9,893,253)**	**4,649,702**	**10,970,607**	**(930,783)**	**(1,715,601)**	**(185,734)**	**1,018,847**	**6,275,172**	–
Share capital	**6,000,000**									
Reserves	**1,920,050**									
Unappropriated profit	**3,472,236**									
Deficit on revaluation of assets	**(1,076,611)**									
Total equity attributable to the equity holders of the Holding Company	**10,315,675**									
Non-controlling interest	**2,305**									
	10,317,980									

(Rupees in '000)

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	2020									
Assets										
Cash and balances with treasury banks	168,197	129,255	–	–	–	–	–	38,942	–	–
Balances with other banks	631,457	519,174	–	–	112,283	–	–	–	–	–
Lendings to financial and other institutions	556,679	556,679	–	–	–	–	–	–	–	–
Investments	15,479,577	1,240,967	719,691	207,957	2,277,987	940,695	247,941	2,211,541	7,632,798	–
Advances	20,893,180	4,420,211	620,328	3,111,327	2,732,988	3,019,403	2,578,565	2,790,039	1,620,319	–
Fixed assets	153,954	5,284	12,572	10,873	67,243	35,001	22,833	148	–	–
Intangible assets	5,826	749	966	1,185	2,926	–	–	–	–	–
Deferred tax assets	336,854	–	–	–	336,854	–	–	–	–	–
Other assets	1,602,911	480,036	225,499	349,944	314,565	28,514	162,178	20,422	21,753	–
Assets classified as held-for-sale	580,596	–	–	580,596	–	–	–	–	–	–
	40,409,231	7,352,355	1,579,056	3,681,286	5,844,846	4,023,613	3,011,517	5,061,092	9,274,870	–
Liabilities										
Borrowings	27,430,430	13,806,681	1,619,751	1,184,779	2,740,647	3,897,442	1,353,258	1,474,650	1,353,222	–
Deposits and other accounts	830,000	–	330,000	500,000	–	–	–	–	–	–
Other liabilities	1,295,143	276,394	214,756	30,086	85,746	163,262	397,235	59,304	68,360	–
	29,555,573	14,083,075	2,164,507	1,714,865	2,826,393	4,060,704	1,750,493	1,533,954	1,421,582	–
Net assets	10,853,658	(6,730,720)	(585,451)	1,966,421	3,018,453	(37,091)	1,261,024	3,527,138	7,853,288	–
Share capital	6,000,000									
Reserves	1,723,782									
Unappropriated profit	3,520,451									
Deficit on revaluation of assets	(392,920)									
Total equity attributable to the equity holders of the Holding Company	10,851,313									
Non-controlling interest	2,345									
	10,853,658									

43 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2021 of Re. **0.50** per share (2020: Re.0.50 per share), amounting to Rs. **300** million (2020: Rs.300 million) at their meeting held on **March 28, 2022**, for approval of the members at the annual general meeting to be held on **April 28, 2022**. The consolidated financial statements for the year ended December 31, 2021 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2022.

44 GENERAL

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

45 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **March 28, 2022** by the Board of Directors of the Holding Company.

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

Annexure - I

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

During the year ended December 31, 2021

(Rupees in '000)

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

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