



Annual Report 2020



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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

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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, (+92-21) 35839917
Fax: (+92-21) 35361213

Website

www.pakbrunei.com.pk

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

Code of Ethics and business practices

Integrity

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

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

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

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

Objectivity

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

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

Confidential and Proprietary Information

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

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

Improper Influence

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

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

Unfair Business Practices

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

Insider Trading

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

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

Recording and Reporting of the Company

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

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

Compliance with Laws, Rules and Regulations

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

Protection and Proper use of Company Assets

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

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

Board of Directors' Profile



Sofian Mohammad Jani, CFA

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



Arif Ahmed Khan

Mr. Arif Ahmed Khan, a senior civil servant has more than 36 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 joined the Brunei Investment Agency in 2005 and is currently the Head of the Listed Asset Division in the Brunei Investment Agency. He has been a member of the Agency's Portfolio Advisory Committee since 2012 and is also involved in the Ministry of Finance's Strategic Goals Initiatives since 2016.

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he has a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Minister's Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program. He currently serves as a Director of Petersons Securities Limited in Australia and Progresif Cellular Sdn. Berhad where he also sits as Chairman of the Audit Committee, Chairman of the HSSE Committee and is a member of the Human Resource Committee. He was appointed to serve as a director for Pak Brunei Investment Company Limited in 2017. He has also served as a Board member of Armada Properties Sdn Berhad from 2013 to 2017.



Ayesha Aziz, CFA

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



Our Cultural Framework

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

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

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 protect 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 Inverter 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 of 31 December 2020, 77% of the credit portfolio stood assessed and rated on environmental risk.

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.

We work to improve the communities around us, and our CSR spend is therefore focused on projects such as those related to health and education sectors, poverty alleviation and environment sustainability so that they may provide long term sustainable value and benefits to the community at large. Keeping in view the focus on the above sectors, the following activities were undertaken under CSR in 2020.

Company's CSR Philosophy

Contribution to fight COVID-19

The ongoing Corona pandemic has meant big adjustments for everyone but life changing ones for those at the fringes, such as daily wage earners and many others who find themselves suddenly unemployed in a shut-down economy. While wealthier nations have been able to direct large sums towards their disadvantaged segments, we lack the resources to be able to match the same. In our view, the Prime Minister's COVID-19 Pandemic Relief fund deserves all our support as it will supplement the efforts of the government in dealing with the situation. Pak Brunei has donated PKR 5 million to the same fund.

CSR Activities

Internship Program for NOWPDP

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

Chairman's Review



I am pleased to announce the results of Pak Brunei Investment Company Limited for the year ended December 31, 2020.

2020 was a universally difficult year and Pakistan suffered the effects of a global pandemic on top of an economy that was already challenged. Entering fiscal year (FY) 2020 with an economic slowdown, after rising continuously for nine years, real GDP growth moved down from 5.5% in FY18 to 1.9% in FY19. In this backdrop and with the help of IMF's Extended Fund Facility, policy makers started a stabilization drive by tightening monetary and fiscal policies and making exchange rate flexible to market dynamics.

These stabilization efforts were derailed by the outbreak of COVID-19 pandemic as international trade started grinding to a near-halt from March onwards. The potential fallout from unchecked spread of the virus forced local authorities to lock down consumer markets, limit industrial and commercial activity and contain social interaction and mobility. Naturally, this resulted in a slump in aggregate demand, reduction in farm to market supplies and slowdown in industrial production. Industrial sector particularly took the hardest hit. Already reeling from the previous year's slowdown, manufacturing sector recorded a 6% contraction in real terms during FY20. Services sector, representing 60% of GDP, also contracted by 0.6%. By the end of the year, Pakistan's economy had recorded a negative 0.4% growth.

In the wake of the pandemic, authorities' response was swift and timely. Federal government announced reduction in duties and taxes for multiple sectors. Most importantly, in order to revive economic activity, a comprehensive special incentive package was announced for construction and allied sectors. At the same time, the State Bank of Pakistan took a number of immediate relief measures that included:

- Reduction in benchmark policy rate from 13.25% to 7.0% between March and June 2020;
- Announcement of Temporary Economic Relief Facility (TERF) at subsidized rates to facilitate industrial expansion;
- Relaxation in regulatory criteria for restructuring and deferment of loans;
- Refinance Facility targeting the health sector to enhance private sector's capacity for COVID response;
- To prevent layoffs, cash flow support through a subsidized facility for financing wages and salaries.

Although these measures could not prevent the economy recording a contraction for the first time in decades, they did much to soften the impact as the negative growth rate of minus 0.4% was significantly lower than emerging economies (-3.3%) or the global contraction of minus 4.4%.

Despite a positive start of 2021, Pakistan's economy remains vulnerable. Industrial production must cover lost ground while inherent structural weaknesses mean economic recovery carries downside risks. At the same time, exchange rate is stable and the first six months of FY21 delivered a current account surplus along with record inward remittances. Foreign exchange reserves are at their highest level (USD 13 billion) since FY18. While overall exports remain somewhat stagnant, value-added textile exports have increased approximately 13% during the same six month period.

This turbulent year proved Pak Brunei's resilience in deftly managing operational roadblocks and business risks stemming from shut-downs and curfews, peaking infection rates, weak credit markets and turbulent capital markets. The company remains on track to achieve its goal of participating in the country's economic development and adding value from all the platforms it operates from.

Sofian Mohammad Jani
Chairman

Directors' Report



On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2020. We take pride in our financial stability in one of the most difficult years for global economies since the Great Recession.

Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2014	2015	2016	2017	2018	2019	2020
Total Assets	32,901	29,115	34,391	29,869	48,793	57,773	40,253
Net Assets	9,140	9,684	10,429	10,456	9,961	10,549	10,733
Net Advances	7,385	10,237	13,996	18,768	20,330	18,771	19,134
Net Investments	24,247	16,850	16,658	7,679	26,117	31,817	17,483
Net Mark-up Income	468	553	507	553	719	734	768
Non Mark-up Income	907	1,230	1,237	588	222	43	688
Profit before Tax	1,106	1,300	1,333	671	503	458	1033
Profit after Tax	905	937	962	470	276	366	718
Earnings per Share (PKR)	1.51	1.56	1.60	0.78	0.46	0.61	1.20
Dividend Payout (%)	3.33%	3.33%	5.00%	5.00%	5.00%	5.00%	5.00%
Net Infection Ratio (%)	0.00%	1.52%	1.54%	3.54%	1.39%	1.07%	2.93%

While a challenging year was not unexpected following last year's economic slowdown, the Coronavirus pandemic further exacerbated an already fragile economy. Countrywide lockdowns and a plunge in consumer demand intensified productivity shock, with the result that real GDP contracted for the first time in decades.

Pakistan's financial markets also faced the brunt of this contraction. Private sector credit growth that averaged 12% year-on-year in 2019, fell to 6% in the first half of 2020 and further to less than 3% in the second half. Following State Bank of Pakistan's relaxations pertaining to loan restructuring, banks/DFIs had to defer/restructure close to PKR one trillion outstanding receivables. Furthermore, KSE 100 index lost roughly 16,000 points between January and March resulting in investors booking heavy capital losses although a gradual recovery started in the third quarter of 2020.

In such testing times, Pak Brunei's foremost objective was to protect assets from erosion. Risk control measures were tightened and a multi-faceted and proactive strategy was implemented to prevent credit deterioration. Under SBP's scheme, clients were allowed restructuring and loan deferments on a case to case basis while making sure that income streams remained intact. Furthermore, liquidity management function was further strengthened to maintain adequate cushion. In this regard, our balance sheet strength lies in the long term financing we arranged from multiple banks over the years, which not only reduce our asset-liability mismatches in general but also decrease reliance on contingency funding at critical times such as this pandemic.

Our secondary objective was to prevent our equity investment portfolio from impairment. KSE-100 index lost approximately 33% of its value during the first quarter amidst rising volatility and uncertainty. Owing to prudent decision making, we were able to achieve our targeted reduction in portfolio at the right time. Moreover, timely investments in fixed income instruments also helped us record attractive capital gains to support the bottom line.

In 2020, SME Group increased its outreach, adding exposures in Gilgit Baltistan, Balochistan and KPK. To support the sector through subsidized financing, the team utilized SBP schemes for SMEs including Working Capital Finance, SBP Refinance for Modernization of SMEs, SBP Refinance and Credit Guarantee Scheme for Women Entrepreneurship, SBP Refinance and Credit Guarantee Scheme for Special Persons, and SBP Refinance Facility to Combat Covid-19, placing maximum effort towards meeting annual targets.

The purpose behind establishing our wholly owned subsidiary, Awwal Modaraba Management Company, was to launch specialized vehicles tailored for innovative transactions. The first, Awwal

Modaraba, was launched in 2016. In 2020, we achieved another milestone when Awwal Modaraba Management Company acquired the management rights of KASB Modaraba, First Prudential Modaraba and First Pak Modaraba. Although planned projects in the pipeline were delayed due to COVID-19, we expect to utilize these vehicles for financing infrastructure and greenfield projects in the future.

Owing to the positive direction on the economic front including high remittances, start of a recovery in manufacturing production, comfortable foreign exchange reserves and low interest rates, we expect 2021 to be the year of consolidation. Pak Brunei's resilience in such a challenging year as 2020 gives us assurance that we are well positioned to reap the benefits of Pakistan's economic recovery. We are grateful to our shareholders, Government of Pakistan and Brunei Investment Agency, for their continued support and would like to emphasize again our unwavering commitment towards Pakistan's economic progress.

Entity Rating

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

Risk Management

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

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

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

Financial Reporting Framework

The directors are pleased to declare that:

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

Corporate Governance

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

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

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

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

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

A brief profile of the Company's directors, along with their respective details of membership on the Board(s) of other companies as on December 31, 2020 appears below:

Mr. Sofian Mohammad Jani

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

Other Board Memberships

Director, Bank Islam Brunei Darussalam

Mr. Arif Ahmed Khan

Mr. Arif Ahmed Khan, a senior civil servant has more than 36 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.

Other Board Memberships

CEO, Trade Development Authority of Pakistan
Director, Hellenic Sun Insurance Brokers (Private) Limited

Mr. Edzwan Zukri Adanan, CFA

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

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he has a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Minister's Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program. He currently serves as a Director of Petersons Securities Limited in Australia and Progresif Cellular Sdn. Berhad where he also sits as Chairman of the Audit Committee, Chairman of the HSSE Committee and is a member of the Human Resource Committee. He was appointed to serve as a director for Pak Brunei Investment Company Limited in 2017. He has also served as a Board member of Armada Properties Sdn Berhad from 2013 to 2017.

Other Board Memberships

Director, Petersons Securities Limited, Australia
Director, Progresif Cellular Sdn. Berhad

Ms. 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 Healthcare 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.

Other Board Memberships

Director, Awwal Modaraba Management Limited (wholly owned subsidiary of Pak Brunei)
Chairperson, Primus Leasing Limited (wholly owned subsidiary of Pak Brunei)
Director, KSB Pumps Company Limited
Director, Engro Polymer and Chemicals Limited
Director, Glaxo SmithKline Consumer Healthcare

Board Performance Evaluation

The Board has approved a formal process for the performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of overall Board, its committees and individual directors shall also be undertaken (facilitated) by an external independent evaluator at least every three years. Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman and the Managing Director. Final results of the annual evaluation are compiled and presented to the Board of Directors which it accordingly reviews and identifies any issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

Meetings of the Board

The Board of Directors of the Company held four meetings during the year end December 31, 2020. The following directors attended the meetings:

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

Board Committees

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

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

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

Audit Committee

1. Determination of appropriate measures to safeguard the company's assets;
2. Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors
3. Review of preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the company;
7. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
10. Review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

11. Instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
12. Determination of compliance with relevant statutory requirements;
13. Monitoring compliance with these regulations and identification of significant violations thereof;
14. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
15. Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
16. Consideration of any other issue or matter as may be assigned by the board of directors.

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

- i. Have complete authority & independence to perform its roles & responsibilities by either utilizing internal or external resources (if need be). Besides, the BAC should ensure independence of any investigations/disciplinary actions against CIA & internal auditors.
- ii. Facilitate Board in establishing an unambiguous & observable 'tone at the top' for strong and effective system of internal controls based on & supported by strong ethical practices, culture, comprehensive policies, procedures, processes and technological systems.
- iii. Establish, maintain and promote regular communication with senior management regarding deficiencies in internal controls; review actions taken by management to address identified deficiencies and ascertain new developments to achieve a uniform organization-wide commitment/buy-in for implementation of strong and effective internal controls.
- iv. Receive and review summary of reported violations identified through internal audit activities and follow-up actions taken by management to ensure that audit observations/recommendations receive proper and timely attention by senior management. The BAC should also review the trends of audit observation from multiple dimensions to have deep insights into state of internal controls and must set specific, time bound action points/indicators to monitor improvements.
- v. Report to board any significant matters identified by IAF/external auditors that warrant board's immediate attention.
- vi. Review effectiveness of whistle blowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc. The BAC must ensure that such concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. The BAC should ensure that employees remain aware of i) existence of such procedures, ii) the procedure to utilize it and iii) are encouraged to be a 'whistleblower'.
- vii. Review and approve Internal Audit Charter (IAC) in the light of these guidelines. The IAC should include details on IAF's advisory role providing the extent and nature of assignments/engagements that IAF may provide to management.
- viii. Provide its fullest support to IAF and internal auditors to perform their mandated activities independently and in objective manner.
- ix. Shall be responsible for ensuring that company has implemented effective AML/CFT controls (preventive measures) including Targeted Financial Sanctions (TFS) related to Terrorist Financing and Proliferation Financing. In this regard BAC will seek assistance from the Compliance and Operational Risk Committee (CORC).
- x. BAC will review the performance of CORC with regards to AML / CFT related responsibilities. Minutes of the CORC would be submitted to the BAC regularly.
- xi. BAC will meet the Compliance Head on half yearly basis to discuss the progress and issues related to compliance and AML / CFT matters.
- xii. BAC will regularly assess working strength of the compliance function and deficiency if any, observed will be addressed on priority basis.

Human Resource & Remuneration Committee

- a) Developing a fair, transparent and competitive remuneration policy for all level of employees including contractual employees while setting an appropriate pay range between organization grades;
- b) Approving the remuneration policy and amounts for each Material Risk-Taker and Material Risk Controller as per applicable regulatory guidelines, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- c) For each Material Risk-Taker, approve the proportion of variable pay which is subject to deferment and risk evaluation;
- d) Ensuring key management personnel remuneration packages involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to PBIC's strategy and goals;
- e) Ensuring that executive remuneration takes into account, the significant risks that organization executives take on the business portfolio;
- f) The Committee can also seek independent advice from external party/ expert opinion to ensure development and working of an effective and a prudent remuneration framework;
- g) Recommending to the board, the remuneration structure and compensation package of Executive Directors, CEO, key executive and the organization remuneration structure as a whole;
- h) Review the remuneration policy and remuneration setting mechanism at least once every three years while taking into account the long term interests of shareholders, investors and other stakeholders.
- i) Ensuring there is an appropriate process in place to set robust performance measures and targets that encourage superior enterprise and executive performance alongside ethical behavior.
- j) To review and recommend the total annual bonus pool and aggregate salary increments.
- k) To recommend selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary, Head of Internal Audit (on the recommendation of the Audit Committee), job band 1 and 2 and other key executives of the Company as defined under the SBP guidelines.
- l) To review and recommend to the Board any changes in the Human Resource policy of the Company including the organizational structure.
- m) To review and recommend to the Board any changes to the Director's meeting expenses.
- n) To authorize investigation of any HR related issues within the Company and review resulting report.
- o) To obtain an outside legal or other independent professional advice if considered necessary.
- p) To recommend terminating the services of CFO, Company Secretary, Head of Internal Audit (on the recommendation of the Audit Committee) officers in job band 1.
- q) To recommend to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director.

Credit Risk Management Committee

- a) Follow up on recommendations previously made by the Board for further development of the organization's risk culture. To raise awareness and understanding of risk management within all business units. To provide a forum for consultation with the risk taking departments for assessing risks of all types in a consistent fashion and to propose levels of acceptability for Board approval.
- b) To review the risk management policies and framework including all risks of the Company and recommend additions, deletions and modifications to the Board of Directors for approval. Devise guidelines for identification, measurement, monitoring and control for all major risk categories.
- c) Consider, review and recommend to the Board for approval proposals in respect of the Company's overall Risk Appetite, and various limits. Reviewing and recommending market risk limits, including triggers or stop losses for traded and accrual portfolio.
- d) Consider and review any instances of breach of the Company's overall Risk Appetite or risk limits for financial and operational risk and consider for recommendation any proposed course of action (if necessary).
- e) To ensure that the Risk taking decisions are explicit and clear and sufficient capital as a buffer is available to take risk. Consider and recommend to the Board for approval the internal capital adequacy assessment process (ICAAP) and its optimum allocation to various business activities/strategic initiatives and Institutional risk assessment framework.
- f) To monitor the performance of CC, RMC and ORC through the review of minutes/decisions/proposals submitted by these Committees.

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

Meetings of the Board Committees

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

Change in Directors and Directors' Remuneration

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

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

Salient Feature of Staff Compensation/ Remuneration Policy

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

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

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

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

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

MRCs at Pak Brunei have suitable autonomy and authority to perform their tasks independently, without influence from the functions they are assigned to oversee and review. KPIs in the scorecards of MRCs are independent of the KPIs of the business functions that they oversee. This ensures that achievement of financial targets of the business functions are not considered for the performance assessment of the MRCs.

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

Corporate Social Responsibility

In 2020, the Board approved a donation of PKR 5 million to Prime Minister's Corona Relief Fund with the goal to proactively support the government in its efforts to fight COVID-19 and to provide food and relief to deserving households during the lockdown.

Internal Control over Financial Reporting (ICFR)

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

Appointment of Auditors

The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F.Fergusons & Co., Chartered Accountants as statutory auditors for the year ending December 31, 2021.

Pattern of Shareholding

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

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

Ayesha Aziz
Managing Director

March 02, 2021

Sofian Mohammad Jani
Chairman

بورڈ کی کمیٹی کے اجلاس

نام	آڈٹ کمیٹی		ہیومن ریسورس اور مشاہرہ کمیٹی		کرپٹ اینڈ رسک مینجمنٹ کمیٹی	
	منعقدہ اجلاس	حاضر	منعقدہ اجلاس	حاضر	منعقدہ اجلاس	حاضر
مسز سفیان محمد جانی	4	4	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں
مسز عارف احمد خان	4	4	2	2	2	2
مسز اینڈرون زو کری عدنان	4	4	2	2	2	2
مس عائشہ عزیز، بی ایف اے	دستیاب نہیں	دستیاب نہیں	2	2	2	2

بورڈ آف ڈائریکٹرز کی تبدیلی اور ان کا مشاہرہ

رواں مالی سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی۔

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

اسٹاف کی معاوضہ مشاہرہ پالیسی کی نمایاں خصوصیات

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

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

پاک بروٹائی اسٹاف کو فراہم کردہ تمام معاوضوں کو مقررہ مشاہرہ یا قابل تغیر مشاہرہ میں تقسیم کیا جاسکتا ہے۔ مقررہ مشاہرہ معاوضے کا وہ حصہ ہے جو پاک بروٹائی یا انفرادی ملازم کی کارکردگی سے قطع نظر یکساں رہتا ہے۔ مشاہرہ کے مقررہ حصہ بنیادی تنخواہ (بیسک سلری) اور الٹا ڈنسز پر مشتمل ہوتا ہے جو ملازم کے مجموعی معاوضہ پیکجنگ کا حصہ ہوتے ہیں۔ قابل تغیر مشاہرہ ملازم کے مجموعی معاوضہ پیکجنگ کا وہ حصہ ہوتا ہے جو کارکردگی کی بعض پیشگی متعین شدہ پیمانوں سے منسلک ہوتا ہے۔ قابل تغیر معاوضہ فرد واحد کی کارکردگی سے منسلک ہوتا ہے اور یہ کارکردگی کے پونس، کمیشنز، مراعات اور الٹا ڈنسز پر مشتمل ہوتا ہے۔

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

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

پاک بروٹائی میں MRCs کو اپنے کاموں کو آزادانہ طور پر انجام دینے کے لیے مناسب خود مختاری اور اختیار حاصل ہے، ان کاموں کے لیے جو ان کی نگرانی اور جائزہ لینے کے لیے تفویض کیے جاتے ہیں ان پر کسی بھی قسم کا کوئی اثر و رسوخ استعمال نہیں کیا جاتا۔ MRCs کے اسکور کارڈز میں موجود KPIs اپنے کاروباری افعال کے KPIs سے آزاد ہیں جس کی وہ دیکھتے ہیں۔ یہ یقینی بناتا ہے کہ کاروباری افعال کے مالی اہداف کے حصول پر MRCs کی کارکردگی کا اندازہ نہیں لگایا جائے۔

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

کارپوریٹ سماجی ذمہ داریاں

سال 2020 میں بورڈ نے حکومت پاکستان کو کوویڈ-19 کے خلاف جنگ میں بھرپور سپورٹ فراہم کرنے کے لیے اور لاک ڈاؤن کے دوران گھر میں محصور ہو کر رہنے والے ضرورت مند گھرانوں کو غذا اور گھریلو اشیاء کی مہیا کرنے کی غرض سے پرائم سٹریٹ کرونا ریلیف فنڈ میں 5 ملین پاکستانی روپے کے عطیے کی منظوری دی۔

مالیاتی رپورٹنگ پرائیمری کنٹرول (ICFR)

بذریعہ بورڈ آف ڈائریکٹرز، ICFR اور کلی طور پر اندرونی کنٹرول سے متعلق انتظامیہ کی تفتیش کی توثیق کرتا ہے۔

آڈیٹرز کی مقرری

بورڈ آف آڈٹ کمیٹی کے پروپوزل اور ان کی حمایت کے مطابق M/s. A.F. Fergusons & Co.، کو 31 دسمبر 2021 تک ختم ہونے والی مالی سال کے لیے قانونی طور پر چارجڈ اکاؤنٹنٹس مقرر کیا ہے۔

شیرت ہولڈنگ کی طرز

حصص کا مالک	ملکیت حصص (فیصد)
وزارت خزانہ۔ حکومت پاکستان	49.99933 فیصد
بروٹائی سرمایہ کاری ایجنسی	50.00000 فیصد
سیکرٹری، ڈویژن برائے اقتصادی امور۔ حکومت پاکستان	0.00067 فیصد

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

سفیان محمد جانی

چیئر مین

مارچ 2021، 02

عائشہ عزیز

ٹیچنگ ڈائریکٹر

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

- i۔ اسے اندرونی یا بیرونی وسائل سے استفادہ کرتے ہوئے (اگر ضرورت ہو) اپنے افعال اور ذمہ داریوں کی انجام دہی کے لیے مکمل اختیار اور آزادی حاصل ہوگی۔ اس کے علاوہ، BAC کو CIA اور اندرونی آڈیٹرز کے خلاف کسی بھی نوعیت کی تحقیقات / تادیبی عمل کی آزادی کو یقینی بنانا ہوگا۔
- ii۔ مضبوط اخلاقی اقدار، ثقافت، جامع پالیسیوں، دستور العمل، طریقہ کار اور ٹیکنالوجیکل سسٹمز پر مبنی دوران کی مدد سے اندرونی کنٹرولز کے ایک مستحکم اور موثر نظام کے لیے ایک غیر مبہم اور قابل مشاہدہ قیادتی اثر و رسوخ قائم کرنے کے لیے بورڈ کی مدد کرنا۔
- iii۔ اندرونی کنٹرولز میں خامیوں کے حوالے سے سینئر مینجمنٹ کے ساتھ مسلسل گفت و شنید پیدا کرنا، برقرار رکھنا اور فروغ دینا؛ مضبوط اور موثر اندرونی کنٹرولز کے نفاذ کے لیے مجموعی ادارے کی بنیاد پر ایک مربوط جذبے / شیئرز کی خریداری کے حصول کی خاطر نشاندہی کردہ خامیوں کو دور کرنے اور نئی پیش رفتوں کو یقینی بنانے کے لیے مینجمنٹ کے اقدامات کا جائزہ لینا۔
- iv۔ اندرونی آڈٹ کی سرگرمیوں کے ذریعے نشاندہی کردہ متعلقہ خلاف ورزیوں کا خلاصہ وصول کرنا اور اس کا جائزہ لینا اور اس بات کو یقینی بنانے کے لیے مینجمنٹ کے اقدامات پر غور کرنا کہ آڈٹ کے مشاہدات / سفارشات کو سینئر مینجمنٹ کی جانب سے مناسب اور بروقت توجہ حاصل ہو۔ BAC داخلی کنٹرولز کی صورتحال کی گہری بصیرت و ادراک کے لیے مختلف پہلوؤں سے آڈٹ کے مشاہدے کے رجحانات کا بھی جائزہ لے گا اور اصلاحات کی گمرانی کے لیے لازماً مخصوص، مقررہ وقت پر مبنی لائحہ عمل نکالتا / شناخت کنندہ عوامل مرتب کرے گا۔
- v۔ IAF / بیرونی آڈیٹرز کی جانب سے نشاندہی کردہ کسی بھی ایسے نمایاں معاملات کی اطلاع بورڈ کو دے گا جن پر بورڈ کی جانب سے فوری اقدام کی ضرورت ہو۔
- vi۔ کاروباری اخلاقیات / طرز عمل، عملداری اور خطرات سے نمٹنے کے طریقوں، مالیاتی رپورٹنگ، آڈیٹنگ کے طریقہ کار وغیرہ پر کنٹرولز کے حوالے سے شکایات / خدشات (اندرونی یا بیرونی ذرائع سے) موصول کرنے کے لیے ممبری کے طریقہ کار کی موثر پذیرگی کا جائزہ لینا۔ BAC کو یہ امر لازماً یقینی بنانا ہوگا کہ ان خدشات کو خفیہ رکھا جائے گا اور خبر دینے والے ملازم / ملازمین کا تحفظ کیا جائے گا اور انہیں کسی بھی طور پر سزا یا انتقام کا نشانہ نہیں بننے دیا جائے گا۔ BAC کو یہ بات یقینی بنانا ہوگی کہ ملازمین ان امور سے آگاہ رہیں (i) ایسے دستور العمل کی موجودگی (ii) اس کے استعمال کا طریقہ (iii) 'مخبر بننے کے لیے ان کی حوصلہ افزائی کی جاتی ہے۔
- vii۔ ان ہدایات کی روشنی میں اندرونی آڈٹ کے چارٹر (IAC) کا جائزہ لینا اور اس کی منظوری دینا۔ IAC کو چاہیے کہ IAF کے مشاورتی کردار پر وہ تفصیلات شامل کرے جو ایسے افعال / ذمہ داریوں کی حد اور نوعیت فراہم کرتی ہوں جنہیں IAF مینجمنٹ کو فراہم کر سکتا ہے۔
- viii۔ IAF اور اندرونی آڈیٹرز کو اپنا بھرپور تعاون فراہم کرنا تاکہ وہ اپنی مقررہ سرگرمیوں کو خود مختاری کے ساتھ اور با مقصد انداز میں انجام دے سکیں۔
- ix۔ اس بات کی یقین دہانی کے ذمہ دار ہوں گے کہ کمپنی دہشت گردی کی مالی اعانت یا دہشت گردی کے پھیلاؤ کی مالی اعانت سے متعلقہ اہدائی مالیاتی پابندیوں (ٹی اے ایف) سمیت مؤثر AML/CFT کنٹرول (حفاظتی اقدامات) پر عمل درآمد کیا ہو ہے۔ اس سلسلے میں BAC کمپلائنس اور آپریشنل رسک کمیٹی (CORC) سے مدد لے سکتی ہے۔
- x۔ AML/CFT BAC سے متعلق ذمہ داریوں کے حوالے سے CORC کی کارکردگی کا جائزہ لے گی۔ CORC کے منٹ باقاعدگی سے BAC کو جمع کروائے جائیں گے۔
- xi۔ BAC ششماہی بنیاد پر کمپلائنس کے سربراہ سے AML/CFT کے معاملات اور اس کی کارکردگی سے متعلق پیشرفت اور امور پر تبادلہ خیال کرنے کے لیے ملاقات کرے گی۔
- xii۔ BAC باقاعدگی سے کمپلائنس فنکشن کی کام کرنے کی طاقت اور اس کی کامیابی کے مشاہدے کرے گی اور کسی بھی کمیٹی ہونے کی صورت میں ترجیحی بنیادوں پر اس پر توجہ دینے کی مجاز ہوگی۔

ہیومن ریسورسز اور مشاورتی کمیٹی

- (a) ہر سطح کے ملازمین بشمول معاہداتی ملازمین کے لیے ایک منصفانہ، شفاف اور مسابقتی مشاہرہ پالیسی تخلیق کرنا اور اس کے ساتھ ساتھ ادارہ جاتی درجوں کے مابین تنخواہ کی مناسب حد کو مرتب کرنا؛
- (b) مجوزہ انضباطی ہدایات کے مطابق مادی خطرات مول لینے والے ہر فرد اور مادی خطرات کو قابو کرنے والے ہر فرد کے لیے مشاہرے کی پالیسی اور رقم کی منظوری دینا، اس کے ساتھ ساتھ مجموعی مشاہرے بشمول تنخواہوں، فیسوں، اخراجات، بونسز اور ملازمین کو دی جانے والی دیگر مراعات کو زیر غور رکھتے ہوئے مجموعی متغیر مشاہرے کو تقسیم کرنا؛
- (c) مادی خطرات مول لینے والے ہر فرد کے لیے، قابل تغیر تنخواہ کا تناسب منظور کریں جس پر انٹواء اور خطرات کے تجزیے کا اطلاق ہوتا ہے؛
- (d) اس بات کو یقینی بنانا کہ مینجمنٹ کے اہم عملے کے مشاہرے کے پیکیج میں مقررہ اور مراعاتی تنخواہ کے درمیان توازن ہو، جو کارکردگی کے مختصر اور طویل المیعاد اہداف کو PBIC کی حکمت عملی اور مقاصد سے موثر و نیت کی عکاسی کرتے ہوں؛
- (e) اس بات کو یقینی بنانا کہ ایگزیکٹو مشاہرہ ان نمایاں خطرات کو ملحوظ رکھتا ہو جو ادارے کے ایگزیکٹوز کا کاروباری پورٹ فولیو پر لیتے ہیں؛
- (f) کمیٹی ایک مؤثر اور دروند راندیش مشاہرے کے فریم ورک کی تخلیق اور نفاذ کو یقینی بنانے کے لیے بیرونی فریق / ماہرین راندے سے ایک آزادانہ مشورہ طلب کرے؛
- (g) بورڈ کے سامنے ایگزیکٹو ڈائریکٹرز ہی ای او، اہم ایگزیکٹو کے مشاہرے کے اسٹریکچر اور معاوضوں کے پیکیج، اور مجموعی طور پر پورے ادارے کے مشاہرے کے اسٹریکچر کی سفارشات پیش کرنا؛
- (h) حصص مالکان، سرمایہ کاروں اور دیگر اسٹیک ہولڈرز کے طویل المیعاد مفادات کو ملحوظ رکھتے ہوئے کم از کم تین سال میں مشاہرے کی پالیسی اور مشاہرہ مرتب کرنے کے طریقہ کار کا جائزہ لینا۔

- (i) اس بات کو یقینی بنانا کہ کارکردگی کے مستحکم اقدامات اور اہداف کو مرتب کرنے کے لیے ایک ایسا موزوں عمل موجود ہو جو اخلاقی رویے کے ساتھ ساتھ برتر انٹرا اور ایگزیکٹو کا کردگی کو فروغ دے؛
- (j) مجموعی سالانہ بونس کے پول اور تنخواہ میں مجموعی اضافوں کا تجزیہ کرنا اور سفارش کرنا؛
- (k) سی ایف او، کمپنی سیکرٹری، اندرونی آڈٹ کے سربراہ (آڈٹ کمیٹی کی سفارش پر)، ملازمتی بینڈ 1 اور 2 SBP کی ہدایات کے مطابق توضیح کردہ کمپنی کے دیگر اہم ایگزیکٹوز کے انتخاب، تجزیے، معاوضے (بشمول ریٹائرمنٹ پر دیے جانے والے بینیفٹ) کی سفارش کرنا؛
- (l) کمپنی کی ہیومن ریسورسز پالیسی بشمول ادارہ جاتی اسٹریکچر میں ہونے والی کسی بھی تبدیلی کا جائزہ لینا اور بورڈ کو اس کی سفارش پیش کرنا؛
- (m) ڈائریکٹرز کے اجلاس پر ہونے والے اخراجات میں ہونے والی کسی بھی تبدیلی کا جائزہ لینا اور بورڈ کو اس کی سفارش کرنا؛
- (n) کمپنی کے اندر HR سے متعلق کسی بھی نوعیت کے مسائل کی اجازت دینا اور نتائج کی رپورٹ کا جائزہ لینا؛
- (o) حسب ضرورت کمپنی کے باہر سے قانونی یا دیگر آزاد پیشہ ورانہ مشاورت حاصل کرنا؛
- (p) سی ایف او، کمپنی سیکرٹری، اندرونی آڈٹ کے سربراہ (آڈٹ کمیٹی کی سفارش پر)، ملازمتی بینڈ 1 میں موجود افسران کی ملازمت برخاست کرنے کی سفارش کرنا؛
- (q) بورڈ کو ٹینجنگ ڈائریکٹرز کے انتخاب، تجزیے، معاوضے (بشمول ریٹائرمنٹ پر دیے جانے والے بینیفٹ) اور جانشینی کی منصوبہ بندی کی سفارش کرنا۔

کریڈٹ رسک مینجمنٹ کمیٹی

- (a) ادارے کی خطراتی روایت کی مزید پیش رفت کے لیے بورڈ کی جانب سے گزشتہ طور پر دی گئیں سفارشات پر فالو اپ کرنا۔ تمام کاروباری پوزیشن میں رسک مینجمنٹ پر آگاہی اور اس کی سمجھ بوجھ میں اضافہ کرنا۔ باقاعدہ انداز میں تمام اقسام کے خطرات کے تجزیے کے لیے خطرات مول لینے والے شعبوں کے ساتھ مشاورت کے لیے ایک فورم مہیا کرنا اور بورڈ کی منظوری کے لیے تجویزیت کی سطحوں کی تجاویز دینا۔
- (b) رسک مینجمنٹ پالیسیوں اور فریم ورک بشمول کمپنی کے تمام خطرات کا جائزہ لینا اور منظوری کے لیے بورڈ آف ڈائریکٹرز کو اضافہ جات، تعذیب اور ترامیم کی سفارش کرنا۔ خطرات کی تمام بڑی کنٹریکٹرز کی نشاندہی، پینکشن، ہنگرانی اور کنٹرول کے لیے رہنما ہدایات مرتب کرنا۔
- (c) کمپنی کی مجموعی خطرات مول لینے کی اہلیت اور مختلف حدود کے حوالے سے تجاویز پر غور کرنا، ان کا جائزہ لینا اور منظوری کے لیے بورڈ کے سامنے رکھنا۔ تجارت کردہ اور واجب التحصیل پورٹ فولیو کے لیے مارکیٹ کی خطراتی حدود بشمول عالمی یا خساروں کے تدارک (اسٹاپ لوسز) کا جائزہ لینا اور سفارش پیش کرنا۔
- (d) مالیاتی اور انتظامی خطرے کے لیے کمپنی کی مجموعی خطرات مول لینے کی اہلیت یا خطراتی حدود کی کسی بھی نوعیت کی خلاف ورزی پر غور کرنا اور اس کا جائزہ لینا اور کسی بھی تجویز کردہ اقدامی عمل (اگر ضروری ہو) کی سفارش پر غور کرنا۔
- (e) اس بات کو یقینی بنانا کہ خطرات مول لینے والے فیصلے الفاظ کی صورت میں اور واضح ہوں اور خطرہ مول لینے کے لیے بطور ڈھال مناسب سرمایہ موجود ہو۔ اندرونی سرمائے کی موزونیت کا تجزیاتی عمل (ICAAP) اور مختلف کاروباری سرگرمیوں کی کلیدی اہمیت کے حامل اقدامات اور خطرات کے ادارہ جاتی فریم ورک میں اس کی عمدہ ترین تخصیص پر غور کرنا اور بورڈ کو اس کی منظوری کی سفارش پیش کرنا۔
- (f) ان کمیٹیوں کی جانب سے جمع کردہ اہم نکات / فیصلوں / تجاویز کے جائزے کے ذریعے RMC، CC اور ORC کی کارکردگی کی گمرانی کرنا۔
- (g) کمپنی کی مدد یا مقررہ پہلوؤں کے حوالے سے ایک آزادانہ تجزیے کی فراہمی کے لیے کسی بھی بیرونی مشیر، ماہر یا آڈیٹر کو شریک عمل کرنا۔
- (h) اس بات کو یقینی بنانا کہ خطرات سے نمٹنے کا ایک مناسب نظام نافذ العمل ہو اور خطرات کی رپورٹنگ کے لیے کمپنی کے پاس مضبوط و مستحکم مینجمنٹ انفارمیشن سسٹم موجود ہو۔ مختلف میعاد MIS بشمول استثنائی رپورٹس کا جائزہ لیں۔ سرمائے کی موزونیت پر MRMC کے مباحثے اور سرمایہ جاتی منافعوں، تناؤ کی جانچ اور حسب موزونیت دیگر جانچ پڑتال پر مینجمنٹ کی جانب سے کی جانے والی انضباطی جمع کاروں کے نتائج کا جائزہ لینا۔
- (i) اس بات کو یقینی بنانا کہ خطرات سے نمٹنے کے لیے مختص کردہ وسائل ساز، نوعیت اور کاروباری حجم کے لحاظ سے موزوں ہوں اور یہ کہ اسٹاف کے پاس مختلف خطرات کی گمرانی اور کنٹرول کے لیے مناسب علم اور مہارت ہو۔
- (j) مختلف کاروباری درجوں کے لیے کمپنی کی جانب سے اختیار کردہ درجہ بندی ماڈلز کی موزونیت اور موثر پذیرگی کا جائزہ لینا۔ مارکیٹ کے خطرات کا تخمینہ لگانے کے لیے استعمال کردہ تمام سسٹمز کی مضبوطی اور موثر پذیرگی کو یقینی بنانا۔
- (k) کمپنی کو پیش آنے والے تمام مادی خطرات بشمول انتظامی خطرات کی نشاندہی کرنا اور جائزہ لینا اور موزوں تخفیفی حکمت عملیوں کی منظوری دینا۔
- (l) کمپنی کے کاروباری تسلسل اور آفات سے بحالی کے منصوبوں کا میعادی بنیاد پر جائزہ لینا تاکہ اس بات کو یقینی بنایا جاسکے کہ کمپنی کے موجودہ معمولات اور کاروباری حکمت عملیوں سے ہم آہنگ رہیں۔ ان منصوبوں کی میعادی جانچ کے نتائج کا جائزہ لینا۔

نام	اجلاس میں شرکت
مسز شیان محمد جانی	4
مسز عارف احمد خان	4
مسز ایڈی زون زوکرسی عدنان	4
مس عائشہ عزیز، ہی ایف اے	4

بورڈ کمیٹیز

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

- 1- آڈٹ کمیٹی
- 2- ہیومن ریسورسز اور مشاوری کمیٹی
- 3- کریڈٹ رسک مینجمنٹ کمیٹی

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

آڈٹ کمیٹی

- کمیٹی کے اثاثوں کے تحفظ کے لیے موزوں اقدامات کا تعین؛
- بورڈ آف ڈائریکٹرز کی جانب سے منظوری سے قبل، کمیٹی کے سالانہ اور عبوری مالیاتی گوشواروں کا جائزہ؛
- بیرونی ابلاغ اور شاعت سے قبل نتائج کے ابتدائی اعلان کا جائزہ؛
- بیرونی آڈٹ میں تعاون کرنا اور عبوری اور حتمی آڈٹس کے نتیجے میں سامنے آنے والے ایسے بڑے مشاہدات یا کسی بھی دیگر معاملے پر بیرونی آڈیٹرز سے گفتگو کرنا جن پر آڈیٹرز روشنی ڈالنا چاہتے ہوں (حسب ضرورت، مینجمنٹ کی عدم موجودگی کی صورت میں)؛
- بیرونی آڈیٹرز کی جانب سے جاری کردہ مینجمنٹ کے مسائل کا جائزہ لینا اور اس پر مینجمنٹ کا رد عمل؛
- کمیٹی کے اندرونی اور بیرونی آڈیٹرز کے مابین ہم آہنگی کو یقینی بنانا؛
- اندرونی آڈٹ، آڈٹ کے منصوبے، رپورٹنگ کے فریم ورک اور دستور العمل کی وسعت اور حد کا جائزہ لینا اور اس امر کو یقینی بنانا کہ اندرونی آڈٹ کے شعبے کے پاس مناسب وسائل ہوں اور کمیٹی میں اس کاموں کو بطور پرتقر کیا گیا ہو؛
- مختلف سرگرمیوں جیسے کہ فراڈ، بدعنوانی اور اختیارات کے غلط استعمال کی اندرونی تحقیقات کے بڑے نتائج کو زیر غور لانا اور ان پر مینجمنٹ کا رد عمل؛
- اس بات کی تصدیق کرنا کہ اندرونی کنٹرول سسٹمز بشمول مالیاتی اور انتظامی کنٹرولز، اکاؤنٹنگ سسٹمز کی جانب سے خرید و فروخت، وصولی و ادائیگی، اثاثوں و واجبات کا بروقت اور موزوں اندراج کیا جا رہا ہے اور رپورٹنگ کا اسٹریکچر موزوں اور موثر ہے؛
- بورڈ آف ڈائریکٹرز اور اندرونی آڈٹ رپورٹس کی جانب سے توثیق سے قبل اندرونی کنٹرول سسٹمز پر کمیٹی کے گوشوارے کا جائزہ؛
- چیف ایگزیکٹو آفیسر کی مشاورت سے، خصوصی پرائیکٹس، زری قدر کے تحقیقی جائزوں یا بورڈ آف ڈائریکٹرز کی جانب سے واضح کردہ کسی بھی معاملے پر دیگر تحقیقات کا آغاز کرنا اور بیرونی آڈیٹرز یا کسی بھی بیرونی ادارے کو کسی بھی معاملے کی ترسیل پر غور کرنا؛
- متعلقہ آئینی لوازمات کی تعمیل کا تعین کرنا؛
- ان ضوابط کی تعمیل کی نگرانی کرنا اور اس حوالے سے کسی بھی نمایاں خلاف ورزیوں کی نشاندہی کرنا؛
- اسٹاف اور مینجمنٹ کے لیے اس انتظام کا جائزہ لینا جس کے تحت وہ مالیاتی اور دیگر معاملات میں حقیقی یا کم از کم عدم موزونیت، اگر کوئی ہو، کے بارے میں خدشات کو خفیہ طور پر آڈٹ کمیٹی کے گوش گزار کر سکیں اور تدارکی اور تحقیقی اقدامات کے آغاز کی تجویز دے سکیں؛
- بیرونی آڈیٹرز کی تقرری، ان کی برخواستگی، آڈٹ فیس اور اس کے علاوہ کمیٹی کے مالیاتی گوشواروں کے ساتھ ساتھ بیرونی آڈیٹرز کی جانب سے کمیٹی کو فراہم کردہ کسی بھی اجازت یافتہ خدمت کی فراہمی کے لیے بورڈ آف ڈائریکٹرز کو تجویز پیش کرنا۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی سفارشات پر پھر پور غور کرے گا اور اگر ان سفارشات پر عمل نہ کیا گیا تو اس کی وجوہات تحریر کرے گا؛
- بورڈ آف ڈائریکٹرز کی جانب سے تفویض کردہ کسی بھی دیگر مسئلے یا معاملے کو زیر غور لانا۔

دیگر بورڈ ممبر شپ:

ڈائریکٹر، پیئرسن سیکورٹیز لمیٹڈ، آسٹریلیا
ڈائریکٹر، پروگریسیو سیلولر ایس ڈی این۔ برہاڈ

عائشہ عزیز، ہی ایف اے

مسز عائشہ عزیز کے پاس انویسٹمنٹ بینکنگ سمیت پراجیکٹ فنانس، اثاثہ جات مینجمنٹ، کارپوریٹ فنانس ایڈوائزی اور پرائیویٹ ایکویٹی کا بھرپور اور متنوع تجربہ ہے۔ وہ 10 سال تک اسے این ز ایڈیٹنگ گروپ سے وابستہ رہیں جہاں انہوں نے مختلف ڈیپارٹمنٹس میں کام کیا جن میں، ٹریڈنگ، پورٹ فولیو مینجمنٹ، پلاننگ اینڈ فنانشل انجینئرنگ شامل ہیں۔ اس کے بعد مسز عائشہ عزیز پاک عمان انویسٹمنٹ کمیٹی کے ماتحت ادارے بشمول مائیکروفنانس بینک اور ایک اثاثہ انتظامی کمیٹی جہاں انہوں نے بالترتیب بورڈ کی ممبر اور سی او کے طور پر کاروباری کارروائیوں کے قیام اور ان کے چلانے سے متعلق انتظام میں شامل تھیں۔ مسز عائشہ عزیز پاک بروٹائی انویسٹمنٹ کمیٹی سے آغاز کے بعد سے منسلک ہیں اور انہوں نے اس کو ایک اسکوپ اور اسکور کے ساتھ اہم سرمایہ کاری بینک کے طور پر ابھرنے اور اثاثوں کے معیار کے لحاظ سے اس کی پوزیشن بہتر کرنے میں بہت مدد کی ہے۔ انہوں نے اس مدت کے دوران اثاثہ مینجمنٹ، اسلامک فنانس اور لیزنگ کے ساتھ ساتھ پاک بروٹائی کی زیر نگرانی ماتحت اداروں کی بھی تشکیل کرنے میں کافی مدد کی ہے۔

مسز عائشہ عزیز انٹیٹیوٹ آف برنس ایڈمنسٹریشن سے ایم بی اے اور ایک کوالیفائیڈ چارٹرڈ فنانشل تجزیہ کار (CFA) ہیں۔ مسز عائشہ عزیز اول مضاربہ مینجمنٹ لمیٹڈ، کے ایس بی پیپر کمیٹی لمیٹڈ، اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ، گلکسو اسمتھ کلائن کوزیومر ہیلتھ کیئر کے ساتھ ساتھ پریسیس لیزنگ لمیٹڈ کے بورڈ کی چیئر پرسن بھی ہیں۔ ماضی میں انہوں نے، بہت سارے بورڈز اور کمیٹیوں میں اپنی خدمات سرانجام دیں ہیں جن میں سندھ انسٹریٹرز بورڈ، پینٹ فنڈم اور سیز انویسٹرز چیئر آف کامرس، پاکستان مرکزی اسٹیٹس بورڈ آف انویسٹمنٹ اور ٹریڈ شال ہیں۔

دیگر بورڈ ممبر شپ:

ڈائریکٹر، اول مضاربہ مینجمنٹ لمیٹڈ (جو کہ پاک بروٹائی کی ذیلی کمیٹی ہے)

چیئر پرسن، پریسیس لیزنگ لمیٹڈ (جو کہ پاک بروٹائی کی ذیلی کمیٹی ہے)

ڈائریکٹر، کے ایس بی پیپر کمیٹی لمیٹڈ

ڈائریکٹر، اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ

ڈائریکٹر، گلکسو اسمتھ کلائن کوزیومر ہیلتھ کیئر

بورڈ کی کارکردگی کا تجزیہ

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

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

بورڈ کی مینٹنگ

کمیٹی کے بورڈ آف ڈائریکٹرز نے سال ختمہ 31 دسمبر، 2020 کے دوران 4 بار اجلاس منعقد کئے۔ مندرجہ ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

کاروباری اور مالیاتی رپورٹنگ کا بنیادی ڈھانچہ

ڈائریکٹرز اس بات کا اعلان کرتے ہیں کہ:

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

کارپوریٹ گورننس

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

- اسٹیٹمنٹ آف کمپلائنس کی منتخب کردہ کمیٹیوں کے بیان کردہ بہترین طریقہ کار سے کوئی انحراف نہیں ہوا ہے اور اس پر وہ عمل پیرا ہیں۔ (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019۔
 - کمپنی کے ڈائریکٹرز کی کل تعداد 4 ہے جن کی درج بندی اس طرح ہے:
- | | |
|------|---|
| مرد | 3 |
| عورت | 1 |
- حکومت پاکستان اور حکومت برونائی کے مابین طے شدہ معاہدے کے تحت ہے، کمپنی کے بورڈ آف ڈائریکٹرز میں چار ڈائریکٹرز شامل ہیں جو دونوں حکومتوں کے ذریعے سے نامزد ہیں۔ اس وقت بورڈ کی تشکیل مندرجہ ذیل ہے:

کلیوری	نام	تفصیل
خوجتار ڈائریکٹر	کوئی نہیں	پی پی آر ڈی سرکلر نمبر 04 آف 2007 کے تحت بورڈ میں ایک آزاد ڈائریکٹرز تقرری کے سلسلے میں کمپنی نے اسٹیٹ بینک آف پاکستان سے استثناء حاصل کیا ہوا ہے۔
نان ایگزیکٹو ڈائریکٹرز	مسٹر محمد سفیان محمد جانی (چیئر مین)	حکومت برونائی کی جانب سے تقرر کردہ ڈائریکٹر
	مسٹر عارف احمد خان	حکومت پاکستان کی جانب سے تقرر کردہ ڈائریکٹر
	مسٹر ایڈزون زو کری عدنان	حکومت برونائی کی جانب سے تقرر کردہ ڈائریکٹر
ایگزیکٹو ڈائریکٹر	مس مائیکرویز	حکومت پاکستان کی جانب سے تقرر کردہ ڈائریکٹر

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

کمپنی کے ڈائریکٹرز اور ان کی دوسری کمپنیوں کے ساتھ ممبر شپ کی متعلقہ تفصیلات برطانیہ 31 دسمبر 2020 تک درج ذیل ہے:

مسٹر سفیان محمد جانی، سی ایف اے

مسٹر سفیان محمد جانی برونائی انویسٹمنٹ ایجنسی میں قائم مقام ہیڈنگ ڈائریکٹر کے طور پر خدمات انجام دے رہے ہیں۔ وہ پی آئی اے کے اچانچہ مختص کرنے کی حکمت عملی کی سرپرستی بھی کرتے ہیں۔

انہوں نے 1993 میں پی آئی اے کے ساتھ بطور انویسٹمنٹ آفیسر برسلا اور لنڈن میں اپنے کیریئر کا آغاز کیا۔ ابھی حال ہی میں، انہوں نے پی آئی اے کے انٹرنل فنانس مینجمنٹ ڈپارٹمنٹ میں بطور

ڈائریکٹر کے طور پر خدمات انجام دیں۔ ان کی دیگر خدمات میں وہ ملازمین کے ٹرسٹ اور فنانس انویسٹمنٹ کمیٹی مانیجر کی اتھارٹی آف برونائی دارالسلام کے بورڈ کے ممبر بھی رہے۔ مسٹر سفیان محمد جانی

نے مانچسٹر یونیورسٹی (یو کے) سے اکنامکس اور سوشل اسٹیڈیز میں پیچھری ڈگری (آنرز) حاصل کر رکھی ہے۔ وہ سی ایف اے کا چارٹرڈ ہولڈر بھی ہیں۔

دیگر بورڈ ممبر شپ:

ڈائریکٹر، بینک اسلام برونائی دارالسلام

مسٹر عارف احمد خان

مسٹر عارف احمد خان ایک سینئر سول ملازم ہیں جو پبلک ایڈمنسٹریشن میں 36 سال سے زیادہ تجربہ رکھتے ہیں۔ اپنے کیریئر کے دوران انہوں نے بیکریٹری خزانہ سیکرٹری، اکنامک افیئر ڈویژن، بیکریٹری

داخلہ اور بیکریٹری موسمیاتی تبدیلی کی حیثیت سے اپنی خدمات انجام دیں۔ مسٹر خان ایڈیشنل چیف سیکرٹری، منصوبہ بندی اور ترقیاتی محکمہ کے طور پر حکومت سندھ میں اپنی خدمات انجام دیں۔

وہ 13-2012 میں سندھ کے بیکریٹری خزانہ بھی رہے۔ اس سے پہلے وہ حکومت سندھ کے ہوم سیکرٹری بھی رہے تھے۔

مسٹر خان کو موٹو پال، کینیڈا میں پاکستان کے قونصل جنرل اور ڈیپٹیشنل چیئرمین سے خدمات انجام دینے کا موقع بھی ملا اس کے ساتھ ساتھ مسٹر خان جنیوا میں انٹرنیشنل ٹریڈ سینٹر (آئی ٹی سی) میں

پروگرام کارڈیٹر کے طور پر بھی خدمات انجام دے چکے ہیں۔ مسٹر خان ایک سپورٹ پروموشن بیورو (اب ٹریڈ پبلیشنگ اتھارٹی آف پاکستان) میں 05-2004 تک ڈائریکٹر جنرل کے عہدے

پر فائز رہے۔ مسٹر خان بورڈ آف اسلامک ڈیولپمنٹ بینک، جدہ میں بھی دو سال کے عرصے کے لیے ایگزیکٹو ڈائریکٹر کے طور پر اپنی خدمات سر انجام دیتے رہے ہیں۔ مسٹر خان نے ڈائریکٹر آف

سندھ بینک لمیٹڈ، سندھ اینگریڈول مینٹگ کمپنی لمیٹڈ، اسٹیٹ بینک آف پاکستان، پاک چانگ انویسٹمنٹ کمپنی لمیٹڈ، چیئر انویسٹمنٹ کمپنی لمیٹڈ، پاکستان انٹرنیشنل ایئر لائن، پاکستان ٹیلی کمیونیکیشن کمپنی،

پاکستان ایل این جی ٹریٹیل لمیٹڈ، پاکستان ایل این جی لمیٹڈ، پاکستان سوفٹ ویئر ڈیولپمنٹ بورڈ، ایس این جی پی ایل، پارکوٹیشنل ڈزاسٹرسک مینجمنٹ، کراچی انفراسٹرکچر ڈیولپمنٹ بورڈ، بے نظیر

آکھ سپورٹ بورڈ، نسٹ، نیویٹک، پاکستان انسٹیٹیوٹ آف ڈیولپمنٹ اکنامکس، پی پی آر اے، یونیورسٹی آف میڈیکل سائنس، سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان، نیشنل اسکول آف پبلک پالیسی،

ٹریڈ ڈیولپمنٹ اتھارٹی آف پاکستان اور فیصل آباد ڈیولپمنٹ کمپنی میں حکومت کی نمائندگی کی ہے۔ مسٹر خان بورڈ آف ہیلیکس سن انشورنس بروکرز (پرائیویٹ) لمیٹڈ میں بھی ڈائریکٹر کے طور

پر اپنی خدمات سر انجام دے رہے ہیں۔

مسٹر خان کیوبک کی کوکورد یا یونیورسٹی سے پبلک پالیسی میں ماسٹر ہیں۔

دیگر بورڈ ممبر شپ:

سی ای او، ٹریڈ ڈیولپمنٹ اتھارٹی آف پاکستان

ڈائریکٹر، ہیلیکس سن انشورنس بروکرز (پرائیویٹ) لمیٹڈ

مسٹر ایڈزون زو کری مہین دا تو حاجی عدنان، سی ایف اے

مسٹر ایڈزون زو کری عدنان نے 2005 میں برونائی انویسٹمنٹ ایجنسی میں شمولیت اختیار کی اور وہ اس وقت برونائی انویسٹمنٹ ایجنسی کے لیسٹریٹس ڈویژن کے ہیڈ کے طور پر خدمات سر انجام

دے رہے ہیں۔ مسٹر ایڈزون زو کری عدنان ایجنسی کے پورٹ فولیو ایڈزون زو کری کمیٹی کے 2012 سے رکن ہیں اور اس کے ساتھ ساتھ وہ منسٹری آف فنانس کے اسٹریٹجک اہداف کے اقدامات میں

بھی 2016 سے شامل ہیں۔

مسٹر ایڈزون زو کری عدنان نے مانچسٹر یونیورسٹی سے اکاؤنٹنگ اور فنانس میں ماسٹری ڈگری حاصل کی ہوئی ہے۔ اس کے علاوہ وہ ایک ایف سی سی اے اور سی ایف اے بھی ہیں۔ وہ برونائی کے

افتتاحی ٹاپ 100 لیڈرز پروگرام 2015 میں شریک تھے جن کو پرائمری منسٹرز آفس اور ڈیپٹی منسٹرز آفس کی طرف سے سہولیات فراہم کی گئیں تھیں اور اس وقت مسٹر ایڈزون زو کری عدنان وزارت

خزانہ کے لیڈر شپ پروگرام میں شریک ہیں۔ مسٹر ایڈزون زو کری عدنان پیٹرن سز سیکورٹیز لمیٹڈ آسٹریلیا میں ڈائریکٹر کے طور پر کام کر رہے ہیں اور اس کے ساتھ ساتھ پروگریسیو سٹیٹ سیکورٹیز ایس ڈی این۔

برہاڈ میں بھی چیئر مین آف آڈٹ کمیٹی، چیئر مین آف ایچ ایس ایس ای کمیٹی اور ممبر آف ہیومن ریسورس کمیٹی کے طور پر اپنی خدمات انجام دے رہے ہیں۔ مسٹر ایڈزون زو کری عدنان کو 2017 میں

پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ میں ڈائریکٹر مقرر کیا گیا۔ انہوں نے بورڈ ممبر آف آر ماڈ پراپرٹیز ایس ڈی این۔ برہاڈ میں 2017-2013 تک بورڈ آف آف ممبر کے طور پر اپنی خدمات سر انجام دیں۔

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے، 31 دسمبر 2020 کو ختم ہونے والے سال کے پاکستان برونائی انویسٹمنٹ کمپنی کے مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ کمپنی کی مالیاتی کارکردگی کا مکمل جائزہ درج ذیل میں پیش ہے:

منتخب مالیاتی علامات

رقوم پاکستان روپے میں تا فیکہ بیان شدہ نہ ہو۔

	2020	2019	2018	2017	2016	2015	2014
مجموعی اثاثے	40,253	57,773	48,793	29,869	34,391	29,115	32,901
موجودہ اثاثے	10,733	10,549	9,961	10,456	10,429	9,684	9,140
قرض/پیشگی	19,134	18,771	20,330	18,768	13,996	10,237	7,385
حتمی سرمایہ	17,483	31,817	26,117	7,679	16,658	16,850	24,247
حتمی مارک اپ آمدنی	768	734	719	553	507	553	468
غیر مارک اپ آمدنی	688	43	222	588	1,237	1,230	907
قبل از ٹیکس منافع	1,033	458	503	671	1,333	1,300	1,106
بعد از ٹیکس منافع	718	366	276	470	962	937	905
آمدنی فی شیئر (پاکستانی روپے)	1.20	0.61	0.46	0.78	1.60	1.56	1.51
ڈیویڈنڈ کی ادائیگیاں (فیصد)	5.00%	5.00%	5.00%	5.00%	5.00%	3.33%	3.33%
حتمی انٹیکسٹ کا تناسب (فیصد)	2.93%	1.07%	1.39%	3.54%	1.54%	1.52%	0.00%

اگرچہ پچھلے سال کی معاشی سست روی کے بعد ایک چیلنجنگ سال غیر متوقع نہیں تھا، لیکن کرونا وائرس وبائی مرض نے پہلے سے ہی نازک معیشت کو مزید نقصان پہنچایا۔ ملک بھر میں لاک ڈاؤن اور صارفین کی طلب میں کمی کے بعد پیداواری صلاحیت بھی متاثر ہوئی، جس کے نتیجے میں دہائیوں کے بعد جی ڈی پی میں کافی حد تک نمایاں کمی واقع ہوئی۔

پاکستان کی فنانشل مارکیٹ کو بھی جی ڈی پی میں کمی کے اثرات نے اپنی لپیٹ میں لے لیا۔ پرائیویٹ Credit کی گروتھ جو کہ سال 2019 میں تقریباً 12 فیصد تھی سال 2020 کی پہلی ششماہی میں گھٹ کر 6 فیصد ہو گئی جبکہ سال 2020 کی دوسری ششماہی میں مزید گھٹ کر صرف 3 فیصد تک رہ گئی۔ اسٹیٹ بینک آف پاکستان کی طرف سے قرضوں کی تنظیم نو سے متعلق قرضی کے بعد، بینکوں/ڈی ایف آئی ایس کو ایک ٹریبلین پاکستانی روپے کے قریب واجب الادا بلتیا و سو بیوں کو ملتی/موخر کرنا پڑا۔ مزید برآں، کراچی اسٹاک ایکسچینج 100 انڈیکس کو جنوری اور مارچ کے درمیان تقریباً 16,000 پوائنٹس سے محروم ہونا پڑا جس کے نتیجے میں سرمایہ کاروں کو سرمائے میں بھاری خسارے کا سامنا کرنا پڑا جبکہ 2020 کی تیسری سہ ماہی میں حالات کچھ بہتر ہونا شروع ہوئے اور بحالی کا آغاز ہونا شروع ہوا۔

ایسے آزمائشی اور مشکل وقت میں، پاک برونائی کا سب سے اہم مقصد اپنے اثاثوں کو ختم ہونے سے بچانا تھا۔ خطرات پر تقابلاً پانے کے اقدامات کو مزید سخت کیا گیا اور کریڈٹ کو بہتر ہونے سے بچانے کے لیے ایک کثیر جہتی اور فعال حکمت عملی نافذ کی گئی۔ اسٹیٹ بینک آف پاکستان کی اسکیم کے تحت، مؤکلوں کو ان کے کیس کی بنیاد پر تنظیم نو اور قرض کی التوا کی اجازت دی گئی جبکہ اس بات کو یقینی بنایا گیا کہ آمدنی کا سلسلہ بدستور برقرار رہے۔ مزید یہ کہ لیکویڈٹی منجمنٹ فنکشن کو مزید تقویت دی تاکہ مزید دیکھنا روکا جاسکے۔ اس سلسلے میں ہماری ہینلس شیڈ کی طاقت طویل المیعاد فنانسنگ میں ہے جو ہم نے کئی سالوں سے متعدد دیکھوں سے ترتیب دیا ہوا ہے، جو عام طور پر نہ صرف ہمارے اثاثہ جات کی ذمہ داری کو کم کرتا ہے بلکہ نازک اوقات جیسے کہ کرونا وبائی امراض میں پیش آنے والے حالات میں ہنگامی فنڈز پر انحصار کم کرنے میں بھی مدد فراہم کرتا ہے۔

ہمارا دوسرا مقصد ہمارے ایکویٹی سرمایہ کاری کے پورٹ فولیو کو متاثر ہونے سے روکنا تھا۔ سال 2020 کی پہلی سہ ماہی کے دوران اتار چڑھاؤ اور غیر یقینی صورتحال کے باعث کے ایس ای 100 انڈیکس اپنی قیمت کا تقریباً 33.33 فیصد کھو گیا۔ سمجھداری سے فیصلہ کرنے کی وجہ سے، ہم صحیح وقت پر پورٹ فولیو میں اپنی ہدف کو کم کرنے میں کامیاب ہو گئے۔ مزید برآں مقررہ آمدنی والے معاملات میں بروقت سرمایہ کاری نے بھی ہمیں سرمایہ جات پر کٹش منافع ریکارڈ کرنے میں مدد فراہم کی۔

سال 2020 میں، ایس ایم ای گروپ نے اپنی رسائی میں مزید اضافہ کیا، جس سے گلگت بلتستان، بلوچستان اور کے پی کے میں اس کی تقسیم میں اضافہ ہوا۔ مدد ملی اعانت کے ذریعے شعبوں کی مدد کرنے کے لیے، ٹیم نے ای ایم ای کے اسٹیٹ بینک آف پاکستان کی اسکیموں کا استعمال کیا جن میں ورکنگ کیپٹل فنانس، ایس ایم ای کی جدید کاری کے لیے اسٹیٹ بینک ری فنانس، خواہ تین کے کاروبار کے لیے اسٹیٹ بینک ری فنانس اور کریڈٹ گارنٹی اسکیم خصوصی افراد کے لیے اسٹیٹ بینک ری فنانس اور کریڈٹ گارنٹی اسکیم اور کوویڈ۔19 کا سامنا کرنے کے لیے اسٹیٹ بینک ری فنانس فیسلٹی شامل ہیں، تاکہ سالانہ اہداف کو حاصل کرنے کے لیے زیادہ سے زیادہ کوشش اور محنت کی جائے۔

ہماری مکمل ملکیتی ذیلی کمپنی اول مضار پینجمنٹ کمپنی کے قیام کا مقصد جدید لین دین کے لیے تیار کردہ خصوصی گاڑیاں لانچ (خصوصی کاروباری ماحول) کرنا تھا۔ سب سے پہلے اول مضار پینجمنٹ کا آغاز 2016 میں کیا گیا۔ 2020 میں ہم ایک اور سنگ میل حاصل کر لیا جب اول مضار پینجمنٹ کمپنی نے کے اے ایس بی مضار پینجمنٹ پر پروڈیوشل مضار پینجمنٹ اور فرسٹ پاک مضار پینجمنٹ حقوق حاصل کر لیے۔ اگرچہ کوویڈ۔19 کی وجہ سے پائپ لائن میں موجود منصوبوں میں تاخیر ہوئی ہے، لیکن ہم امید کرتے ہیں کہ مستقبل میں ان گاڑیوں کو انفراسٹرکچر اور گرین فیلڈ منصوبوں کی مالی اعانت کے لیے استعمال کیا جائے گا۔

ہم توقع کرتے ہیں کہ 2021 اسٹیکام کا سال ہوگا جس میں معاشی محاذ پر مثبت سمت، اعلیٰ ترسیلات زر، ہمینو فیکچرنگ کی پیداوار میں بحالی کا آغاز، غیر ملکی زرمبادلہ کے محفوظ ذخائر اور کم شرح سود سب شامل ہوگا۔ پاک برونائی کی ابھرنے کی قوت اس طرح کے مشکل سال ہمیں یقین دلاتی ہے کہ ہم پاکستان کی معاشی بحالی کے ثمرات کو حاصل کرنے کے لیے اچھی پوزیشن میں ہیں۔ ہم اپنے حصص یافتگان، حکومت پاکستان اور برونائی انویسٹمنٹ ایجنسی کے شکرگزار ہیں اور پاکستان کی معاشی ترقی کے ہمارے مضبوط عزم پر بھرپور زور دیتے ہیں۔

ادارتی درجہ بندی

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

مکنہ خطرات سے نمٹنا

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

مزید برآں، کمپنی نے IFRS-9 کی مقدراری اور معیاری اثرات کی تشخیص بھی مکمل کر لی ہے۔ بازاری خطرات اور کاروباری عمل کے خطرات سے بورڈ کی جانب سے منظور شدہ متعلقہ پالیسیوں کے ذریعے نمٹا جاتا ہے۔ اس کے علاوہ، سیال پذیری کے خطرات کی پالیسی کمپنی کی سیال پذیر حالت کو منظم رکھنے کے حوالے سے رہنمائی فراہم کرتی ہے، جس کی روزانہ کی بنیاد پر نگرانی کی جاتی ہے۔ بورڈ کی مکنہ خطرات کی منتظم کمیٹی، کمپنی کے بازاری اور سیال پذیری سے متعلقہ خطرات، سرمائے کی ضروریات، اور مر بوط مکنہ خطرات سے متعلقہ خطرات کے ساتھ ساتھ مزید بہتر ہوگا۔ کریڈٹ رسک منجمنٹ ایک مشترکہ فعل ہے اور اس کے اہم ذیلی حوالے سے مجموعی رہنمائی فراہم کرتی ہے۔ کمپنی کی مجموعی کاروباری مر بوط مکنہ خطرات کی پروفاٹل کا تجزیہ، بیسل (Basel) فریم ورک، داخلی سرمائے کی ضرورت کے تجزیاتی عمل، اور دباؤ کے معائنے کا استعمال کرتے ہوئے عمل میں لایا جاتا ہے۔

14 Years Performance at a Glance

PKR in Million

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet														
Investments	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	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	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	830	620	725	4,751	2,913	4,218	5,164	567	2,825	979	844	395	–	–
Total Assets	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	10,733	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	5,000	5,000	3,000
Profit & Loss														
Mark up income	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	2,913	4,307	1,788	908	1,084	1,279	2,036	969	2,045	1,469	778	207	132	1
Non mark up income	688	43	222	588	1,237	1,230	907	706	406	284	212	254	86	67
Non mark up expense	388	332	341	293	314	304	272	219	201	203	165	133	119	58
Gross income	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	1,067	445	599	849	1,430	1,479	1,102	925	1,072	1,007	963	885	507	187
Provisions	34	(13)	96	178	97	179	(4)	8	(4)	87	81	218	134	–
Profit before tax	1,033	458	503	671	1,333	1,300	1,106	917	1,076	920	882	667	373	187
Profit after tax	718	366	276	470	962	937	905	706	784	604	581	447	222	141
Dividend paid	300	300	300	300	300	200	200	200	1,000	200	–	–	–	–
Investors information														
Profit before tax ratio	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	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	1.46%	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	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	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	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 %	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	2.93%	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)	27.27%	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%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

* four months of operations



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, 2020 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, 2020.

Chartered Accountants

Karachi

Dated: March 8, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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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, 2020

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:-

- The total number of directors are four (4) as per the following:
Male: 03
Female: 01
- As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
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.
- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
 - 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.
 - 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.
 - 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.
 - 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.
 - The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
 - The Board meets the criteria of requirement of Directors' Training program.
 - 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;
 - 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, 2, 32, 33 and 36 of the Regulations have been complied with.

Sofian Mohammad Jani
Chairman

Date: March 02, 2021

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

Date: March 02, 2021

Abdul Hafeez
Chief Financial Officer

Ayesha Aziz
Managing Director



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, 2020, 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, 2020 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 8, 2021

Unconsolidated Statement of Financial Position

As at December 31, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
ASSETS				
1,052	811		168,090	129,571
2,641	1,025		422,121	163,909
3,177	28,154		507,800	4,500,000
109,382	199,062		17,482,949	31,816,997
119,711	117,443		19,133,886	18,771,370
722	851		115,471	136,022
25	27		3,918	4,275
2,199	1,308		351,475	209,112
9,304	10,351		1,487,107	1,654,467
3,633	2,426		580,596	387,745
251,846	361,458		40,253,413	57,773,468
LIABILITIES				
–	–		–	–
173,701	282,492		27,763,412	45,152,000
5,193	3,879		830,000	620,000
–	–		–	–
–	–		–	–
–	–		–	–
5,802	9,085		927,426	1,452,073
184,696	295,456		29,520,838	47,224,073
67,150	66,002		10,732,575	10,549,395
NET ASSETS				
REPRESENTED BY				
37,539	37,539		6,000,000	6,000,000
10,786	9,260		1,723,782	1,480,107
(2,458)	(944)		(392,920)	(150,898)
21,283	20,147		3,401,713	3,220,186
67,150	66,002		10,732,575	10,549,395
CONTINGENCIES AND COMMITMENTS 20				

The annexed notes 1 to 43 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, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
23,028	31,542		3,680,678	5,041,574
18,225	26,948		2,912,988	4,307,293
4,803	4,594		767,690	734,281
Non mark-up / interest income				
462	445		73,898	71,154
986	1,229		157,535	196,469
2,804	(1,460)		448,118	(233,293)
51	52		8,143	8,326
4,303	266		687,694	42,656
9,106	4,860		1,455,384	776,937
Non mark-up / interest expenses				
2,291	2,037		366,237	325,524
136	40		21,754	6,441
2,427	2,077		387,991	331,965
6,679	2,783		1,067,393	444,972
213	(83)		33,970	(13,219)
–	–		–	–
6,466	2,866		1,033,423	458,191
1,971	580		315,050	92,629
4,495	2,286		718,373	365,562
Profit after taxation				
USD			(Rupees)	
0.00749	0.00381		1.20	0.61
Basic and diluted earning per share 30				

The annexed notes 1 to 43 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, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
4,495	2,286		718,373	365,562
(1,514)	3,268	19.1	(242,022)	522,314
43	6		6,829	1,034
3,024	5,560		483,180	888,910

The annexed notes 1 to 43 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, 2020

	Share capital	Capital reserve		General reserve	Revenue reserve		Total
		Statutory reserve (a)			Surplus / (deficit) on revaluation of assets	Unappropriated profit	
(Rupees in '000)							
As at January 1, 2019	6,000,000	1,406,995	-	-	(673,212)	3,226,702	9,960,485
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	365,562	365,562
Other comprehensive income							
- Remeasurement gain on defined benefit plan - net of tax	-	-	-	-	-	1,034	1,034
- Movement in surplus on revaluation of investments - net of tax	-	-	-	-	522,314	-	522,314
	-	-	-	-	522,314	366,596	888,910
Transfer to statutory reserve	-	73,112	-	-	-	(73,112)	-
Transactions with owners, recorded directly in equity							
Final cash dividend paid for the year ended December 31, 2018 @ Re.0.50 per share	-	-	-	-	-	(300,000)	(300,000)
Balance as at December 31, 2019	6,000,000	1,480,107	-	-	(150,898)	3,220,186	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 deficit 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

The annexed notes 1 to 43 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, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
6,466	2,866		1,033,423	458,191
986	1,229		157,535	196,469
5,480	1,637		875,888	261,722
Adjustments:				
263	236	26	42,051	37,669
7	7	26	1,197	1,137
73	68	22	11,678	10,838
136	40	27	21,754	6,441
213	(83)	28	33,970	(13,219)
15	-	25	2,449	-
(20)	-	25	(3,187)	-
(31)	-	25	(4,999)	-
(11)	(11)	25	(1,745)	(1,790)
645	257		103,168	41,076
6,125	1,894		979,056	302,798
Decrease / (increase) in operating assets				
24,977	(28,154)		3,992,200	(4,500,000)
(3,221)	9,299		(514,751)	1,486,372
1,138	(46)		181,962	(7,310)
22,894	(18,901)		3,659,411	(3,020,938)
(Decrease) / increase in operating liabilities				
(108,791)	51,689		(17,388,588)	8,261,627
1,314	(659)		210,000	(105,403)
(3,478)	859		(555,861)	137,334
(110,955)	51,889		(17,734,449)	8,293,558
(5)	(202)		(848)	(32,280)
(2,869)	(2,409)		(458,598)	(385,017)
(84,810)	32,271		(13,555,428)	5,158,121
CASH FLOWS FROM INVESTING ACTIVITIES				
86,866	(30,147)		13,884,174	(4,818,551)
512	(779)		81,716	(124,458)
986	1,234		157,535	197,227
(82)	(246)		(12,996)	(39,253)
(5)	(4)		(840)	(673)
-	-		3,829	-
-	-		33,524	-
33	84		5,217	13,373
88,310	(29,858)		14,152,159	(4,772,335)
CASH FLOWS FROM FINANCING ACTIVITIES				
(1,877)	(1,877)		(300,000)	(300,000)
(1,877)	(1,877)		(300,000)	(300,000)
1,623	536		296,731	85,786
1,836	1,299		293,480	207,694
3,459	1,835	31	590,211	293,480

The annexed notes 1 to 43 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, 2020

1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the 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 inter alia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (December 31, 2019: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These 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, 2021. Investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

2.3.1 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, 2020 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 16 - 'Leases' - COVID-19 related rent concessions	January 1, 2021
- IFRS 9 - 'Financial instruments'	January 1, 2021*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - '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 No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Company which are exposed to credit risk. The impact of application of IFRS 9 in Pakistan on the Company's financial statements is being assessed and 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, 2021 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);
- iii) provision for defined benefit plan (notes 4.13 and 33);
- iv) lease liability and right-of-use assets (notes 4.6.2 and 10);
- v) taxation (notes 4.11 and 29);
- vi) accounting for non-banking assets acquired in satisfaction of claims (note 13);
- vii) assets classified as held-for-sale (note 14) and;
- viii) provision and contingent assets and liabilities (notes 4.15 and 20) .

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.

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 159.8344 to US Dollars has been used for 2020 and 2019 as it was the prevalent rate on December 31, 2020.

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.

4.6 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 investments classified as held-to-maturity, the impairment loss is recognised in the unconsolidated profit and loss account.

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

In case of debt securities, 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, 2020.

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 have 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	2020	2019
(Rupees in '000)			
With State Bank of Pakistan in Local currency current account	5.1	168,090	129,571

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

6 BALANCES WITH OTHER BANKS

	Note	2020	2019
(Rupees in '000)			
In Pakistan			
In deposit accounts	6.1	422,121	163,909

6.1 These carry mark-up at rates ranging from 4.51% to 5.50% per annum (2019: 8% to 11.25% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2020	2019
(Rupees in '000)			
Repurchase agreement lendings (reverse repo)	7.1	507,800	4,500,000

7.1 These carry mark-up at rates ranging from 6.06% to 14.70% (2019: 13.40% to 13.50%) and will mature latest by January 6, 2021 (2019: January 13, 2020).

7.2 Particulars of lending

	2020	2019
(Rupees in '000)		
In local currency	507,800	4,500,000
In foreign currency	–	–
	507,800	4,500,000

7.3 Securities held as collateral against lendings to financial institutions

	2020			2019		
	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)	–	4,500,000	(4,500,000)	–
Total	507,800	(507,800)	–	4,500,000	(4,500,000)	–

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held-for-trading securities		-	-	-	-	-	-	-	-
Available-for-sale securities									
Federal government securities	8.3	12,434,784	-	(553,286)	11,881,498	25,169,133	-	(38,526)	25,130,607
Ordinary shares		809,168	(77,837)	(3,252)	728,079	1,647,175	(70,025)	(108,124)	1,469,026
Non-government debt securities		2,851,129	(269,110)	12,563	2,594,582	2,850,083	(269,110)	(18,230)	2,562,743
Units of mutual funds		240,020	-	(7,344)	232,676	548,786	-	(21,995)	526,791
Preference shares		-	-	-	-	3,250	(3,250)	-	-
		16,335,101	(346,947)	(551,319)	15,436,835	30,218,427	(342,385)	(186,875)	29,689,167
Held-to-maturity securities									
Commercial paper		42,742	-	-	42,742	124,458	-	-	124,458
		42,742	-	-	42,742	124,458	-	-	124,458
Subsidiaries	8.4	2,003,372	-	-	2,003,372	2,003,372	-	-	2,003,372
Total investments		18,381,215	(346,947)	(551,319)	17,482,949	32,346,257	(342,385)	(186,875)	31,816,997

8.2 Investments by segments:

(Rupees in '000)

	Note	2020				2019			
		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		1,394,174	-	629	1,394,803	14,727,442	-	(32,789)	14,694,653
Pakistan Investment Bonds		11,040,610	-	(553,915)	10,486,695	10,441,691	-	(5,737)	10,435,954
		12,434,784	-	(553,286)	11,881,498	25,169,133	-	(38,526)	25,130,607
Ordinary Shares									
Listed companies		787,837	(56,506)	(3,252)	728,079	1,625,844	(48,694)	(108,124)	1,469,026
Unlisted companies		21,331	(21,331)	-	-	21,331	(21,331)	-	-
		809,168	(77,837)	(3,252)	728,079	1,647,175	(70,025)	(108,124)	1,469,026
Preference shares		-	-	-	-	3,250	(3,250)	-	-
Non-government debt securities									
Listed		1,207,550	(16,136)	12,563	1,203,977	1,206,404	(16,136)	(18,230)	1,172,038
Unlisted		1,643,579	(252,974)	-	1,390,605	1,643,679	(252,974)	-	1,390,705
		2,851,129	(269,110)	12,563	2,594,582	2,850,083	(269,110)	(18,230)	2,562,743
Units of mutual funds		240,020	-	(7,344)	232,676	548,786	-	(21,995)	526,791
Commercial paper		42,742	-	-	42,742	124,458	-	-	124,458
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		18,381,215	(346,947)	(551,319)	17,482,949	32,346,257	(342,385)	(186,875)	31,816,997

8.2.1 Investments given as collateral

(Rupees in '000)

	2020			2019		
	Cost / amortised cost	Surplus / (deficit)	Carrying value	Cost / amortised cost	Surplus / (deficit)	Carrying value
Market Treasury Bills	8,706,074	(39,944)	8,666,130	11,020,434	(24,964)	10,995,470
Pakistan Investment Bonds	1,193,232	932	1,194,164	10,171,890	(9,681)	10,162,209
Term finance certificates / sukuks certificates	739,824	-	739,824	739,824	-	739,824
	10,639,130	(39,012)	10,600,118	21,932,148	(34,645)	21,897,503

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 6.99% to 9.53% (2019: 12.89% to 13.15%) per annum and will mature within 8 months (2019: 10 months). Pakistan Investment Bonds carry mark-up ranging between 7.71% to 13.00% (2019: 7.75% to 14.69%) per annum on a semi-annual basis and will mature within 19 years (2019: 10 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)

	2020							Cost
	Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	
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	1,234,691	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

(Rupees in '000)

	2019							Cost
	Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	
Investment in subsidiaries								
Awwal Modaraba Management Limited	100.00	Pakistan	120,956	39,908	22,072	(17,646)	(19,046)	105,000
Awwal Modaraba*	89.78	Pakistan	1,234,332	49,575	185,381	111,383	111,383	898,372
Primus Leasing Limited	100.00	Pakistan	1,289,462	277,201	151,677	66,273	66,273	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, 2020.

8.5 Provision for diminution in value of investments

	2020	2019
	(Rupees in '000)	
8.5.1 Opening balance	342,385	439,954
Charge / reversals		
Charge for the year	94,842	292,902
Reversal during the year	(90,280)	(390,471)
	4,562	(97,569)
Closing balance	346,947	342,385

8.5.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2020		2019	
	Non-performing investments	Provision	Non-performing investments	Provision
Domestic				
Loss	269,110	269,110	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)		
	2020	2019
Cost		
Federal government securities - Government guaranteed		
Market Treasury Bills	1,394,174	14,727,442
Pakistan Investment Bonds	11,040,610	10,441,691
	12,434,784	25,169,133
Ordinary shares		
Listed		
Oil and gas marketing / exploration companies	57,389	84,893
Commercial banks	–	66,486
Power generation and distribution	341,580	385,809
Cement	78,778	309,843
Chemicals	49,506	128,983
Engineering	–	139,145
Food and personal care products	86,121	203,772
Cable and electrical goods	–	84,458
Textile composite	167,963	206,577
Glass and ceramics	–	12,497
Investment banks / investment companies / securities companies	6,500	3,381
	787,837	1,625,844

(Rupees in '000)				
	2020		2019	
	Cost	Breakup value	Cost	Breakup value
Unlisted companies				
Pakistan Mercantile Exchange Limited*	21,331	2,789	21,331	623

* This investment has been fully provided.

(Rupees in '000)		
	2020	2019
Cost		
Non-government debt securities		
Listed		
- AAA	291,102	290,268
- AA+, AA, AA-	800,000	800,000
- A+, A, A-	100,000	100,000
- CCC and below	16,448	16,136
	1,207,550	1,206,404
Unlisted		
- AA+, AA, AA-	1,350,701	1,099,583
- A+, A, A-	39,944	291,198
- BBB+, BBB, BBB-	–	147,398
- CCC and below	140,238	–
- Unrated	112,696	105,500
	1,643,579	1,643,679
Preference shares		
Trust Investment Bank Limited	–	3,250
Units of mutual funds - listed		
Unrated	240,020	548,786
Equity securities		
Listed		
Oil and gas marketing / exploration companies		
Sui Northern Gas Pipelines Limited	46,102	63,907
Sui Southern Gas Company Limited	11,287	20,986
Commercial banks		
MCB Bank Limited	–	27,570
Habib Bank Limited	–	38,916
Power generation and distribution		
K-Electric Limited	24,562	24,562
Kot Addu Power Company Limited	85,767	119,715
Nishat Power Limited	231,251	241,532
Cement		
D.G. Khan Cement Company Limited	–	55,622
Fauji Cement Company Limited	–	87,456
Lucky Cement Limited	35,001	16,369
Maple Leaf Cement Factory Limited	43,777	150,396
Chemicals		
AgriTech Limited	49,506	49,506
Berger Paints Pakistan Limited	–	26,328
ICI Pakistan Limited	–	53,149
Engineering		
Aisha Steel Mills Limited	–	22,471
International Industries Limited	–	19,390
Mughal Iron and Steel Industries Limited	–	17,812
International Steels Limited	–	79,472
Food and personal care products		
Frieslandcampina Engro Pakistan Limited	–	117,650
Bunny's Limited	86,121	86,122
Cable and electrical goods		
Pak Elektron Limited	–	84,458

(Rupees in '000)

	2020	2019
Cost		
Textile composite		
Kohinoor Textile Mills Limited	–	30,456
Nishat (Chunian) Limited	51,660	57,664
Towellers Limited	61,506	57,841
Nishat Mills Limited	54,797	60,616
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	–	12,497
Investment banks / investment companies / securities companies		
Jahangir Siddique Company Limited	–	130
Trust Investment Bank Limited	6,500	3,251
	787,837	1,625,844
Unlisted		
Pakistan Mercantile Exchange Limited	21,331	21,331
8.7 Particulars relating to held to maturity securities are as follows:		
Non-government debt securities		
Unlisted and unrated		
Commercial paper	42,742	124,458

9 ADVANCES

(Rupees in '000)

	Note	Performing		Non-performing		Total	
		2020	2019	2020	2019	2020	2019
Loans, cash credits, running finances, etc.	9.1	18,573,440	18,569,932	983,888	595,472	19,557,328	19,165,404
Advances - gross		18,573,440	18,569,932	983,888	595,472	19,557,328	19,165,404
Provision against advances	9.4						
- Specific		–	–	423,442	394,034	423,442	394,034
- General		–	–	–	–	–	–
		–	–	423,442	394,034	423,442	394,034
Advances - net of provision		18,573,440	18,569,932	560,446	201,438	19,133,886	18,771,370

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

(Rupees in '000)

	2020				2019			
	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	345,429	232,094	–	577,523	430,221	470,163	–	900,384
Residual value	173,234	80,219	–	253,453	166,761	189,646	–	356,407
Minimum lease payments	518,663	312,313	–	830,976	596,982	659,809	–	1,256,791
Financial charges for future periods	(38,124)	(23,237)	–	(61,361)	(96,061)	(69,978)	–	(166,039)
Present value of minimum lease payments	480,539	289,076	–	769,615	500,921	589,831	–	1,090,752

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 33.33% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 10.67% to 22.00% per annum (2019: 9.16% to 24.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly installments. The assets are pledged in favour of the Company.

9.2 Particulars of advances (gross)

	2020	2019
(Rupees in '000)		
In local currency	19,557,328	19,165,404
In foreign currencies	–	–
	19,557,328	19,165,404

9.3 Advances include Rs. 983.888 million (2019: Rs. 595.472 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2020		2019	
		Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic					
Other Assets Especially Mentioned.	9.3.1	285	28	8,706	870
Substandard		415,489	888	11,459	2,865
Doubtful		11,832	5,916	8,188	4,094
Loss		556,282	416,610	567,119	386,205
Total		983,888	423,442	595,472	394,034

9.3.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 0.285 million (2019: Rs. 8.706 million).

9.4 Particulars of provision against advances

(Rupees in '000)

	2020			2019		
	Specific	General	Total	Specific	General	Total
Opening balance	394,034	–	394,034	309,684	–	309,684
Charge for the year	54,768	–	54,768	94,693	–	94,693
Reversals during the year	(25,360)	–	(25,360)	(10,343)	–	(10,343)
	29,408	–	29,408	84,350	–	84,350
Amounts written off	–	–	–	–	–	–
Closing balance	423,442	–	423,442	394,034	–	394,034

9.4.1 Particulars of provision against advances

(Rupees in '000)

	2020			2019		
	Specific	General	Total	Specific	General	Total
In local currency	423,442	–	423,442	394,034	–	394,034
In foreign currencies	–	–	–	–	–	–
	423,442	–	423,442	394,034	–	394,034

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. 242.656 million (2019: Rs. 180.914 million). The FSV benefit availed - net of tax amounting to 172.289 million (2019: 128.448 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, 2020 and 2019, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2020	2019
(Rupees in '000)			
Property and equipment	10.1	24,491	29,853
Right-of-use assets	10.1	90,980	106,169
		115,471	136,022

10.1 Property and equipment

	Note	Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
(Rupees in '000)								
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
Disposal	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%	-

	Note	Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
(Rupees in '000)								
At January 1, 2019								
Cost		-	43,629	16,506	29,783	18,805	409	109,132
Recognition of right-of-use assets on adoption of IFRS 16		144,212	-	-	-	-	-	144,212
Accumulated depreciation		-	(42,890)	(14,666)	(24,341)	(15,115)	(409)	(97,421)
Net book value		144,212	739	1,840	5,442	3,690	-	155,923
Year ended December 31, 2019								
Opening net book value		144,212	739	1,840	5,442	3,690	-	155,923
Additions		-	2,975	1,219	5,807	19,350	-	29,351
Disposals	10.1.1	(9,902)	-	-	-	(1,681)	-	(11,583)
Depreciation charge		(28,141)	(1,089)	(892)	(3,595)	(3,952)	-	(37,669)
Closing net book value	10.1.2	106,169	2,625	2,167	7,654	17,407	-	136,022
At December 31, 2019								
Cost		134,310	46,604	17,725	35,590	36,474	409	271,112
Accumulated depreciation		(28,141)	(43,979)	(15,558)	(27,936)	(19,067)	(409)	(135,090)
Net book value	10.1.2	106,169	2,625	2,167	7,654	17,407	-	136,022
Rate of depreciation (percentage)		19.22% - 59.38%	20%	20%	20% - 33.33%	25%	50%	-

10.1.1 Details of disposal made to related parties

	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
(Rupees in '000)					
2020	-	-	-		
2019	11,350	1,142	1,142		

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

	Note	2020	2019
(Rupees in '000)			
Leasehold improvements		42,500	42,464
Furniture and fixtures		13,607	13,840
Electrical, office and computer equipment		19,186	17,378
Vehicles		4,654	3,114
		79,947	76,796

11 INTANGIBLE ASSETS

	Note	2020	2019
Intangible assets	11.1	1,580	2,777
Capital work-in-progress	11.2	2,338	1,498
		3,918	4,275

11.1 Intangible assets

	Note	2020	
		Computer software	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 31, 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	

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

11.1.1 The cost of fully amortised intangible assets still in use amounts to Rs. 16.449 million (2019: Rs. 14.662 million).

11.2 Capital work-in-progress

	2020	2019
(Rupees in '000)		
Advance against software	2,338	1,498

12 DEFERRED TAX ASSETS

	(Rupees in '000)			
	2020			
	At January 1, 2020	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 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.	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 asset	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

	(Rupees in '000)			
	2019			
	At January 1, 2019	Recognised in unconsolidated profit and loss account	Recognised in OCI	At December 31, 2019
Deductible temporary differences on				
- Post retirement employee benefits	671	–	–	671
- Provision for diminution in the value of investments	99,035	(8,562)	–	90,473
- Provision against advances, other assets, etc.	89,809	24,461	–	114,270
- Deficit on revaluation of investments	173,146	–	(137,169)	35,977
- Accelerated tax depreciation	3,284	276	–	3,560
- Lease liability against right-of-use asset	–	36,315	–	36,315
- Carry forward of alternate corporate tax	–	49,910	–	49,910
- Capital loss on investments	–	5,746	–	5,746
- Provision for bonus	9,926	(2,676)	–	7,250
	375,871	105,470	(137,169)	344,172
Taxable temporary differences on				
- Net investment in finance lease	(52,802)	28,401	–	(24,401)
- Post retirement employee benefits	–	–	(422)	(422)
- Right-of-use assets	–	(30,789)	–	(30,789)
- Amortisation of discount on investments	(5,327)	(74,121)	–	(79,448)
	(58,129)	(76,509)	(422)	(135,060)
	317,742	28,961	(137,591)	209,112

13 OTHER ASSETS

	Note	2020	2019
(Rupees in '000)			
Income / mark-up accrued in local currency		593,580	928,777
Advances, deposits, advance rent and other prepayments		8,494	5,396
Advance taxation (payments less provisions)		653,684	532,867
Advance against subscription of term finance certificates		150,000	–
Receivable against sale of shares		65,406	49,002
Receivable from related parties	13.1	3,613	20,132
Non-banking asset acquired in satisfaction of claims	13.2	–	106,215
Lease receivable under IFRS-16	13.1.1	2,092	11,361
Receivable from defined benefit plan - related party	33	10,238	717
		1,487,107	1,654,467
Less: Provision held against other assets		–	–
		1,487,107	1,654,467

13.1 Receivable from related parties

Receivable from Awwal Modaraba Management Limited (subsidiary)	–	17,320
Receivable from Awwal Modaraba (subsidiary)	–	1,502
Receivable from other Modarabas managed by Awwal Modaraba Management Limited (related parties)	1,024	–
Receivable from Primus Leasing Company Limited (subsidiary)	2,589	1,310
	3,613	20,132

13.1.1 This includes lease receivable against sublease under IFRS-16 amounting to Rs. Nil and Rs. 2.092 million (2019: Rs. 2.572 million and Rs. 0.411 million) from Awwal Modaraba Management Limited and Primus Leasing Limited respectively.

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 (2019: Rs. 5.134 and Rs. 0.821 million).

13.1.3 Particulars of lease receivable under finance lease

	2020				2019			
	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	852	1,497	–	2,349	11,958	–	–	11,958
Minimum lease payments	852	1,497	–	2,349	11,958	–	–	11,958
Financial charges for future periods	(148)	(109)	–	(257)	(597)	–	–	(597)
Present value of minimum lease payments	704	1,388	–	2,092	11,361	–	–	11,361

13.2 Non-banking asset acquired in satisfaction of claims

	Note	2020	2019
(Rupees in '000)			
Opening balance		106,215	28,525
Additions during the year		–	77,690
Transfer to non-current assets classified as held-for-sale	14	(77,690)	–
Disposals during the year		(28,525)	–
Closing balance		–	106,215

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

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

14 ASSETS CLASSIFIED AS HELD-FOR-SALE

		2020	2019
Land, building and machinery acquired from:			
Sufi Steel Industries (Private) Limited		387,745	387,745
Lion Steel Industries (Private) Limited		86,111	–
Orbit Developers (Private) Limited		29,050	–
Atlas Cables (Private) Limited	13.2	77,690	–
Total assets classified as held-for-sale	14.1	580,596	387,745

14.1 These represent land, building and machinery which have been classified as 'non-current assets held for sale' as at December 31, 2020. The Company acquired these assets by settling total outstanding principal and mark-up of Rs 434 million and Rs 146 million respectively. The Company has entered into an agreement with buyers to dispose of these assets. 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:

	2020	2019
(Rupees in '000)		
Opening	387,745	–
Additions	122,827	387,745
Transfers	77,690	–
Disposals	(7,666)	–
Closing	580,596	387,745

15 BORROWINGS

	Note	2020	2019
(Rupees in '000)			
Secured			
Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	15.2	5,249,794	5,146,020
- Power Plants Using Renewable Energy (PPRE) scheme		104,562	152,690
- Temporary Economic Refinance Facility (TERF)	15.3	156,759	–
- Finance for Storage of Agriculture Produce (FSAP) scheme		213,492	235,068
- Credit Guarantee (CGS) Scheme	15.4	20,999	–
- Special Persons (SP) Scheme	15.5	2,425	–
- Balancing, Modernization & Replacement (BMR) scheme	15.6	20,602	–
		5,768,633	5,533,778
Repurchase agreement borrowings	15.7	7,391,858	5,333,511
Borrowings from banks	15.8	12,162,316	29,445,521
Total secured		25,322,807	40,312,810
Unsecured			
Letters of placement:			
- Primus Leasing Limited (subsidiary)		132,982	260,000
- Awwal Modaraba (subsidiary)		200,000	200,000
- Staff retirement funds (related party)		72,722	66,014
- Others		2,034,901	4,313,176
	15.9	27,763,412	45,152,000

15.1 Particulars of borrowings with respect to currencies

In local currency	27,763,412	45,152,000
In foreign currencies	–	–
	27,763,412	45,152,000

15.2 The Company has entered into agreements for financing with the SBP for Long-Term Financing under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges from 2.00% to 6.00% per annum (2019: 2.00% to 6.00% per annum). These are secured against demand promissory notes and are repayable within 10 years (2019: 9 years).

15.3 This represents borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1.00% per annum (2019: Nil) payable on quarterly basis, with maturities upto September, 2030 (2019: Nil). 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 This represents borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2019: Nil) payable on quarterly basis, with maturities upto November, 2025 (2019: Nil). 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 This represents 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% p.a by SBP whereas SBP's refinance rate for this facility is 0% p.a. In case of default of the counterparty, upto 60% of principal is covered by SBP.

15.6 This represents borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% per annum (2019: Nil) payable on quarterly basis, with maturities upto July, 2025 (2019: Nil). 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 This represent borrowings from various financial institutions at mark-up rates ranging from 7.00% to 7.03% per annum (2019: 13.20% to 13.60% per annum). Market Treasury Bills having a face value of Rs. 1,200 million (2019: Rs. 5,820 million) have been given as collateral against these borrowings.

15.8 This carry mark-up at rates ranging from 7.45% to 7.80% per annum (2019: 11.00% to 14.00% per annum) and are repayable within 3 year (2019: 4 years). These are secured against hypothecation of receivables and floating charge over term finance certificates, Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 740 million (2019: 740 million), Rs 4,464 million (2019: Rs 14,445 million) and Nil (2019: Rs: 9,225 million) respectively.

15.9 Particulars of borrowings

	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	6.5	7.5	3 months

	2019		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Primus Leasing Limited (subsidiary)	12.75	12.75	1 month
- Awwal Modaraba (subsidiary)	12.00	12.00	7 months
- Staff retirement funds	14.00	14.00	3 years
- Others	13.15	14.00	6 months

16 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)						
	Note	2020			2019	
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies
Customers						
- Certificate of investments (COIs)	16.1	830,000	–	830,000	620,000	–
Financial institutions						
- Certificate of investments (COIs)		–	–	–	–	–
		830,000	–	830,000	620,000	–

16.1 Composition of deposits

	Note	2020	2019
(Rupees in '000)			
- Public sector entities		500,000	500,000
- Private sector		330,000	120,000
		830,000	620,000

17 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		164,436	795,366
Unearned commission and income on bills discounted		30,085	22,745
Accrued expenses		61,150	39,767
Brokerage / commission payable		1,401	3,170
Payable against purchase of shares		100,456	15,758
Payable to related party	17.1	10,706	–
Lease liability against right-of-use assets		111,119	92,888
Security deposits against advances		253,450	344,903
Provision for Worker's Welfare Fund		122,662	100,908
Advance from customers		63,596	8,469
Others		8,365	28,099
		927,426	1,452,073

17.1 Payable to related party

Payable to Awwal Modaraba (subsidiary)		10,706	–
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18 SHARE CAPITAL

18.1 Authorised capital

2020	2019	Note	2020	2019
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000		6,000,000	6,000,000
			Ordinary shares of Rs.10 each	

18.2 Issued, subscribed and paid-up capital

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

18.2.1 As at December 31, 2020, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2019: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2019: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2020	2019
(Rupees in '000)			
Deficit on revaluation of			
- available-for-sale securities	8.2	(551,319)	(186,875)
Deferred tax on deficit on revaluation of:			
- available-for-sale securities		158,399	35,977
		(392,920)	(150,898)

19.1 Movement in revaluation of assets

Deficit on revaluation as at January 01		(186,875)	(846,358)
Revaluation (deficit) / surplus recognised during the year		(364,444)	659,483
Deficit on revaluation as at December 31		(551,319)	(186,875)
Less: related deferred tax asset on			
- Revaluation as at January 01		35,977	173,146
- Revaluation recognised during the year		122,422	(137,169)
		158,399	35,977
Deficit on revaluation of assets - net of tax		(392,920)	(150,898)

20 CONTINGENCIES AND COMMITMENTS

- Guarantees	20.1	980,103	1,102,446
- Commitments	20.2	11,244,892	10,945,709
- Other contingent liabilities	20.3	–	–
		12,224,995	12,048,155

20.1 Guarantees

Financial guarantees		980,103	1,102,446
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20.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		323,157	331,320
Commitments in respect of:			
- repo transactions	20.2.1	7,908,009	9,877,213
- forward lendings	20.2.2	2,263,726	737,176
Other commitments	20.2.3	750,000	–
		11,244,892	10,945,709

20.2.1 Commitments in respect of repo transactions

Repurchase of government securities		7,399,831	5,342,579
Reverse repurchase of government securities		508,178	4,534,634
		7,908,009	9,877,213

20.2.2 Commitments in respect of forward lendings

	2020	2019
	(Rupees in '000)	
Undrawn formal standby facilities, credit lines and other commitments to lend	2,263,726	737,176

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

20.2.3 Other commitments

This represents commitment to make injection on behalf of Awwal Modaraba (the subsidiary) in KASB Modaraba, First Pak Modaraba and First Prudential Modaraba amounting to Rs.150 million latest by January 31, 2021 and Rs. 600 million latest by June 30, 2021.

The subsidiary has been appointed as the Management Company of KASB Modaraba, First Prudential Modaraba and First Pak Modaraba with effect from February 3, 2020 subject to fulfilment of following conditions:

- Injection of Rs 50 million in each of the three Modarabas latest by January 31, 2021;
- Injection of Rs 600 million on cumulative basis in the Modarabas latest by June 30, 2021;
- Acquisition of minimum statutory holding of 10% in each Modarabas latest by June 30, 2021; and
- Conversion of the above injected amount into equity through issuance of modaraba certificates latest by December 31, 2021.

Subsequent to the year ended December 31, 2020, the Company has injected Rs. 150 million (Rs. 50 million in each Modaraba) under musharaka arrangement with the Modarabas.

20.3 Other contingent liabilities

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

20.3.2 The returns of income of the Company from tax years 2008 to 2020 had been filed with the tax authorities. From tax year 2008 upto tax year 2019, these returns have been revised and additional tax demands have been raised of which Rs. 649.390 million are outstanding as at December 31, 2020. 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	2020	2019
		(Rupees in '000)	
On:			
a) Loans and advances		1,410,722	1,950,376
b) Investments		2,120,949	2,690,690
c) Lendings to financial institutions		139,685	391,251
d) Sub-lease of premises		395	1,400
e) Balances with banks		8,927	7,857
		3,680,678	5,041,574

22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	57,539	120,998
Interest expense on lease liability against right-of-use assets	11,678	10,838
Borrowings	2,843,771	4,175,457
	2,912,988	4,307,293

23 FEE AND COMMISSION INCOME

Processing fee income	3,844	3,404
Participation fee	-	4,774
Commitment fee	11,479	8,583
Trustee fee	58,575	54,393
	73,898	71,154

24 GAIN / (LOSS) ON SECURITIES

Realised	24.1	448,118	(233,293)
24.1 Realised gain / (loss) on:			
Federal government securities		548,345	148,136
Shares		(104,298)	(346,598)
Non-government debt securities		(280)	640
Commercial paper		44	(140)
Units of mutual funds		4,307	(35,331)
		448,118	(233,293)

25 OTHER INCOME

Rent on property		150	5,200
Gain on sale of non-banking assets held for satisfaction of claims	13.3	4,999	-
Loss on sale of assets classified as held-for-sale		(2,449)	-
Gain on modification of lease liability against right-of-use assets		3,187	-
Gain on sale of fixed assets - net		1,745	1,790
Others		511	1,336
		8,143	8,326

26 OPERATING EXPENSES

	Note	2020	2019
(Rupees in '000)			
Total compensation expenses	26.1	224,684	198,237
Property expense			
Rent and taxes		242	–
Insurance		5,004	5,188
Utilities cost		4,364	3,458
Security (including guards)		1,569	1,679
Repairs and maintenance (including janitorial charges)		6,327	4,803
Depreciation	10.1	32,314	29,230
		49,820	44,358
Information technology expenses			
Software maintenance		5,439	10,979
Hardware maintenance		819	2,255
Depreciation	10.1	3,145	2,237
Amortisation	11.1	1,197	1,137
		10,600	16,608
Other operating expenses			
Directors' fees and allowances		4,800	6,040
Fees and subscription		1,798	1,416
Legal and professional charges		12,894	11,434
Travelling and conveyance		24,446	19,608
Brokerage commission		14,344	11,977
Depreciation	10.1	6,592	6,202
Training and development		513	469
Postage and courier charges		516	400
Communication		2,888	2,408
Stationery and printing		1,237	891
Marketing, advertisement and publicity		403	408
Donations	26.3	5,000	–
Auditors' remuneration	26.4	3,268	1,519
Others		2,434	3,549
		81,133	66,321
		366,237	325,524

26.1 Managerial Remuneration

	Note	2020	2019
(Rupees in '000)			
Fixed		125,213	121,293
Contractual Staff			
Contractual staff: In-house		16,181	14,747
Salaried outsourced staff		5,985	6,369
		22,166	21,116
Other benefits			
Cash bonus / awards		51,572	30,652
Charge for defined benefit plan		7,426	5,499
Contribution to defined contribution plan		8,541	8,245
Medical		6,296	5,759
Fuel reimbursement		10,639	11,708
Leave fare assistance		9,448	9,898
Leave encashment		925	–
Others		2,068	3,348
		96,915	75,109
Re-imburement of salaries - subsidiaries		(19,610)	(19,281)
Total compensation expense		224,684	198,237

26.2 The Company does not have any material outsourcing arrangements.

26.3 Details of donations

	Note	2020	2019
(Rupees in '000)			
Donations individually exceeding Rs 500,000			
Prime Minister's COVID - 19 Pandemic relief fund - 2020		5,000	–
Donations individually not exceeding Rs 500,000		–	–
		5,000	–
26.4 Auditors' remuneration			
Audit fee for annual financial statements		897	815
Half yearly review fee		330	300
Special certifications and sundry advisory services		1,821	160
Out-of-pocket expenses		220	244
		3,268	1,519

27 WORKERS' WELFARE FUND

	Note	2020	2019
Provision for Workers' Welfare Fund	27.1	21,754	6,441

27.1 (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 122.662 million which includes a provision of Rs 21.754 million for the current year.

28 PROVISIONS AND WRITE OFFS - NET

	Note	2020	2019
(Rupees in '000)			
Provision / (reversal of provision) against investments	8.5.1	4,562	(97,569)
Provisions against loans and advances	9.4	29,408	84,350
		33,970	(13,219)

29 TAXATION

Current		306,028	120,906
Prior years		31,753	684
Deferred	12	(22,731)	(28,961)
		315,050	92,629

29.1 Relationship between tax expense and accounting profit

Accounting profit before tax		1,033,423	458,190
Tax rate		29%	29%
Tax on accounting profit		299,693	132,875
Tax effect of:			
Income chargeable to tax at special rate		(15,662)	(20,532)
Income exempt from tax		-	(74)
Permanent differences		(734)	28,373
Prior year charge		31,753	684
Excess of ACT over NTR		-	(49,910)
Others		-	1,213
		315,050	92,629

30 BASIC EARNINGS PER SHARE

		(Rupees in '000)	
Profit for the year		718,373	365,562
		(Number of shares in '000)	
Weighted average number of ordinary shares		600,000	600,000
		(Rupees)	
Basic earnings per share		1.20	0.61

30.1 Diluted earnings per share

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

31 CASH AND CASH EQUIVALENTS

	Note	2020	2019
(Rupees in '000)			
Cash and balance with treasury banks	5	168,090	129,571
Balance with other banks	6	422,121	163,909
		590,211	293,480

32 STAFF STRENGTH

		(Number)	
Permanent		58	57
On Company's contract		15	19
Outsourced	32.1	18	20
Company's own staff strength at the end of the year		91	96

32.1 This includes 12 (2019:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

33 DEFINED BENEFIT PLAN

33.1 General description

As mentioned in note 4.13, 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.

33.2 Number of employees under the defined benefit plan

	2020	2019
(Numbers)		
The number of employees covered under the defined benefit plan as at December 31	71	74

33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	Note	2020	2019
(Per annum)			
Discount rate		9.75%	11.25%
Expected rate of salary increase		9.75%	11.25%

33.4 Reconciliation of receivable from defined benefit plan

	Note	2020	2019
(Rupees in '000)			
Present value of obligation	33.6	63,313	61,582
Fair value of plan assets	33.7	(73,551)	(62,299)
Receivable		(10,238)	(717)

33.5 Movement in defined benefit plan

	Note	2020	2019
(Rupees in '000)			
At the beginning of the year		(717)	260
Current service cost	33.8.1	7,426	6,810
Actual contributions by the Company		(2,975)	(6,065)
Benefits paid by the Company		(4,353)	(266)
Re-measurement gain	33.8.2	(9,619)	(1,456)
At the end of the year		(10,238)	(717)

33.6 Movement in payable under defined benefit plan

Opening balance		61,582	49,260
Current service cost	33.8.1	7,727	6,892
Interest cost on defined benefit obligation		6,630	6,840
Re-measurement gain recognised in OCI during the year	33.8.2	(8,273)	(1,144)
Benefits paid by the Company to outgoing members		(4,353)	(266)
Closing balance		63,313	61,582

33.7 Movement in fair value of plan assets

Fair value at the beginning of the year		62,299	48,999
Interest income on plan assets		6,931	6,923
Contribution by the Company - net		2,975	6,065
Actual benefits paid from the fund during the year		-	-
Re-measurement gain / (loss)	33.8.2	1,346	312
Fair value at the end of the year		73,551	62,299

33.8 Charge for defined benefit plan

33.8.1 Cost recognised in unconsolidated profit and loss account

Current service cost		7,727	6,892
Net interest income on plan		(301)	(82)
		7,426	6,810

33.8.2 Re-measurements recognised in OCI during the year

Gain on obligation			
- financial assumptions		(138)	(551)
- experience adjustments		(8,135)	(593)
		(8,273)	(1,144)
Return on plan assets over interest income		(1,346)	(312)
Total re-measurements recognised in OCI		(9,619)	(1,456)

33.9 Components of plan assets

Cash and cash equivalents - net		2,978	257
Government securities		70,573	62,042
		73,551	62,299

33.9.1 Description of risks

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

Withdrawal risks	This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.
Mortality risks	This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.
Investment risks	This is the risk of the investment underperformance and being not sufficient to meet the liabilities.
Final salary risks	This is the risk that the final salary at the time of cessation of service is greater than what was assumed.

33.10 Sensitivity analysis

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

	2020	2019
(Rupees in '000)		
1% increase in discount rate	(5,868)	(5,465)
1% decrease in discount rate	4,618	6,300
1 % increase in expected rate of salary increase	4,662	6,544
1 % decrease in expected rate of salary increase	(5,998)	(5,764)

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

	(Rupees in '000)
33.11 Expected contributions to be paid to the funds in the next financial year	6,214

33.12 The expected charge for the next financial year commencing January 1, 2021 works out to Rs 6.214 million (2019: Rs 2.425 million).

33.13 Maturity profile

The weighted average duration of the obligation is 8.4 years (2019: 10 years).

33.14 Funding policy

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

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

34 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2019: 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:

	2020	2019
	(Rupees in '000)	
Contribution made by the Company	8,541	8,245
Contribution made by employees	8,541	8,245
	17,082	16,490

35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

35.1 Total Compensation Expense

Items	2020						Other Material Risk Takers / Controllers
	Chairman	Directors Executives (other than CEO)	Non-Executive	Members Shariah Board	President / CEO	Key Management Personnel	
Fees and Allowances etc.	2,000	-	3,600	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	22,200	67,208	17,819
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	5,550	16,138	3,296
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,333	2,891	781
Contribution to defined contribution plan	-	-	-	-	1,531	3,431	938
Rent & house maintenance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Medical	-	-	-	-	916	1,730	725
Conveyance	-	-	-	-	-	-	-
Others							
- LFA	-	-	-	-	-	3,427	598
- TDA	-	-	-	-	102	55	-
- Fuel	-	-	-	-	202	3,383	1,272
- Leave encashment	-	-	-	-	925	-	-
- Mobile reimbursement	-	-	-	-	333	432	36
- others	-	-	-	-	68	386	316
Total	2,000	-	3,600	-	33,160	99,081	25,781
Number of Persons	1	-	3	-	1	13	8

(Rupees in '000)

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

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.

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

Sr. No.	Name of Director	2020				Total Amount Paid
		Meeting Fees and Allowances Paid				
		For Board Meetings	Audit Committee	HR&RC Committee	Credit and Risk Management Committee	
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

(Rupees in '000)

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

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

36 FAIR VALUE MEASUREMENT

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

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

36.1 Fair value of financial assets

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

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

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

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

Valuation techniques and inputs used in determination of fair values

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

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

	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	–	1,203,977	–	1,203,977
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

	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	25,130,607	–	25,130,607
Ordinary Shares	1,469,026	–	–	1,469,026
Non-Government debt securities	–	1,172,038	–	1,172,038
Units of mutual funds	–	526,791	–	526,791
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	9,877,213	–	9,877,213

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	2020			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit & 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 & 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

(Rupees in '000)

	2019			
	Corporate finance	Trading and sales	Commercial banking	Total
Unconsolidated Profit & Loss Account				
Net mark-up / return / profit	–	447,167	287,114	734,281
Non mark-up / return / interest income	71,156	(28,500)	–	42,656
Total income	71,156	418,667	287,114	776,937
Total expenses	30,423	178,787	122,756	331,965
Provisions	–	(91,081)	77,862	(13,219)
Profit before tax	40,733	330,961	86,496	458,190
Unconsolidated Statement of Financial Position				
Cash and bank balances	26,859	158,245	108,376	293,480
Investments	–	31,816,997	–	31,816,997
Lendings to financial institutions	–	4,500,000	–	4,500,000
Advances - performing	–	455,106	18,114,826	18,569,932
Advances - non-performing	–	30,412	171,026	201,438
Others	3,356	1,413,214	975,051	2,391,621
Total assets	30,215	38,373,974	19,369,279	57,773,468
Borrowings	–	26,790,469	18,361,531	45,152,000
Subordinated debt	–	–	–	–
Deposits and other accounts	–	367,880	252,120	620,000
Others	–	859,407	592,666	1,452,073
Total liabilities	–	28,017,756	19,206,317	47,224,073
Equity	–	6,257,866	4,291,529	10,549,395
Total equity and liabilities	–	34,275,622	23,497,846	57,773,468
Contingencies and commitments	–	6,065,020	5,983,135	12,048,155

37.2 Segment details with respect to geographical location

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

38 TRUST ACTIVITIES

The Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / Sukuk Issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2017 (DST Regulations, 2017) issued by the SECP.

The Company is acting as a Trustee and Investment Agent to Issue of Commercial Papers, Term Finance Certificates and SUKUK (the "Debt Securities") issued by Agha Steel Industries Limited, Agritech Limited, Airlink Communication Limited, Al-Baraka Bank (Pakistan) Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, BankIslami Pakistan Limited, Bank of Punjab, Dubai Islami Bank Pakistan Limited, Engro Polymer & Chemicals Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, HUB Power Holding Company Limited, HUBCO Power Company Limited, International Brands Limited, Jahangir Siddiqui & Co. Limited, Javedan Corporation Limited, JS Bank Limited, K-Electric Limited, Khushali Microfinance Bank Limited, Neelum Jehlum Hydro Power Company Limited, Pak Elektron Limited, Pak Water & Power Development Authority, Pakistan Services Limited, Secure Logistics, Silk Bank Limited, Sindh Nooriabad Power Company (Private) Limited, Sindh Nooriabad Power Company (Phase-II) (Private) Limited, Soneri Bank Limited, Summit Bank Limited, TPL Properties (Private) Limited, U Microfinance Bank Limited, WAPDA Third SUKUK Company and WAPDA Dasu Hydro Power Project. The combined value of these Debt Securities as at December 31, 2020 amounted to Rs. 428,294 million (2019: Rs. 434,264 million).

39 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited), 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 35 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

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

(Rupees in '000)

	2020				2019			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
Investments								
Opening balance	–	–	2,003,372	–	–	–	2,003,372	–
Investment made during the year	–	–	–	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–	–	–	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–	–	–
Transfer in / (out)	–	–	–	–	–	–	–	–
Classified as held-for-sale	–	–	–	–	–	–	–	–
Closing balance	–	–	2,003,372	–	–	–	2,003,372	–
Advances								
Opening balance	–	81,077	17,320	–	–	75,591	4,712	–
Addition during the year	–	4,345	30,776	–	–	6,859	28,608	–
Repaid during the year	–	(18,300)	(7,304)	–	–	(31,856)	(16,000)	–
Transfer in / (out) - net	–	27,243	–	–	–	30,483	–	–
Closing balance	–	94,365	40,792	–	–	81,077	17,320	–
Other assets								
Interest / mark-up accrued	–	–	–	–	–	–	372	–
Lease receivable under IFRS-16	–	–	2,092	–	–	–	2,983	–
Receivable from defined benefit plan	–	–	–	10,238	–	–	–	717
Others	–	–	2,589	–	–	–	19,760	–
	–	–	4,681	10,238	–	–	23,115	717
Borrowings								
Opening balance	–	–	460,000	66,014	–	–	583,174	14,346
Borrowings during the year	–	–	1,430,428	68,893	–	–	4,409,462	398,129
Settled during the year	–	–	(1,557,446)	(62,185)	–	–	(4,532,636)	(346,461)
Transfer in / (out) - net	–	–	–	–	–	–	–	–
Closing balance	–	–	332,982	72,722	–	–	460,000	66,014
Deposits and other accounts								
Opening balance	–	–	–	–	–	–	–	–
Received during the year	–	–	–	–	–	–	–	–
Withdrawn during the year	–	–	–	–	–	–	–	–
Closing balance	–	–	–	–	–	–	–	–

(Rupees in '000)

	2020				2019			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
Other Liabilities								
Interest / mark-up payable	-	-	6,035	1,209	-	-	12,478	1,379
Other liabilities	-	-	10,706	-	-	-	-	-
	-	-	16,741	1,209	-	-	12,478	1,379
Income								
Mark-up / return / interest earned	-	3,739	3,203	-	-	2,062	1,997	-
Dividend income	-	-	126,824	-	-	-	144,905	-
Net gain on sale of securities	-	-	-	-	-	-	-	-
Gain on sale of intangibles	-	-	-	-	-	-	-	-
Expense								
Mark-up / return / interest paid	-	-	39,636	9,387	-	-	62,295	3,673
Operating expenses	5,600	132,241	-	-	4,669	111,655	-	-
Reimbursement of expenses	-	4,257	52,571	-	-	1,235	-	-
Expenses charged (note 39.1)	-	-	26,480	-	-	-	26,480	-

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

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Rupees in '000)

	2020	2019
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	8,046,697	7,805,912
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	8,046,697	7,805,912
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	8,046,697	7,805,912
Risk Weighted Assets (RWAs):		
Credit Risk	22,526,883	21,592,476
Market Risk	5,795,062	5,274,038
Operational Risk	1,883,003	1,756,822
Total	30,204,948	28,623,336
Common Equity Tier 1 Capital Adequacy ratio	26.64%	27.27%
Tier 1 Capital Adequacy Ratio	26.64%	27.27%
Total Capital Adequacy Ratio	26.64%	27.27%

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

The paid-up capital and CAR of the Company stands at Rs. 6 billion and 27.48% of its risk weighted exposure as at December 31, 2020.

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.

	2020	2019
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%	12.50%

(Rupees in '000)

	2020	2019
Leverage Ratio (LR):		
Eligible Tier-1 Capital	8,046,697	7,805,912
Total Exposures	37,219,354	57,136,948
Leverage Ratio	19.14%	13.66%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	9,207,538	4,538,009
Total Net Cash Outflow	7,900,138	7,136,150
Liquidity Coverage Ratio	116.55%	63.59%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	21,586,084	25,529,648
Total Required Stable Funding	19,210,958	22,140,524
Net Stable Funding Ratio	112.36%	115.31%

40.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at <https://pakbrunei.com.pk/wp-content/uploads/2021/04/BaseIII2020Disclosure-Standalone.pdf>

41 RISK MANAGEMENT

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

Categories of risk

The Company generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in 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.

41.1 Credit risk

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

The Company manages 3 principal sources of credit risk:

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

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

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

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

Credit administration

Credit Administration Department is involved in 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:

41.1.1 Lendings to financial institutions

	(Rupees in '000)					
	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	507,800	4,500,000	-	-	-	-
	507,800	4,500,000	-	-	-	-

41.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	–	–	58,320	58,320	58,320	58,320
Textile	–	45,514	45,514	45,514	45,514	45,514
Electronics and electrical appliances	–	105,500	105,500	105,500	105,500	105,500
Construction	–	43,641	43,641	43,641	43,641	43,641
Transport, Storage and Communication	42,764	16,135	16,135	16,135	16,135	16,135
Financial institution	2,594,583	2,763,751	–	–	–	–
	2,637,347	2,974,541	269,110	269,110	269,110	269,110
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	2,637,347	2,974,541	269,110	269,110	269,110	269,110
	2,637,347	2,974,541	269,110	269,110	269,110	269,110

41.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by industry sector						
Agriculture, Forestry, Hunting And Fishing	243,528	233,609	–	2,813	–	281
Textile	4,321,873	3,965,123	23,981	30,276	21,971	26,586
Chemical And Pharmaceuticals	3,016,706	2,670,152	–	–	–	–
Cement	1,200,000	1,200,000	–	–	–	–
Sugar	854,943	913,559	21,998	21,998	–	–
Automobile and transportation equipment	3,002	1,821	3,832	1,184	2,498	296
Electronics and electrical appliances	1,548,940	1,547,379	411,937	2,059	–	2,059
Construction	464,975	642,754	–	–	–	–
Power (Electricity), Gas, Water, Sanitary	2,788,327	2,685,313	138,073	138,073	47,384	47,384
Transport, Storage And Communication	271,041	346,746	65,457	73,443	61,439	60,385
Financial	163,219	230,515	–	–	–	–
Services	56,639	43,575	–	–	–	–
Individuals	178,098	161,055	–	–	–	–
Packaging	899,342	946,133	591	–	148	–
Engineering	17,006	43,720	–	–	–	–
Food and beverages	1,727,561	1,657,966	307,859	308,567	280,873	239,983
Steel and engineering	488,193	497,012	6,270	6,270	6,270	6,270
Information Technology	297,778	323,567	–	10,789	–	10,789
Hotels	950,000	1,055,405	–	–	–	–
Others	66,157	–	3,890	–	2,858	–
	19,557,328	19,165,404	983,888	595,472	423,442	394,034
Credit risk by public / private sector						
Public / Government	11,622	24,854	–	–	–	–
Private	19,545,706	19,140,550	983,888	595,472	423,442	394,034
	19,557,328	19,165,404	983,888	595,472	423,442	394,034

41.1.4 Contingencies and Commitments

(Rupees in '000)

	2020	2019
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	5,000	5,000
Textile	101,127	235,253
Chemical and Pharmaceuticals	589,099	75,497
Construction	480,103	935,374
Power (Electricity), Gas, Water, Sanitary	1,623,157	768,768
Transport, Storage And Communication	–	–
Financial	8,658,009	9,877,213
Services	–	4,500
Packaging	260,000	144,231
Engineering	–	–
Food and beverages	508,500	780
Steel and engineering	–	39
Others	–	1,500
	12,224,995	12,048,155
Credit risk by public / private sector		
Public / Government	4,237,001	5,004,044
Private	7,987,993	7,044,111
	12,224,994	12,048,155

41.1.5 Concentration of advances

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

(Rupees in '000)

	2020	2019
Funded	6,745,912	6,691,455
Non Funded	1,520,908	1,102,446
Total Exposure	8,266,820	7,793,901

The sanctioned limits against these top 10 exposures aggregated to Rs.9,684 million (2019: Rs.8,867 million).

41.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

Province / Region	2020					
	Disbursements	Utilisation				
		Punjab	Sindh	Balochistan	Islamabad	KPK
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	–	–

(Rupees in '000)

Province / Region	2020					
	Disbursements	Utilisation				
		Punjab	Sindh	Balochistan	Islamabad	KPK
Punjab	3,409,412	2,404,348	–	–	–	–
Sindh	4,154,954	–	4,154,954	–	–	–
Balochistan	900,000	–	–	900,000	–	–
Islamabad	–	–	–	–	–	–
Total	8,464,366	3,409,412	4,154,954	900,000	–	–

41.2 Market risk

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

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

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

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

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

(Rupees in '000)

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	168,090	–	168,090	129,571	–	129,571
Balances with other banks	422,121	–	422,121	163,909	–	163,909
Lendings to financial institutions	507,800	–	507,800	4,500,000	–	4,500,000
Investments	4,640,696	12,842,253	17,482,949	4,690,573	27,126,424	31,816,997
Advances	19,133,886	–	19,133,886	18,771,370	–	18,771,370
Fixed assets	115,471	–	115,471	136,022	–	136,022
Intangible assets	3,918	–	3,918	4,275	–	4,275
Deferred tax assets	351,475	–	351,475	209,112	–	209,112
Other assets	1,487,107	–	1,487,107	1,654,467	–	1,654,467
Assets classified as held-for-sale	580,596	–	580,596	387,745	–	387,745
	27,411,160	12,842,253	40,253,413	30,647,044	27,126,424	57,773,468

41.2.2 Foreign exchange risk

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

(Rupees in '000)

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	6	–	–	6	6	–	–	6
	6	–	–	6	6	–	–	6

(Rupees in '000)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Unconsolidated profit and loss account	0.00037	–	0.00006	–

41.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in prices of individual stocks or the levels of equity indices. The Company's equity investments are either classified as available-for-sale (AFS) 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)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Unconsolidated profit and loss account	–	–	–	–
- Other comprehensive income	–	(36,404)	–	(73,451)

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

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

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity 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)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Unconsolidated profit and loss account	(138,365)	–	2,427	–
- Other comprehensive income	–	(453,411)	–	(102,441)

41.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	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
2020												
On-balance sheet financial instruments												
Asset												
Cash and balances		168,090	-	-	-	-	-	-	-	-	-	168,090
treasury banks		168,090	-	-	-	-	-	-	-	-	-	168,090
Balances with other banks	4.51% to 5.51%	422,121	422,121	-	-	-	-	-	-	-	-	-
Lending to financial institutions		507,800	507,800	-	-	-	-	-	-	-	-	-
Investments	6.99% to 15.93%	17,482,949	1,918,863	2,186,403	940,955	12,670	2,034	-	2,050,199	6,197,298	1,210,400	2,964,127
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
		38,529,537	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	3,836,951
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		9,489,198	(3,221,300)	202,377	(612,776)	225,024	(56,042)	10,490	2,069,966	6,237,451	1,243,984	3,390,024
Non financial net assets		1,243,377										
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 foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- 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	3,390,024
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	24,342,369

(Rupees in '000)

	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
2019												
On-balance sheet financial instruments												
Asset												
Cash and balances		129,571	-	-	-	-	-	-	-	-	-	129,571
treasury banks		129,571	-	-	-	-	-	-	-	-	-	129,571
Balances with other banks	6.50% to 8.30%	163,909	163,909	-	-	-	-	-	-	-	-	-
Lending to financial institutions		4,500,000	4,500,000	-	-	-	-	-	-	-	-	-
Investments	7.00% to 14.29%	31,816,997	974,032	11,194,675	901,102	14,734,609	2,874	-	8,732	1,784	-	3,999,189
Advances	2.00% to 20.00%	18,771,370	5,557,372	4,836,193	2,357,029	1,166,020	1,063,881	916,031	1,410,561	1,263,658	39,569	161,056
Other assets		1,015,384	-	-	-	-	-	-	-	-	-	1,009,272
		56,397,231	11,195,313	16,030,868	3,258,131	15,900,629	1,066,755	916,031	1,419,293	1,265,442	39,569	5,299,088
Liabilities												
Borrowings	2.00% to 11.30%	45,152,000	23,682,677	8,800,255	6,578,134	1,511,668	1,014,752	955,937	1,384,785	1,223,792	-	-
Deposits and other accounts	10.00% to 10.50%	830,000	-	120,000	500,000	-	-	-	-	-	-	-
Other liabilities		975,048	-	-	-	-	-	-	-	-	-	975,048
		46,957,048	23,682,677	8,920,255	7,078,134	1,511,668	1,014,752	955,937	1,384,785	1,223,792	-	975,048
On-balance sheet gap		9,296,811	(12,487,364)	7,110,613	(3,820,003)	14,388,961	52,003	(39,906)	34,508	41,650	39,569	4,324,040
Non financial net assets		1,252,583										
Net assets		10,549,395										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,433,766	2,461	27,859	-	-	1,102,446	-	-	301,000	-	-
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- forward lendings		737,176	82,605	10,341	644,230	-	-	-	-	-	-	-
- repo transactions		9,877,213	9,877,213	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		12,048,155	9,962,279	38,200	644,230	-	1,102,446	-	-	301,000	-	-
Total yield / interest risk sensitivity gap			(2,525,085)	7,148,813	(3,175,773)	14,388,961	1,154,449	(39,906)	34,508	342,650	39,569	4,324,040
Cumulative yield / interest risk sensitivity gap			(2,525,085)	4,623,728	1,447,955	15,836,916	16,991,365	16,951,459	16,985,967	17,328,617	17,368,186	21,692,226

41.3 Operational risk

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

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

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

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

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

41.4 Liquidity risk

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

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

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

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

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

41.5 COVID-19 Risk Management

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts. The risk management policies continue to remain robust and the Company is reviewing its portfolio regularly line with emerging risks.

The SBP has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% till December 31, 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The financing facilities of obligors who have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- Allowing banks / DFIs to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries, setting up of COVID-19 related facilities / new hospitals and import of plant and machinery for new/existing industrial projects.

COVID-19 has impacted banks / DFIs in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as certain Company's staff members are working from home. Major aspects of COVID 19 on the Company's risk management policies are given below:

Credit risk management

The risk management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Company has further strengthened its credit review procedures in light of COVID-19 and the Company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from COVID-19 outbreak.

Liquidity risk management

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

Equity risk management

The carrying value of the Company's investment in listed equity securities classified as available-for-sale, amounts to Rs 728.079 million as at December 31, 2020. The Company has recorded an impairment of Rs 94.842 million in these unconsolidated financial statements. The index of Pakistan Stock Exchange has revived from March 2020 and there is no major loss on equity securities as at December 31, 2020 due to COVID-19.

Operational risk management

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

Business Continuity Plans (BCP) for respective areas are in place and tested. Remote work capabilities were enabled for staff, where required, and related risk and control measures were taken to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Company continues to meet the expectations of its employees and customers.

Capital adequacy ratio

Under the current scenario, the Companies are under pressure to extend further credit to their borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Company's from Capital Adequacy Ratio (CAR) perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks/DFIs to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Company for its tier 2 capital. Further, the regulatory limit for retail loans has also been increased by the SBP to 180 million, which will result in reduced Risk Weighted Assets (RWA) for some of its loans. In addition to the measures by SBP, the senior management of the Company is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Company also believes that with its CAR at 18.65% it has sufficient buffer to meet any adverse movements in credit, market or operational risks.

42 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2020 of Re. **0.50** per share (2019: Re.0.50 per share), amounting to Rs. **300** million (2019: Rs.300 million) at their meeting held on **March 02, 2021**, for approval of the members at the annual general meeting to be held on **March 29, 2021**. The unconsolidated financial statements for the year ended December 31, 2020 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2021.

43 GENERAL

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

Consolidated Financial Statements

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Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Opinion

We have audited the annexed consolidated financial statements of Pak Brunei Investment Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

A. F. Ferguson & Co. Chartered Accountants

Karachi
Dated: March 8, 2021

Consolidated Statement of Financial Position

As at December 31, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
ASSETS				
1,052	838	5	168,197	133,913
3,951	1,349	6	631,457	215,671
3,483	28,460	7	556,679	4,548,879
96,848	186,528	8	15,479,577	29,813,625
130,718	128,504	9	20,893,180	20,539,412
963	963	10	153,954	153,931
36	39	11	5,826	6,198
2,108	1,217	12	336,854	194,453
10,029	11,012	13	1,602,911	1,760,072
3,632	2,426	14	580,596	387,745
252,820	361,336		40,409,231	57,753,899
LIABILITIES				
–	–		–	–
171,618	279,614	15	27,430,430	44,692,000
5,193	3,878	16	830,000	620,000
8,102	10,956	17	1,295,143	1,750,958
184,913	294,448		29,555,573	47,062,958
67,907	66,888		10,853,658	10,690,941
NET ASSETS				
REPRESENTED BY				
37,539	37,539	18	6,000,000	6,000,000
10,785	9,260		1,723,782	1,480,107
22,026	21,018		3,520,451	3,359,371
(2,458)	(944)	19	(392,920)	(150,898)
67,892	66,873		10,851,313	10,688,580
15	15		2,345	2,361
67,907	66,888		10,853,658	10,690,941
CONTINGENCIES AND COMMITMENTS 20				

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

President/Chief Executive Chief Financial Officer Director Director Director

Consolidated Profit and Loss Account

For the Year ended December 31, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
24,504	32,943	21	3,916,518	5,265,454
17,967	26,561	22	2,871,657	4,245,372
6,537	6,382		1,044,861	1,020,082
Non mark-up / interest income				
493	934	23	78,770	149,267
192	323		30,711	51,564
2,804	(1,460)	24	448,118	(233,293)
52	49	25	8,385	7,796
3,541	(154)		565,984	(24,666)
10,078	6,228		1,610,845	995,416
Non mark-up / interest expenses				
3,138	2,927	26	501,580	467,766
156	60	27	24,914	9,568
3,294	2,987		526,494	477,334
6,785	3,241		1,084,351	518,082
263	(54)	28	42,018	(8,559)
6,521	3,295		1,042,333	526,641
2,163	772	29	345,728	123,428
4,358	2,523		696,605	403,213
Attributable to:				
4,357	2,521		696,446	402,883
1	2		159	330
4,358	2,523		696,605	403,213
USD			(Rupees)	
0.00726	0.00419	30	1.16	0.67

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

President/Chief Executive Chief Financial Officer Director Director Director

Consolidated
Statement of Comprehensive Income
For the year ended December 31, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
Profit after taxation for the year attributable to:				
4,357	2,521		696,446	402,883
1	2		159	330
4,358	2,523		696,605	403,213
Other comprehensive income / (loss)				
Items that may be reclassified to consolidated profit and loss account in subsequent periods:				
(1,514)	3,268		(242,022)	522,314
Items that will not be reclassified to consolidated profit and loss account in subsequent periods:				
52	6		8,309	1,034
2,896	5,797		462,892	926,561

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

President/Chief Executive Chief Financial Officer Director Director Director

Consolidated
Statement of Changes in Equity
For the year ended December 31, 2020

	Share capital	Capital reserve	General Reserve	Capital reserve	Revenue reserve	Non-controlling interest	Total
		Statutory reserve (a)		Surplus / Deficit on revaluation of investments	Unappropriated profit		
(Rupees in '000)							
As at January 1, 2019	6,000,000	1,406,995	-	(673,212)	3,328,566	2,226	10,064,575
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2019	-	-	-	-	402,883	330	403,213
Other comprehensive income							
- Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	1,034	-	1,034
- Movement in surplus on revaluation of investments - net of tax	-	-	-	522,314	-	-	522,314
	-	-	-	522,314	403,917	330	926,561
Transfer to statutory reserve	-	73,112	-	-	(73,112)	-	-
Transactions with owners, recorded directly in equity							
Final cash dividend paid for the year ended December 31, 2018 @ Re.0.50 per share	-	-	-	-	(300,000)	-	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 0.890 per certificate	-	-	-	-	-	(195)	(195)
Balance as at December 31, 2019	6,000,000	1,480,107	-	(150,898)	3,359,371	2,361	10,690,941
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

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

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

President/Chief Executive Chief Financial Officer Director Director Director

Consolidated Cash Flow Statement

For the Year ended December 31, 2020

2020	2019	Note	2020	2019
(USD in '000)			(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
6,521	3,295		1,042,333	526,641
192	323		30,711	51,564
6,329	2,972		1,011,622	475,077
Adjustments:				
319	287	26	51,024	45,832
7	8	26	1,197	1,346
75	69		11,998	11,107
(1)	(5)		(205)	(876)
156	60	27	24,914	9,568
263	(54)	28	42,018	(8,559)
16	-	25	2,449	-
(20)	-	25	(3,187)	-
(31)	-	25	(4,999)	-
(11)	(11)	25	(1,745)	(1,790)
773	354		123,464	56,628
7,102	3,326		1,135,086	531,705
(Increase) / decrease in operating assets				
24,977	(28,117)		3,992,200	(4,494,000)
-	-		-	-
(3,216)	6,222		(514,051)	994,537
1,032	(78)		164,875	(12,536)
22,793	(21,973)		3,643,024	(3,511,999)
Increase / (decrease) in operating liabilities				
(107,997)	52,459		(17,261,570)	8,384,801
1,314	(659)		210,000	(105,403)
(3,226)	1,647		(515,595)	263,186
(109,909)	53,447		(17,567,165)	8,542,584
8	(222)		1,214	(35,482)
(3,068)	(2,540)		(490,316)	(406,020)
(83,074)	32,038		(13,278,157)	5,120,788
CASH FLOWS FROM INVESTING ACTIVITIES				
86,861	(30,147)		13,883,326	(4,818,551)
510	(779)		81,716	(124,458)
192	327		30,711	52,322
(34)	(185)		(5,426)	(29,581)
(5)	(4)		(825)	(673)
1	22		159	3,471
33	-		5,217	-
210	-		33,524	-
87,768	(30,766)		14,028,402	(4,917,470)
CASH FLOWS FROM FINANCING ACTIVITIES				
(1,877)	(1,877)		(300,000)	(300,000)
(1)	(1)		(175)	(195)
(1,878)	(1,878)		(300,175)	(300,195)
2,816	(606)		450,070	(96,877)
2,187	2,793		349,584	446,461
5,003	2,187	31	799,654	349,584

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

President/Chief Executive Chief Financial Officer Director Director Director

Notes to and Forming part of the Consolidated Financial Statements

For the Year ended December 31, 2020

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

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

Subsidiaries

Awwal Modaraba Management Limited (AMML) - 100% holding

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

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

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

Primus Leasing Limited (PLL) - 100% holding

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

The principal objective of PLL is to carry on and undertake the business of leasing of 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 Modaraba 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 Modaraba is situated at 6th Floor, Horizon Vista, Plot Commercial No. 10, Block No. 4, Scheme No.5, Clifton, Karachi.

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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

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

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group accounting periods beginning on or after January 1, 2020 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 16 - 'Leases' - COVID-19 related rent concessions	January 1, 2021
- IFRS 9 - 'Financial instruments'	January 1, 2021*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - '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, 2021 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. 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 requirements applicable to them.

2.4.2 There are certain other new and amended standards and interpretations that are mandatory for the Group accounting periods beginning on or after January 1, 2021 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:

- classification and valuation of investments (notes 4.4 and 8);
- classification and provisioning against loans and advances (notes 4.6 and 9);
- accounting for defined benefit plan (notes 4.15 and 33); and
- lease liability and right-of-use assets (notes 4.7.2, 10 and 17).
- taxation (notes 4.13 and 29);
- accounting for non-banking assets acquired in satisfaction of claims (note 13);
- assets classified as held-for-sale (note 14) and;
- provision and contingent assets and liabilities (notes 4.17 and 20).

3 BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of the consolidated financial statements. For the purpose of conversion to US Dollars, the rate of Rs 159.8344 to US Dollars has been used for 2020 and 2019 as it was the prevalent rate on December 31, 2020.

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.

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 subsidiaries and associates, into the following categories:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

These are investments (other than those in 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 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 Musharaka is a partnership agreement between the Group and its customers for financing plant and machinery. The receivable is recorded to the extent of the Group's share in the purchase of assets.

4.7 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 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.

4.7.3 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.

4.10 Impairment

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

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

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For 'significance', a threshold of 30% and for 'prolonged' a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the

consolidated statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the consolidated profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the consolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the consolidated profit and loss account.

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

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

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

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

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

4.11 Assets classified as held-for-sale

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

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

4.12 Assets acquired in satisfaction of claims

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

4.13 Taxation

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

4.13.1 Current

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

4.13.2 Deferred

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

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

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

4.14 Borrowings / deposits

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

4.15 Staff retirement benefits

4.15.1 Defined benefit plan - 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, 2020.

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.

4.15.2 Staff retirement benefits of the subsidiaries

Staff gratuity scheme - subsidiaries

Awwal Modaraba and AMML has converted its unfunded gratuity scheme to 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, 2020.

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.

4.16 Financial instruments

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

Derivative financial instruments

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

Offsetting

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

4.17 Provisions, contingent assets and contingent liabilities

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

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

4.18 Commitments

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

4.19 Revenue recognition

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

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

4.20 Earnings per share

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

4.21 Foreign currency translation

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

4.22 Proposed dividends and transfers between reserves

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

4.23 Segment reporting

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

The 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.

4.23.1 Business segments

Corporate finance

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

Trading and sales

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

Commercial banking

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

4.23.2 Geographical segments

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

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2020	2019
(Rupees in '000)			
With State Bank of Pakistan in:			
Local currency current account	5.1	168,113	129,595
With National Bank of Pakistan in:			
Local currency deposit account	5.2	84	4,318
		168,197	133,913

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

5.2 This carries mark-up at 3.99% to 12.25% per annum (2019: 8.00%).

6 BALANCES WITH OTHER BANKS

	Note	2020	2019
(Rupees in '000)			
In Pakistan			
- In deposit accounts	6.1	621,389	215,511
- In current account		10,068	160
		631,457	215,671

6.1 These carry mark-up at rates ranging from 3.90% to 12.50% per annum (2019: 4.10% to 12.25% per annum).

7 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

	Note	2020	2019
(Rupees in '000)			
Investments against repurchase agreements	7.1	556,679	4,548,879

7.1 These carry mark-up at rates ranging from 6.06% to 14.07% and will mature latest by January 6, 2021.

On January 16, 2018, Awwal Modaraba has entered into an agreement with a shareholder of a company (the investee company) for the purchase of 2,051,150 shares of the investee company. Concurrently, Awwal Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares transferred in the name of Awwal Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price. The outstanding amount as at December 31, 2020 aggregated to Rs 48.879 million (2019: 48.879 million).

7.2 Particulars of lending

	2020	2019
(Rupees in '000)		
In local currency	556,679	4,548,879
In foreign currencies	–	–
	556,679	4,548,879

7.3 Securities held as collateral against lendings to financial institutions

	2020			2019		
	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)	–	4,500,000	(4,500,000)	–

8. INVESTMENTS

8.1 Investments by type:

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Available-for-sale securities									
Federal government securities	8.3	12,434,784	–	(553,286)	11,881,498	25,169,133	–	(38,526)	25,130,607
Ordinary shares		809,168	(77,837)	(3,252)	728,079	1,647,175	(70,025)	(108,124)	1,469,026
Non-government debt securities		2,851,129	(269,110)	12,563	2,594,582	2,850,083	(269,110)	(18,230)	2,562,743
Units of mutual funds		240,020	–	(7,344)	232,676	548,786	–	(21,995)	526,791
Preference shares		–	–	–	–	3,250	(3,250)	–	–
		16,335,101	(346,947)	(551,319)	15,436,835	30,218,427	(342,385)	(186,875)	29,689,167
Held-to-maturity securities									
Commercial paper		42,742	–	–	42,742	124,458	–	–	124,458
		42,742	–	–	42,742	124,458	–	–	124,458
Total investments		16,377,843	(346,947)	(551,319)	15,479,577	30,342,885	(342,385)	(186,875)	29,813,625

8.2 Investments by segments:

(Rupees in '000)

	2020				2019			
	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	1,394,174	-	629	1,394,803	14,727,442	-	(32,789)	14,694,653
Pakistan Investment Bonds	11,040,610	-	(553,915)	10,486,695	10,441,691	-	(5,737)	10,435,954
	12,434,784	-	(553,286)	11,881,498	25,169,133	-	(38,526)	25,130,607
Ordinary shares								
Listed companies	787,837	(56,506)	(3,252)	728,079	1,625,844	(48,694)	(108,124)	1,469,026
Unlisted companies	21,331	(21,331)	-	-	21,331	(21,331)	-	-
	809,168	(77,837)	(3,252)	728,079	1,647,175	(70,025)	(108,124)	1,469,026
Preference shares	-	-	-	-	3,250	(3,250)	-	-
Non-government debt securities								
Listed	1,207,550	(16,136)	12,563	1,203,977	1,206,404	(16,136)	(18,230)	1,172,038
Unlisted	1,643,579	(252,974)	-	1,390,605	1,643,679	(252,974)	-	1,390,705
	2,851,129	(269,110)	12,563	2,594,582	2,850,083	(269,110)	(18,230)	2,562,743
Units of mutual funds	240,020	-	(7,344)	232,676	548,786	-	(21,995)	526,791
Commercial paper	42,742	-	-	42,742	124,458	-	-	124,458
Total investments	16,377,843	(346,947)	(551,319)	15,479,577	30,342,885	(342,385)	(186,875)	29,813,625

8.2.1 Investments given as collateral

(Rupees in '000)

	2020			2019		
	Cost / amortised cost	Surplus / (deficit)	Carrying value	Cost / amortised cost	Surplus / (deficit)	Carrying value
Market Treasury Bills	1,193,232	932	1,194,164	11,020,434	(24,964)	10,995,470
Pakistan Investment Bonds	8,706,074	(39,944)	8,666,130	10,171,890	(9,681)	10,162,209
Term finance certificates / sukuks certificates	739,824	-	739,824	739,824	-	739,824
	10,639,130	(39,012)	10,600,118	21,932,148	(34,645)	21,897,503

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 6.99% to 9.53% (2019: 12.89% to 13.15%) per annum and will mature within 8 months (2019: 10 months). Pakistan Investment Bonds carry mark-up ranging between 7.71% to 13.00% (2019: 7.75% to 14.69%) per annum on a semi-annual basis and will mature within 19 years (2019: 10 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

	2020	2019
	(Rupees in '000)	
8.4.1 Opening balance	342,385	439,954
Charge / reversals		
Charge for the year	94,842	292,902
Reversal during the year	(90,280)	(390,471)
	4,562	(97,569)
Closing balance	346,947	342,385

8.4.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2020		2019	
	Non-performing investments	Provision	Non-performing investments	Provision
Domestic				
Loss	269,110	269,110	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)

	2020	2019
	Cost	
Federal government securities - government guaranteed		
Market Treasury Bills	1,394,174	14,727,442
Pakistan Investment Bonds	11,040,610	10,441,691
	12,434,784	25,169,133
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	57,389	84,893
Commercial banks	-	66,486
Power generation and distribution	341,580	385,809
Cement	78,778	309,843
Chemicals	49,506	128,983
Engineering	-	139,145
Food and personal care products	86,121	203,772
Cable and electrical goods	-	84,458
Textile composite	167,963	206,577
Glass and ceramics	-	12,497
Investment banks / investment companies / securities companies	6,500	3,381
	787,837	1,625,844

(Rupees in '000)

	2020		2019	
	Cost	Breakup value	Cost	Breakup value
Unlisted companies				
Pakistan Mercantile Exchange Limited*	21,331	2,789	21,331	623
	21,331	2,789	21,331	623

* This investment has been fully provided.

(Rupees in '000)

	2020	2019
Cost		
Non-government debt securities		
Listed		
- AAA	291,102	290,268
- AA+, AA, AA-	800,000	800,000
- A+, A, A-	100,000	100,000
- CCC and below	16,448	16,136
- Unrated	-	-
	1,207,550	1,206,404
Unlisted		
- AA+, AA, AA-	1,350,701	1,099,583
- A+, A, A-	39,944	291,198
- BBB+, BBB, BBB-	-	147,398
- CCC and below	140,238	-
- Unrated	112,696	105,500
	1,643,579	1,643,679
Preference shares		
Trust Investment Bank Limited	-	3,250
Units of mutual funds - listed		
Unrated	240,020	548,786
Equity securities		
Listed		
Oil and gas marketing companies		
Sui Northern Gas Pipelines Limited	46,102	63,907
Oil and Gas Development Corporation	11,287	20,986
Commercial banks		
MCB Bank Limited	-	27,570
Habib Bank Limited	-	38,916
Power generation and distribution		
K-Electric Limited	24,562	24,562
Kot Addu Power Company Limited	85,767	119,715
Nishat Power Limited	231,251	241,532
Cement		
D.G. Khan Cement Company Limited	-	55,622
Fauji Cement Company Limited	-	87,456
Lucky Cement Limited	35,001	16,369
Maple Leaf Cement Factory Limited	43,777	150,396
Chemicals		
Agritech Limited	49,506	49,506
Berger Paints Pakistan Limited	-	26,328
ICI Pakistan Limited	-	53,149
Engineering		
Aisha Steel Mills Limited	-	22,471
International Industries Limited	-	19,390
Mughal Iron and Steel Industries Limited	-	17,812
International Steels Limited	-	79,472

(Rupees in '000)

	2020	2019
Cost		
Food and personal care products		
Frieslandcampina Engro Pakistan Limited	-	117,650
Bunny's Limited	86,121	86,122
Cable and electrical goods		
Pak Elektron Limited	-	84,458
Textile composite		
Kohinoor Textile Mills Limited	-	30,456
Nishat (Chunian) Limited	51,660	57,664
Towellers Limited	61,506	57,841
Nishat Mills Limited	54,797	60,616
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	-	12,497
Investment banks / investment companies / securities companies		
Jahangir Siddique Company Limited	-	130
Trust Investment Bank Limited	6,500	3,251
	787,837	1,625,844
8.6 Particulars relating to held to maturity securities are as follows:		
Non-government debt securities		
Unlisted and unrated		
Commercial paper	42,742	124,458

9 ADVANCES

(Rupees in '000)

	Note	Performing		Non-performing		Total	
		2020	2019	2020	2019	2020	2019
Loans, cash credits, running finances, etc.	9.1	19,744,147	19,581,084	983,888	595,472	20,728,035	20,176,556
Islamic financing and related assets	9.2	606,667	766,922	-	-	606,667	766,922
Advances - gross		20,350,814	20,348,006	983,888	595,472	21,334,702	20,943,478
Provision against advances	9.5						
- Specific		-	-	423,442	394,034	423,442	394,034
- General		18,080	10,032	-	-	18,080	10,032
		18,080	10,032	423,442	394,034	441,522	404,066
Advances - net of provision		20,332,734	20,337,974	560,446	201,438	20,893,180	20,539,412

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

	(Rupees in '000)							
	2020				2019			
	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	739,732	628,889	–	1,368,621	847,603	957,239	–	1,804,842
Residual value	269,836	291,278	–	561,114	191,576	415,923	–	607,499
Minimum lease payments	1,009,568	920,167	–	1,929,735	1,039,179	1,373,162	–	2,412,341
Financial charges for future periods	448,392	271,551	–	719,943	(188,627)	(129,778)	–	(318,405)
Present value of minimum lease payments	1,457,960	1,191,718	–	2,649,678	850,552	1,243,384	–	2,093,936

9.1.1 These leases are executed for a term of 1 to 5 years. Security deposits have been obtained within a range of 10% to 33.33% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 10.66% to 22.00% per annum (2019: 10.67% to 24.00% 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)							
	2020				2019			
	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)	306,667	–	–	306,667	278,311	53,611	–	331,922
- Diminishing Musharika finance (note 9.2.2)	66,667	216,667	16,666	300,000	182,222	202,778	50,000	435,000
	373,334	216,667	16,666	606,667	460,533	256,389	50,000	766,922
Profit repayments in respect of:								
- Musharika finance (note 9.2.1)	12,637	–	–	12,637	46,133	5,401	–	51,534
- Diminishing Musharika finance (note 9.2.2)	31,987	138,690	4,472	175,149	44,305	159,256	38,485	242,046
	44,624	138,690	4,472	187,786	90,438	164,657	38,485	293,580
	417,958	355,357	21,138	794,453	550,971	421,046	88,485	1,060,502

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 5.71% to 94.29% (Dec 31, 2019 : 74.4% to 99%) and 19.77% to 94.29% (Dec 31, 2019: 1% to 25.6%) respectively. The customers have either transferred the titles of the assets in the name of the Group or the assets are held in trust by Agent, being related party of the Group, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Group to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 506 million (2019: Rs. 512.86 million) in aggregate. The Group has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 800.67 million (2019: Rs. 533.67 million). Further, in case of a customer, the Group holds 42 million (2019: Rs 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account as a security.

These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 3.5% and are due to mature on various dates latest by November 15, 2021.

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 Company with 25% margin over the facility amount as well as Pledge of shares of a listed company with 30% margin over the market value of these shares (this pledge may be replaced by corporate guarantee of a reputable private company equivalent to the facility amount with a 25% margin).

These facilities carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by September 3, 2020.

9.3 Particulars of advances (gross)

	2020	2019
	(Rupees in '000)	
In local currency	21,334,702	20,943,478
In foreign currencies	–	–
	21,334,702	20,943,478

9.4 Advances include Rs. 983,888 million (2019: Rs. 595.472 million) which have been placed under the non-performing status as detailed below:

Category of classification	Note	(Rupees in '000)			
		2020		2019	
		Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic					
Other Assets Especially Mentioned	9.4.1	285	28	8,706	870
Substandard		415,489	888	11,459	2,865
Doubtful		11,832	5,916	8,188	4,094
Loss		556,282	416,610	567,119	386,205
Total		983,888	423,442	595,472	394,034

9.4.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 0.285 million (December 31, 2019: Rs. 8.706 million).

9.5 Particulars of provision against advances

	(Rupees in '000)					
	2020			2019		
	Specific	General	Total	Specific	General	Total
Opening balance	394,034	10,032	404,066	309,684	5,372	315,056
Charge for the year	54,768	8,048	62,816	94,693	4,660	99,353
Reversals during the year	(25,360)	–	(25,360)	(10,343)	–	(10,343)
	29,408	8,048	37,456	84,350	4,660	89,010
Amounts written off	–	–	–	–	–	–
Closing balance	423,442	18,080	441,522	394,034	10,032	404,066

9.5.1 Particulars of provision against advances

	(Rupees in '000)					
	2020			2019		
	Specific	General	Total	Specific	General	Total
In local currency	423,442	18,080	441,522	394,034	10,032	404,066
In foreign currencies	–	–	–	–	–	–
	423,442	18,080	441,522	394,034	10,032	404,066

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. 242.656 million (2019: Rs. 180.914 million). The FSV benefit availed - net of tax amounting to 172.286 million (2019: 128.449 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, 2020 and December 31, 2019, there were no write-offs of loans within or above Rs 500,000.

10 FIXED ASSETS

	Note	2020	2019
(Rupees in '000)			
Capital work-in-progress		–	–
Property and equipment	10.1	153,954	153,931
		153,954	153,931

10.1 Property and equipment

	Note	2020						
		Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
(Rupees in '000)								
At January 1, 2020								
Cost		143,386	51,236	23,902	39,191	45,199	470	303,384
Accumulated depreciation		(31,227)	(45,831)	(19,075)	(30,507)	(22,343)	(470)	(149,453)
Net book value		112,159	5,405	4,827	8,684	22,856	–	153,931
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
Rate of depreciation (percentage)		33.33% - 36.36%	20%	20%	20% - 50%	25%	50%	

(Rupees in '000)

	Note	2019						
		Right-of-use-asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2019								
Cost		–	48,261	22,462	33,285	23,092	470	127,570
Recognition of right-of-use asset on adoption of IFRS-16		153,288	–	–	–	–	–	153,288
Accumulated depreciation		–	(43,816)	(17,367)	(25,498)	(16,487)	(453)	(103,621)
Net book value		153,288	4,445	5,095	7,787	6,605	17	177,237
Year ended December 31, 2019								
Opening net book value		153,288	4,445	5,095	7,787	6,605	17	177,237
Additions		–	2,975	1,440	5,906	23,788	–	34,109
Disposals		(9,902)	–	–	–	(1,681)	–	(11,583)
Depreciation charge for the year		(31,227)	(2,015)	(1,708)	(5,009)	(5,856)	(17)	(45,832)
Closing net book value	10.1.2	112,159	5,405	4,827	8,684	22,856	–	153,931
At December 31, 2019								
Cost		143,386	51,236	23,902	39,191	45,199	470	303,384
Accumulated depreciation		(31,227)	(45,831)	(19,075)	(30,507)	(22,343)	(470)	(149,453)
Net book value	10.1.2	112,159	5,405	4,827	8,684	22,856	–	153,931
Rate of depreciation (percentage)		19.22% - 59.38%	20%	20%	20% - 50%	25%	50%	

10.1.1 Details of disposal made to related parties

Particulars of assets	(Rupees in '000)				
	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
2020	–	–	–		
2019	11,350	1,142	1,142		

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

	Note	2020	2019
(Rupees in '000)			
Leasehold improvements		42,500	42,464
Furniture and fixtures		13,607	13,840
Electrical, office and computer equipment		20,967	17,378
Vehicles		4,654	3,114
		81,728	76,796

11 INTANGIBLE ASSETS

	Note	2020	2019
Intangible assets	11.1	3,488	4,685
Capital work-in-progress	11.2	2,338	1,513
		5,826	6,198

11.1 Intangible assets

	Note	Computer software	
		2020	2019
(Rupees in '000)			
At January 1			
Cost		21,499	20,870
Accumulated amortisation		(16,814)	(15,468)
Net book value		4,685	5,402
Year ended December 31			
Opening net book value		4,685	5,402
Additions		–	629
Amortisation charge		(1,197)	(1,346)
Closing net book value		3,488	4,685
At December 31			
Cost	11.1.1	21,499	21,499
Accumulated amortisation		(18,011)	(16,814)
Net book value		3,488	4,685
Rate of amortisation (percentage)		33.33%	
Useful life (in years)		3	

11.1.1 The cost of fully amortised assets still in use amounts to Rs 16.658 million (2019: Rs 14.662 million).

11.2 Capital work-in-progress

	2020	2019
(Rupees in '000)		
Software	2,338	1,513

12 DEFERRED TAX ASSETS

	(Rupees in '000)			
	2020			
	At January 1, 2020	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 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.	115,828	11,155	–	126,983
- Deficit on revaluation of investments	35,977	–	122,422	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
	363,354	(50,146)	122,173	435,381
Taxable temporary differences on:				
- Post retirement employee benefits	–	–	(2,541)	(2,541)
- Amortization of discount on investments	(134,828)	69,586	–	(65,242)
- Accelerated tax depreciation	(3,058)	1,508	–	(1,550)
- Right-of-use assets	(31,015)	1,821	–	(29,194)
	(168,901)	72,915	(2,541)	(98,527)
	194,453	22,769	119,632	336,854

	(Rupees in '000)			
	2019			
	At January 1, 2019	Recognised in consolidated profit and loss account	Recognised in OCI	At December 31, 2019
Deductible temporary differences on:				
- Post retirement employee benefits	671	–	(422)	249
- Provision for diminution in the value of investments	99,035	(8,562)	–	90,473
- Provision against advances, other assets, etc.	91,367	24,461	–	115,828
- Deficit on revaluation of investments	173,146	–	(137,169)	35,977
- Unrealised loss on revaluation	2,578	4,241	–	6,819
- Net investment in finance lease	–	1,058	–	1,058
- Preliminary expenses	2,053	(684)	–	1,369
- Tax losses carried forward	–	36,553	–	36,553
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	–	5,746	–	5,746
- Provision for bonus	588	61,413	–	62,001
	9,926	(2,645)	–	7,281
	379,364	121,581	(137,591)	363,354
Taxable temporary differences on:				
- Amortization of discount on investments	(60,707)	(74,121)	–	(134,828)
- Accelerated tax depreciation	(3,949)	891	–	(3,058)
- Right-of-use assets	–	(31,015)	–	(31,015)
	(64,656)	(104,245)	–	(168,901)
	314,708	17,336	(137,591)	194,453

13 OTHER ASSETS

	Note	2020	2019
(Rupees in '000)			
Income / mark-up accrued in local currency		656,941	977,669
Advances, deposits, advance rent and other prepayments		14,214	8,819
Advance taxation (payments less provisions)		665,035	542,728
Advance against subscription of term finance certificates		150,000	–
Receivable against sale of shares		65,406	49,002
Receivable against advisory fee		38,983	66,544
Receivable from related parties		1,024	–
Lease receivable under IFRS-16		–	8,378
Non-banking asset acquired in satisfaction of claims	13.1	–	106,215
Receivable from defined benefit plan - related party	33	10,609	717
Others		699	–
		1,602,911	1,760,072
Less: Provision held against other assets		–	–
		1,602,911	1,760,072

13.1 Non-banking asset acquired in satisfaction of claims

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

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

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

14 ASSETS CLASSIFIED AS HELD-FOR-SALE

Land, building and machinery			
Sufi Steel Industries (Private) Limited		387,745	387,745
Lion Steel Industries (Private) Limited		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	580,596	387,745

14.1 These represent land, building and machinery which have been classified as 'assets held for sale' as at December 31, 2020. The Holding Company acquired these assets by settling total outstanding principal and mark-up of Rs 434 million and Rs 146 million respectively. The Holding Company has entered into an agreement with buyers to dispose of these assets. 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	2020	2019
(Rupees in '000)			
Opening		387,745	–
Additions		122,827	387,745
Transfers		77,690	–
Disposals		(7,666)	–
Closing		580,596	387,745

15 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	15.2	5,249,794	5,146,020
- Power Plants Using Renewable Energy (PPRE) scheme		104,562	152,690
- Finance for Storage of Agriculture Produce (FSAP) scheme		213,492	235,068
- Temporary Economic Refinance Facility (TERF)	15.3	156,759	–
- Credit Guarantee (CGS) Scheme	15.4	20,999	–
- Special Persons (SP) Scheme	15.5	2,425	–
- Balancing, Modernization & Replacement (BMR) scheme	15.6	20,602	–
		5,768,633	5,533,778
Repurchase agreement borrowings	15.7	7,391,858	5,333,511
Borrowings from banks	15.8	12,162,316	29,445,521
Total secured		25,322,807	40,312,810
Unsecured			
Letters of placement	15.9	2,107,623	4,379,190
		27,430,430	44,692,000

15.1 Particulars of borrowings with respect to currencies

In local currency		27,430,430	44,692,000
In foreign currencies		–	–
		27,430,430	44,692,000

15.2 The Holding Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Holding Company at the due date by directly debiting the current account maintained by the Holding Company with SBP. The rate of return ranges from 2.00% to 6.00% per annum (2019: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 10 years (2019: 9 years).

15.3 This represents borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1.00% per annum (2019: Nil) payable on quarterly basis, with maturities upto September, 2030 (2019: Nil). 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** This represents borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2019: Nil) payable on quarterly basis, with maturities upto November, 2025 (2019: Nil). As per the terms of the agreement, the Holding 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 Holding Company maintained with the SBP.
- 15.5** This represents 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% p.a by SBP whereas SBP's refinance rate for this facility is 0% p.a. In case of default of the counterparty, upto 60% of principal is covered by SBP.
- 15.6** This represents borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% per annum (2019: Nil) payable on quarterly basis, with maturities upto July, 2025 (2019: Nil). 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 Company maintained with the SBP.
- 15.7** These represent borrowings from various financial institutions at mark-up rates ranging from 7.00% to 7.03% per annum (2019: 13.20% to 13.60% per annum). Market Treasury Bills having a face value of Rs. 1,200 million (2019: Rs. 5,820 million) have been given as collateral against these borrowings.
- 15.8** These carry mark-up at rates ranging from 7.45% to 7.80% per annum (2019: 11% to 14% per annum) and are repayable within 3 year (2019: 4 years). These are secured against hypothecation of receivables and floating charge over term finance certificates, Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 740 million (2019: 740 million), Rs 4,464 million (2019: Rs 14,445 million) and nil (2019: Rs: 9,225 million) respectively.

15.9 Particulars of borrowings

	2020		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Staff retirement funds	7.10	14.00	2 years
- Others	6.5	7.5	3 months

	2019		
	Minimum (%)	Maximum (%)	Tenor
Letters of placement:			
- Staff retirement funds	14.00	14.00	3 years
- Others	13.15	14.00	6 months

16 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)							
		2020			2019		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers							
- Certificate of investments (COIs)	16.1	830,000	-	830,000	620,000	-	620,000

16.1 Composition of deposits

	Note	2020	2019
		(Rupees in '000)	
- Public sector entities		500,000	500,000
- Private sector		330,000	120,000
		830,000	620,000

17 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		158,401	782,889
Unearned commission and income on bills discounted		30,085	22,745
Accrued expenses		95,212	71,960
Brokerage / commission payable		1,401	3,170
Payable against purchase of shares		100,456	15,758
Lease liability against right-of-use assets		141,069	94,289
Security deposits against advances		561,111	604,464
Provision for Sindh Worker's Welfare Fund		125,546	113,034
Sindh sales tax payable on modaraba management fee	17.1	8,716	7,180
Taxation payable		1,102	614
Unclaimed dividend		184	160
Advance from customers		63,596	8,469
Others		8,264	26,226
		1,295,143	1,750,958

- 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

2020	2019		2020	2019
(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		
2020	2019	Fully paid in cash	2020	2019
600,000,000	600,000,000		6,000,000	6,000,000

18.3 As at December 31, 2020, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2019: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2019: 300,000,000 shares) are held by the Brunei Investment Agency.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2020	2019
(Rupees in '000)			
Deficit on revaluation of			
- Available-for-sale securities	8.2	(551,319)	(186,875)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		158,399	35,977
		(392,920)	(150,898)

19.1 Movement in revaluation of assets

Deficit on revaluation as at January 01	(186,875)	(846,358)
Revaluation (deficit) / surplus recognised during the year	(364,444)	659,483
Deficit on revaluation as at December 31	(551,319)	(186,875)
Less: related deferred tax asset on		
- Revaluation as at January 01	35,977	173,146
- Revaluation recognised during the year	122,422	(137,169)
	158,399	35,977
Deficit on revaluation of assets - net of tax	(392,920)	(150,898)

20 CONTINGENCIES AND COMMITMENTS

- Guarantees	20.1	980,103	1,102,446
- Commitments	20.2	11,244,892	10,957,509
- Other contingent liabilities	20.3	-	-
		12,224,995	12,059,955
20.1 Guarantees			
Financial guarantees		980,103	1,102,446

20.2 Commitments

	Note	2020	2019
(Rupees in '000)			
Documentary credits and short-term trade-related transactions			
- letters of credit		323,157	331,320
Commitments in respect of:			
- repo transactions	20.2.1	7,908,009	9,877,213
- forward lendings	20.2.2	2,263,726	748,976
Other commitments	20.2.3	750,000	-
		11,244,892	10,957,509
20.2.1 Commitments in respect of repo transactions			
Repurchase of government securities		7,399,831	5,342,579
Reverse repurchase of government securities		508,178	4,534,634
		7,908,009	9,877,213
20.2.2 Commitments in respect of forward lendings			
Undrawn formal standby facilities, credit lines and other commitments to lend		2,263,726	748,976

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 Other commitments

Awwal Modaraba Management Limited Company (a subsidiary) has been appointed as the Management Company of KASB Modaraba, First Prudential Modaraba and First Pak Modaraba with effect from February 3, 2020 subject to fulfilment of following conditions:

- Injection of Rs 50 million in each of the three Modarabas latest by January 31, 2021;
- Injection of Rs 600 million on cumulative basis in the Modarabas latest by June 30, 2021;
- Acquisition of minimum statutory holding of 10% in each Modarabas latest by June 30, 2021; and
- Conversion of the above injected amount into equity through issuance of modaraba certificates latest by December 31, 2021.

The Holding Company has decided to inject above mentioned amount within the prescribed time limit on behalf of the subsidiary. This injection plan has also been communicated to and agreed by the Securities and Exchange Commission of Pakistan (SECP).

Subsequent to the year ended December 31, 2020, the Holding Company has injected Rs. 150 million (Rs. 50 million in each Modaraba) under musharika arrangement with the Modarabas.

20.3 Other contingent liabilities

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

20.3.2 The returns of income of the Holding Company from tax years 2008 to 2019 had been filed with the tax authorities. From tax year 2008 upto tax year 2017, these returns have been revised and additional tax demands have been raised of which Rs. 649.390 million are outstanding as at December 31, 2019. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Holding Company is contesting these demands and appeals have been filed by the Holding Company against the same which are pending adjudication at various legal and appellate forums. The Holding Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 13). The management is confident that the matters will eventually be decided in favour of the Holding Company and that the Holding Company will be able to adjust amounts in respect of matters decided against the Holding Company (if any) against the tax refunds currently being claimed by it.

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

21 MARK-UP / RETURN / INTEREST EARNED

	2020	2019
(Rupees in '000)		
On:		
a) Loans and advances	1,662,477	2,143,649
b) Investments	2,120,949	2,698,148
c) Lendings to financial institutions	123,690	393,314
d) Sub-lease of premises	205	1,400
e) Balances with banks	9,197	28,943
	3,916,518	5,265,454

22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	57,539	121,103
Interest expense on lease liability against right-of-use assets	11,998	11,107
Borrowings	2,802,120	4,113,162
	2,871,657	4,245,372

23 FEE AND COMMISSION INCOME

Advisory / arrangement fee	3,100	75,757
Processing fee income	5,616	5,000
Participation fee	–	3,079
Commitment fee	11,479	11,038
Trustee fee	58,575	54,393
	78,770	149,267

24 GAIN / (LOSS) ON SECURITIES

	2020	2019
(Rupees in '000)		
Realised	24.1	448,118
Unrealised - held for trading		–
		448,118
		(233,293)
24.1 Realised gain / (loss) on:		
Federal government securities		548,345
Shares		(104,298)
Non-government debt securities		(280)
Commercial paper		44
Mutual funds		4,307
		448,118
		(233,293)

25 OTHER INCOME

Rent on property		392	5,200
Gain on sale of non-banking assets	13.2	4,999	–
Loss on sale of non current asset held for sale		(2,449)	–
Gain on modification of lease liability		3,187	–
Gain on sale of fixed assets - net		1,745	1,790
Others		511	806
		8,385	7,796

26 OPERATING EXPENSES

Total compensation expense	26.1	327,110	286,800
Property expense			
Rent and taxes		2,171	240
Insurance		5,902	5,944
Security		1,569	3,458
Utilities cost		4,733	2,010
Repairs and maintenance (including janitorial charges)		7,070	5,257
Depreciation	10.1	37,517	32,966
		58,962	49,875
Information technology expenses			
Software maintenance		5,439	10,979
Hardware maintenance		819	2,785
Depreciation	10.1	4,131	3,028
Amortisation	11.1	1,197	1,346
		11,586	18,138

	Note	2020	2019
(Rupees in '000)			
Other operating expenses			
Directors' fees and allowances		8,390	6,040
Fees and subscription		3,807	2,412
Legal and professional charges		17,963	17,070
Travelling and conveyance		26,912	34,082
Brokerage commission		14,344	11,977
Depreciation	10.1	9,376	9,838
Training and development		513	571
Postage and courier charges		1,012	448
Communication		4,672	3,933
Stationery and printing		1,326	1,470
Marketing, advertisement and publicity		176	1,761
Donations	26.3	5,000	–
Auditors' remuneration	26.4	3,987	2,281
Others		4,909	19,405
Provision for Sindh sales tax on management company's remuneration	17.1	1,535	1,665
		103,922	112,953
		501,580	467,766

26.1 Managerial Remuneration

Fixed		179,990	156,950
Contractual Staff			
Contractual staff: In-house		17,297	16,985
Salaried outsourced staff		6,567	7,110
		23,864	24,095
Other benefits			
Cash bonus / awards		66,833	51,185
Charge for defined benefit plan		10,112	7,662
Contribution to defined contribution plan		11,697	9,199
Medical		6,793	7,480
Fuel reimbursement		12,350	13,351
Leave fare assistance		11,826	12,251
Leave encashment		925	–
Others		2,720	4,627
		123,256	105,755
Total compensation expense		327,110	286,800

26.2 The Group does not have any material outsourcing arrangements.

26.3 Details of donations

	Note	2020	2019
(Rupees in '000)			
Donations individually exceeding Rs 500,000			
PM COVID - 19 relief fund		5,000	–
Donations individually not exceeding Rs 500,000		–	–
		5,000	–
26.4 Auditors' remuneration			
Audit fee for annual financial statements		1,315	1,188
Half yearly review fee		512	480
Special certifications and sundry advisory services		1,888	300
Out-of-pocket expenses		272	313
		3,987	2,281

27 PROVISION FOR WORKERS' WELFARE FUND

Provision for Workers' Welfare Fund	27.1	24,914	9,568
-------------------------------------	------	--------	-------

27.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in these consolidated financial statements amounting to Rs 125.546 million which includes a provision of Rs 24,914 million for the current year.

28 PROVISIONS AND WRITE OFFS - NET

	Note	2020	2019
(Rupees in '000)			
Provision / (reversal of provision) against investments - net	8.4.1	4,562	(97,569)
Provisions against loans and advances	9.5	37,456	89,010
		42,018	(8,559)

29 TAXATION

Current	29.1	336,744	140,241
Prior years		31,753	524
Deferred		(22,769)	(17,337)
		345,728	123,428

29.1 Current tax charge for the year represents tax deducted on capital gains, minimum tax and tax liability under fixed tax regime.

29.2 Relationship between tax expense and accounting profit

	2020	2019
	(Rupees in '000)	
Accounting profit before tax	1,042,333	526,641
Tax rate	29%	29%
Tax on accounting profit	302,277	152,726
Tax effect of:		
Income chargeable to tax at special rate	(5,420)	(23,579)
Income exempt from tax	17,565	39,788
Permanent differences	6,826	28,373
Prior year charge	31,753	684
Excess of ACT over NTR	–	(62,001)
Others	(7,272)	(12,563)
	345,729	123,428

30 EARNINGS PER SHARE - BASIC AND DILUTED

30.1 Basic earnings per share	(Rupees in '000)	
Profit for the year after taxation attributable to equity holders of the Holding Company	696,446	402,883
	Number of shares	
Weighted average number of ordinary shares (in '000)	600,000	600,000
	Rupees	
Basic earnings per share	1.16	0.67

30.2 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.

31 CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees in '000)	
Cash and balance with treasury banks	5	168,197	133,913
Balance with other banks	6	631,457	215,671
		799,654	349,584

32 STAFF STRENGTH

	2020	2019
	Number	
Permanent	75	76
On contract	22	25
Outsourced	18	23
Own staff strength at the end of the year	115	124

32.1 This includes 18 (2019:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

33 DEFINED BENEFIT PLAN

33.1 General description

As mentioned in note 4.15, the Holding Company, Awwal Modaraba and Awwal Modaraba Management Limited operates a funded gratuity scheme for all its permanent employees. Awwal Modaraba and Awwal Modaraba Management Limited has converted their unfunded scheme in funded scheme during the year. 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 subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

33.2 Number of employees under the defined benefit plan

	2020	2019
	Number	
The number of employees covered under the defined benefit plan as at December 31	76	74

33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	Note	2020	2019
		Per annum	
Discount rate		9.75%	11.25%
Expected rate of salary increase		8.75% - 9.75%	11.25%

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

Present value of obligation	33.6	77,003	61,582
Fair value of plan assets	33.7	(87,612)	(62,299)
Receivable		(10,609)	(717)

33.5 Movement in defined benefit obligations

	2020	2019
	(Rupees in '000)	
Obligations at the beginning of the year	(717)	261
Conversion of unfunded scheme to funded scheme during the year	12,484	–
Current service cost	33.8.1 10,112	6,810
Actual contributions	(17,036)	(6,065)
Benefits paid to outgoing members	(4,353)	(266)
Re-measurement (gain) / loss recognised in OCI	(11,099)	(1,456)
Obligation at the end of the year	(10,609)	(716)

33.6 Movement in payable under defined benefit scheme

Opening balance	61,582	49,260
Conversion of unfunded scheme to funded scheme during the year	12,484	–
Charge for the year	8,683	6,892
Interest cost on defined benefit obligation	8,360	6,840
Re-measurement gain recognised in OCI during the year	33.8.2 (9,753)	(1,144)
Benefits paid to outgoing members	(4,353)	(266)
Closing balance	77,003	61,582

33.7 Movement in fair value of plan assets

Fair value at the beginning of the year	62,299	48,999
Interest income on plan assets	6,931	6,923
Contributions - net	17,036	6,065
Actual benefits paid from the fund during the year	–	–
Re-measurement gain / (loss)	33.8.2 1,346	312
Fair value at the end of the year	87,612	62,299

33.8 Charge for defined benefit plan

33.8.1 Cost recognised in consolidated profit and loss account

Current service cost	8,683	6,892
Net interest income on defined benefit asset / liability	1,429	(82)
	10,112	6,810

33.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation		
- financial assumptions	(197)	(551)
- experience adjustments	(9,556)	(593)
	(9,753)	(1,144)
Return on plan assets over interest income	(1,346)	(312)
Total re-measurements (gain) / loss recognised in OCI	(11,099)	(1,456)

33.9 Components of plan assets

Cash and cash equivalents - net	17,039	257
Government securities	70,573	62,042
Mutual funds	–	–
	87,612	62,299

33.9.1 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.

33.10 Sensitivity analysis

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

	2020	2019
	(Rupees in '000)	
1% increase in discount rate	(14,701)	(5,465)
1% decrease in discount rate	14,235	6,300
1% increase in expected rate of salary increase	14,284	6,544
1 % decrease in expected rate of salary increase	(14,819)	(5,764)

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

	(Rupees in '000)
33.11 Expected contributions to be paid to the funds in the next financial year	8,502

33.12 The expected charge for the next financial year commencing January 1, 2021 works out to Rs 8.502 million (2019: Rs 2.425 million).

33.13 Maturity profile

The weighted average duration of the obligation is 8.4 years (2019: 10 years).

33.14 Funding policy

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

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

34 DEFINED CONTRIBUTION PLANS

34.1 Pak Brunei Investment Company Limited, Awwal modaraba, PLL and AMML operates provident fund schemes for all their permanent employees. Equal monthly contributions at the rate of 10% per annum (2019: 10% per annum) of basic salaries are made both by Pak Brunei Investment Company Limited, Awwal modaraba, PLL and AMML and employees. Contributions made to the provident fund during the year are as follows:

	2020	2019
	(Rupees in '000)	
Contribution made by the Holding Company, Awwal modaraba, PLL and AMML	11,697	10,627
Contribution made by employees	11,697	10,627
	23,394	21,254

34.2 Details in respect of defined contributions plans of the subsidiaries are provided in note 4.15.2.

35 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND KEY MANAGEMENT PERSONNEL

35.1 Total Compensation Expense

Items	(Rupees in '000)						
	Chairman	Directors Executives (other than CEO)	Non-Executive	Members Shariah Board	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	17,819
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	5,550	20,987	3,296
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,333	8,890	781
Contribution to defined contribution plan	-	-	-	-	1,531	4,037	938
Rent & house maintenance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Medical	-	-	-	-	-	-	-
Conveyance	-	-	-	-	916	1,895	725
Others							
- LFA	-	-	-	-	-	-	-
- TDA	-	-	-	-	-	5,256	598
- Fuel	-	-	-	-	102	55	-
- Leave encashment	-	-	-	-	202	4,176	1,272
- Mobile reimbursement	-	-	-	-	925	-	-
- others	-	-	-	-	333	459	36
Total	2,000	-	3,600	-	33,160	137,916	25,781
Number of Persons	1	-	3	-	1	18	8

(Rupees in '000)

Items	2019						
	Chairman	Directors Executives (other than CEO)	Non-Executive	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Fees and Allowances etc.	1,879	-	4,161	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	22,101	92,907	28,998
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	6,334	27,708	7,629
b) Bonus & Awards in Shares	-	-	-	-	-	2,305	-
Charge for defined benefit plan	-	-	-	-	1,183	5,357	1,239
Contribution to defined contribution plan	-	-	-	-	1,524	4,939	1,547
Rent & house maintenance	-	-	-	-	-	6,220	-
Utilities	-	-	-	-	-	-	-
Medical	-	-	-	-	400	3,627	1,293
Conveyance	-	-	-	-	-	-	-
Others							
- LFA	-	-	-	-	1,713	6,846	1,478
- TDA	-	-	-	-	824	56	45
- Fuel	-	-	-	-	403	5,298	2,212
- others	-	-	-	-	8	4,275	534
Total	1,879	-	4,161	-	34,490	159,538	44,975
Number of Persons	1	-	3	-	1	18	11

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.

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

(Rupees in '000)

Sr. No.	Name of Director	2020				
		Meeting Fees and Allowances Paid				
		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

(Rupees in '000)

Sr. No.	Name of Director	2019				
		Meeting Fees and Allowances Paid				
		For Board Meetings	Audit Committee	HR & RC Committee	Credit and Risk Management Committee	Total Amount Paid
1	Mr. Sofian Mohammad Jani	1,879	-	-	-	1,879
2	Mr. Arif Ahmed Khan*	1,148	-	-	-	1,148
3	Mr. Edzwan Zukri Adanan	1,879	-	-	-	1,879
4	Mr. Tariq Mahmood Pasha	1,134	-	-	-	1,134
	Total Amount Paid	6,040	-	-	-	6,040

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

36 FAIR VALUE MEASUREMENT

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

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

36.1 Fair value of financial assets

The 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 / 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)			
	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

	(Rupees in '000)			
	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	–	25,130,607	–	25,130,607
Shares	1,469,026	–	–	1,469,026
Non-Government debt securities	–	2,562,743	–	2,562,743
Units of mutual funds	–	526,791	–	526,791
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	–	9,877,213	–	9,877,213

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	(Rupees in '000)			
	2020			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit & 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
- 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

(Rupees in '000)

	2019			
	Corporate finance	Trading and sales	Commercial banking	Total
Consolidated Profit and Loss Account				
Net mark-up / return / profit	186,709	447,167	386,206	1,020,082
Non mark-up / return / interest income	1,478	(28,500)	2,356	(24,666)
Total income	188,187	418,667	388,562	995,416
Total expenses	125,512	178,785	173,037	477,334
Provisions	-	(91,081)	82,522	(8,559)
Profit before tax	62,675	330,963	133,003	526,641
Consolidated Statement of Financial Position				
Cash and bank balances	64,179	158,245	127,160	349,584
Investments	-	29,813,625	-	29,813,625
Lendings to financial institutions	48,879	4,500,000	-	4,548,879
Advances - performing	774,891	455,106	19,107,977	20,337,974
Advances - non-performing	-	30,412	171,026	201,438
Others	121,539	1,417,537	963,323	2,502,399
Total assets	1,009,488	36,374,925	20,369,486	57,753,899
Borrowings	-	26,330,469	18,361,531	44,692,000
Deposits and other accounts	-	367,880	252,120	620,000
Others	36,672	846,140	868,146	1,750,958
Total liabilities	36,672	27,544,489	19,481,797	47,062,958
Equity	972,816	8,830,436	887,689	10,690,941
Total equity and liabilities	1,009,488	36,374,925	20,369,486	57,753,899
Contingencies and commitments	11,800	6,065,020	5,983,135	12,059,955

37.2 Segment details with respect to geographical location

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

38 TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / sukuk issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Holding Company is registered as a Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP.

The Holding Company is acting as a Trustee and Investment Agent to Issue of Commercial Papers, Term Finance Certificates and SUKUK (the "Debt Securities") issued by Agha Steel Industries Ltd., Agritech Ltd., Airlink Communication Ltd., Al-Baraka Bank (Pakistan) Ltd., Azgard Nine Ltd., Bank Alfalah Ltd., Bank Al-Habib Ltd., Bank Islami Pakistan Ltd., Bank of Punjab, Dubai Islami Bank Pakistan Ltd., Engro Polymer & Chemicals Ltd., Fatima Fertilizer Company Ltd., Habib Bank Ltd., HUB Power Holding Company Ltd., HUBCO Power Company Ltd., International Brands Ltd., Jahangir Siddiqui & Co. Ltd., Javedan Corporation Ltd., JS Bank Ltd., K-Electric Ltd., Khushali Microfinance Bank Ltd., Neelum Jehlum Hydro Power Company Ltd., Pak Elektron Ltd., Pak Water & Power Development Authority, Pakistan Services Ltd., Secure Logistics, Silk Bank Ltd., Sindh Nooriabad Power Co. Pvt. Ltd., Sindh Nooriabad Power Co. (Phase-II) Pvt. Ltd., Soneri Bank Ltd., Summit Bank Ltd., TPL Properties Pvt. Ltd., U Microfinance Bank Ltd., WAPDA Third SUKUK Company and WAPDA Dasu Hydro Power Project. The combined value of these Debt Securities as at December 31, 2020 amounted to Rs. 428,294 Million (2019: Rs. 434,264 million).

39 RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employees' defined benefit and defined contribution plans, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 33 and 34 to these consolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to chief executive, directors and executives is disclosed in note 35 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

	2020			2019		
	Directors	Key management	Other related parties	Directors	Key management	Other related parties
Investments						
Opening balance	-	-	-	-	-	-
Investments made during the year	-	-	-	-	-	-
Investments redeemed / disposed off during the year	-	-	-	-	-	-
Share of profit for the year	-	-	-	-	-	-
Transfer to available-for-sale securities on recharacterisation of investment	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Advances						
Opening balance	-	80,719	-	-	74,920	-
Addition during the year	-	4,845	-	-	7,579	-
Repaid during the year	-	(19,868)	-	-	(32,263)	-
Transfer in / (out) - net	-	27,243	-	-	30,483	-
Closing balance	-	92,939	-	-	80,719	-
Other assets						
Receivable from define benefit plan	-	-	10,609	-	-	717
	-	-	10,609	-	-	-
Borrowings						
Opening balance	-	-	66,014	-	-	14,346
Borrowings during the year	-	-	37,427	-	-	398,129
Settled during the year	-	-	(62,185)	-	-	(346,461)
Closing balance	-	-	41,256	-	-	66,014
Other liabilities						
Interest / mark-up payable	-	-	1,209	-	-	1,379
	-	-	1,209	-	-	1,379
Income						
Mark-up / return / interest earned	-	3,739	313	-	2,062	50,156
Expense						
Mark-up / return / interest paid	-	-	9,387	-	-	3,673
Operating expenses	9,190	164,913	-	4,669	111,655	-
Reimbursement of expenses	-	4,257	-	-	1,235	-

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020	2019
(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	9,137,523	8,921,937
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	9,137,523	8,921,937
Eligible Tier 2 Capital	–	–
Total Eligible Capital (Tier 1 + Tier 2)	9,137,523	8,921,937
Risk Weighted Assets (RWAs):		
Credit Risk	21,814,144	20,795,573
Market Risk	5,796,867	5,276,026
Operational Risk	2,210,082	2,094,736
Total	29,821,093	28,166,335
Common Equity Tier 1 Capital Adequacy ratio	30.64%	31.68%
Tier 1 Capital Adequacy Ratio	30.64%	31.68%
Total Capital Adequacy Ratio	30.64%	31.68%

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 30.64% of its risk weighted exposure as at December 31, 2020.

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.

	2020	2019
(Rupees in '000)		
Minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	12.50%	12.50%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	9,137,523	8,921,937
Total Exposures	43,127,457	58,256,680
Leverage Ratio - percentage	21.19%	15.31%

	2020	2019
(Rupees in '000)		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	9,207,538	4,538,009
Total Net Cash Outflow	7,900,138	7,136,150
Liquidity Coverage Ratio - percentage	116.55%	63.59%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	21,586,084	25,529,648
Total Required Stable Funding	19,210,958	22,140,524
Net Stable Funding Ratio - percentage	112.36%	115.31%

40.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at <https://pakbrunei.com.pk/wp-content/uploads/2021/04/BaselIII2020-Disclosure-Consolidated.pdf>.

41 RISK MANAGEMENT

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

Categories of risk

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

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

Risk responsibilities

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

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the 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.

41.1 Credit risk

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

The Group manages 3 principal sources of credit risk:

i) Sovereign credit risk

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

ii) Non-sovereign credit risk

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

iii) Counter party credit risk on interbank limits

In the normal course of its business, the Group Treasury utilises products such as reverse repos and call lendings to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligations to the Group.

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

Credit administration

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

Risk analytics

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

Stress testing

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

Regular monitoring

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

Portfolio diversification

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

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

41.1.1 Lendings to financial institutions

	(Rupees in '000)					
	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	556,679	4,548,879	-	-	-	-
	556,679	4,548,879	-	-	-	-

41.1.2 Investment in debt securities

	(Rupees in '000)					
	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	-	-	58,320	58,320	58,320	58,320
Textile	-	-	45,514	45,514	45,514	45,514
Electronics and electrical appliances	-	-	105,500	105,500	105,500	105,500
Construction	-	-	43,641	43,641	43,641	43,641
Transport, Storage and Communication	42,764	124,458	16,135	16,135	16,135	16,135
Financial	2,594,560	2,562,743	-	-	-	-
	2,637,324	2,687,201	269,110	269,110	269,110	269,110
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	2,637,324	2,687,201	269,110	269,110	269,110	269,110
	2,637,324	2,687,201	269,110	269,110	269,110	269,110

41.1.3 Advances

	(Rupees in '000)					
	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	315,543	313,609	-	2,813	-	281
Textile	4,476,903	4,060,724	23,981	30,276	21,971	26,586
Chemical And Pharmaceuticals	3,179,465	2,831,393	-	-	-	-
Cement	1,400,000	1,400,000	-	-	-	-
Sugar	854,943	913,559	21,998	21,998	-	-
Automobile and transportation equipment	321,911	148,683	3,832	1,184	2,497	296
Electronics and electrical appliances	1,585,361	1,568,244	411,937	2,059	-	2,059
Construction	667,131	669,703	-	-	-	-
Power (Electricity), Gas, Water, Sanitary	2,790,958	2,889,130	138,073	138,073	47,384	47,384
Wholesale and retail trade	319,629	-	65,457	73,443	61,439	60,386
Transport, Storage And Communication	163,219	512,946	-	-	-	-
Financial	56,639	230,515	-	-	-	-
Services	221,420	110,807	-	-	-	-
Individuals	1,099,342	166,662	591	-	148	-
Packaging	231,246	1,143,244	-	-	-	-
Engineering	1,727,561	43,720	307,859	308,567	280,875	239,983
Food and beverages	532,968	1,735,362	6,270	6,270	6,270	6,270
Steel and engineering	302,214	507,485	-	10,789	-	10,789
Information Technology	950,000	323,567	-	-	-	-
Others	138,249	1,374,125	3,890	-	2,858	-
	21,334,702	20,943,478	983,888	595,472	423,442	394,034
Credit risk by public / private sector						
Public / Government	11,622	24,854	-	-	-	-
Private	21,323,080	20,918,624	983,888	595,472	423,442	394,034
	21,334,702	20,943,478	983,888	595,472	423,442	394,034

41.1.4 Contingencies and Commitments

	2020	2019
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting And Fishing	5,000	5,000
Textile	101,127	235,253
Chemical and pharmaceuticals	589,099	75,497
Construction	480,103	935,374
Power (Electricity), Gas, Water, Sanitary	1,623,157	768,768
Transport, storage and communication	-	-
Financial	8,658,009	9,877,213
Services	-	16,300
Packaging	260,000	144,231
Engineering	-	-
Food and beverages	508,500	780
Steel and engineering	-	39
Others	-	1,500
	12,224,995	12,059,955
Credit risk by public / private sector		
Public / Government	4,237,001	5,004,044
Private	7,987,994	7,055,911
	12,224,995	12,059,955

41.1.5 Concentration of advances

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

	2020	2019
	(Rupees in '000)	
Funded	6,745,912	6,691,455
Non Funded	1,520,908	1,102,446
Total Exposure	8,266,820	7,793,901

The sanctioned limits against these top 10 exposures aggregated to Rs.9,684 million (2019: Rs.8,867 million).

41.1.6 Advances - Province / Region-wise Disbursement and Utilisation

Province / Region	(Rupees in '000)				
	Disbursements	2020 Utilisation			
		Punjab	Sindh	Balochistan	Islamabad
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	-

Province / Region	(Rupees in '000)				
	Disbursements	2019 Utilisation			
		Punjab	Sindh	Balochistan	Islamabad
Punjab	4,122,418	4,122,418	-	-	-
Sindh	4,355,299	-	4,355,299	-	-
KPK including FATA	-	-	-	-	-
Balochistan	900,000	-	-	900,000	-
Islamabad	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-
Total	9,377,717	4,122,418	4,355,299	900,000	-

41.2 Market risk

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

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

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

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

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

(Rupees in '000)

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	168,197	–	168,197	133,913	–	133,913
Balances with other banks	631,457	–	631,457	215,671	–	215,671
Lendings to financial and other institutions	556,679	–	556,679	4,548,879	–	4,548,879
Investments	2,637,324	12,842,253	15,479,577	2,687,201	27,126,424	29,813,625
Advances	20,893,180	–	20,893,180	20,539,412	–	20,539,412
Fixed assets	153,954	–	153,954	153,931	–	153,931
Intangible assets	5,826	–	5,826	6,198	–	6,198
Deferred tax assets	336,854	–	336,854	194,453	–	194,453
Other assets	1,602,911	–	1,602,911	1,760,072	–	1,760,072
Assets classified as held-for-sale	580,596	–	580,596	387,745	–	387,745
	27,566,978	12,842,253	40,409,231	30,627,475	27,126,424	57,753,899

41.2.2 Foreign exchange risk

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

(Rupees in '000)

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	6	–	–	6	6	–	–	6
	6	–	–	6	6	–	–	6

(Rupees in '000)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Consolidated profit and loss account	0.00037	–	0.00006	–

41.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in prices of individual stocks or the levels of equity indices. The 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)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Consolidated profit and loss account	–	–	–	–
- Other comprehensive income	–	(36,404)	–	(73,451)

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

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

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.
- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Group equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

(Rupees in '000)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Consolidated profit and loss account	(138,365)	–	2,427	–
- Other comprehensive income	–	(453,411)	–	(102,441)

41.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	Effective yield/ interest rate %	Total	Exposed to yield/interest rate risk								Non-interest Bearing Financial Instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	3.99% to 12.25%	168,197	97	-	-	-	-	-	-	-	-	168,100
Balances with other banks	3.90% to 12.50%	631,457	621,379	-	-	-	-	-	-	-	-	10,078
Lendings 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	0.0903	873,046	-	150,000	-	-	-	-	-	-	-	723,046
		36,602,136	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 14.00%	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	7.20% to 7.50%	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 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

(Rupees in '000)

	Effective yield/ interest rate %	Total	Exposed to yield/interest rate risk								Non-interest Bearing Financial Instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	5.00% to 8.00%	133,913	4,332	-	-	-	-	-	-	-	-	129,581
Balances with other banks	3.40% to 12.25%	215,671	208,401	-	-	-	-	-	-	-	-	7,270
Lendings to financial and other institutions		4,548,879	4,548,879	-	-	-	-	-	-	-	-	-
Investments	7.00% to 18.50%	29,813,625	974,033	9,037,424	901,102	14,783,487	2,874	-	113,732	1,784	-	3,999,189
Advances	2.00% to 20.00%	20,539,412	5,591,522	4,906,976	2,671,956	1,584,197	1,549,770	1,216,900	1,553,808	1,263,658	39,569	161,056
Other assets		1,498,874	21,316	16,499	21,738	56,535	362,546	1,857	673	-	-	1,017,710
		56,750,374	11,348,483	13,960,899	3,594,796	16,424,219	1,915,190	1,218,757	1,668,213	1,265,442	39,569	5,314,806
Liabilities												
Borrowings	2.00% to 11.30%	44,692,000	23,682,677	8,800,255	6,118,135	1,511,668	1,014,752	955,937	1,384,785	1,223,791	-	-
Deposits and other accounts	10.00% to 10.50%	620,000	-	120,000	256,168	17,555	95,213	114,037	17,027	-	-	-
Other liabilities		1,607,999	17,755	28,875	358,942	5,524	-	-	-	-	-	1,196,903
		46,919,999	23,700,432	8,949,130	6,733,245	1,534,747	1,109,965	1,069,974	1,401,812	1,223,791	-	1,196,903
On-balance sheet gap		9,830,375	(12,351,949)	5,011,769	(3,138,449)	14,889,472	805,225	148,783	266,401	41,651	39,569	4,117,903
Non financial net assets		860,566										
Total Net assets		10,690,941										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,433,766	2,461	27,859	-	-	1,102,446	-	-	301,000	-	-
Commitments in respect of:												
- forward lendings		748,976	94,405	10,341	644,230	-	-	-	-	-	-	-
- repo transactions		9,877,213	9,877,213	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		12,059,955	9,974,079	38,200	644,230	-	1,102,446	-	-	301,000	-	-
Total yield / interest risk sensitivity gap			(2,377,870)	5,049,969	(2,494,219)	14,889,472	1,907,671	148,783	266,401	342,651	39,569	4,117,903
Cumulative yield / interest risk sensitivity gap			(2,377,870)	2,672,099	177,880	15,067,352	16,975,023	17,123,806	17,390,207	17,732,858	17,772,427	21,890,330

41.3 Operational risk

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

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

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

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

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

41.4 Liquidity risk

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

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

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

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

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

41.4.1 Maturities of assets and liabilities – based on contractual maturities of assets and liabilities of the Group

(Rupees in '000)

	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	168,197	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	2,790,038	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	149	-
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	2,291,141	713,427	865,629	3,681,286	1,658,027	4,186,819	4,023,613	3,011,518	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	1,966,420	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													

(Rupees in '000)

	2019													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	133,913	5,375	7,315	7,315	16,729	97,179	-	-	-	-	-	-	-	-
Balances with other banks	215,671	35,308	9,247	9,247	39,909	121,960	-	-	-	-	-	-	-	-
Lendings to financial and other institutions	4,548,879	-	-	-	4,548,879	-	-	-	-	-	-	-	-	-
Investments	29,813,625	-	-	271,035	195,455	146,576	678,344	146,636	11,276,510	3,937,247	901,493	10,220	344,894	11,905,215
Advances	20,539,412	170,443	787,509	83,855	1,271,696	923,423	1,158,624	2,971,248	1,149,700	3,548,053	2,519,021	3,030,220	1,698,872	-
Fixed assets	153,931	102	700	709	1,973	6,638	3,680	18,512	9,236	15,407	30,650	35,466	30,858	-
Intangible assets	6,198	25	159	169	616	721	2,164	1,623	-	-	-	-	-	-
Deferred tax assets	194,453	4,258	15,737	30,737	60,411	6,735	3,047	3,374	-	64,192	3,558	2,404	-	-
Other assets	1,760,072	6,422	44,956	44,965	99,579	652,282	55,344	631,676	90,781	80,132	37,287	1,682	671	14,275
Assets classified as held-for-sale	387,745	-	-	-	-	-	-	387,745	-	-	-	-	-	-
	57,753,899	221,933	865,623	448,052	6,235,247	1,955,514	1,899,760	4,161,355	12,604,898	5,246,678	4,521,041	2,568,793	3,406,643	13,618,362
Liabilities														
Borrowings	44,692,000	3,731	8,386,820	12,505,901	285,187	1,949,929	267,240	4,544,146	3,868,804	1,636,965	4,747,953	3,822,554	1,447,285	1,225,485
Deposits and other accounts	620,000	-	-	-	-	100,000	20,000	256,168	17,555	-	95,213	114,037	17,027	-
Other liabilities	1,750,958	119,833	63,907	471,285	67,494	229,958	90,416	391,127	14,967	18,359	132,387	66,150	83,523	1,552
	47,062,958	123,564	8,450,727	12,977,186	352,681	2,279,887	377,656	5,191,441	3,901,326	1,655,324	4,975,553	4,002,741	1,547,835	1,227,037
Net assets	10,690,941	98,369	(7,585,104)	(12,529,134)	5,882,566	(324,373)	1,522,104	(1,030,086)	8,703,572	3,591,354	(454,512)	(1,433,948)	1,858,808	12,391,325
Share capital	6,000,000													
Reserves	1,480,107													
Unappropriated profit	3,359,371													
Deficit on revaluation of assets	(150,898)													
Total equity attributable to the equity holders of the Holding Company	10,688,580													
Non-controlling interest	2,361													
	10,690,941													

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

(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	168,197	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	2,732,987	3,019,403	2,578,565	2,790,038	1,620,321	-
Fixed assets	153,954	5,284	12,572	10,873	67,243	35,001	22,833	148	-	-
Intangible assets	5,826	749	965	1,185	2,927	-	-	-	-	-
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	-	-	-	-	-	-
	40,409,233	7,352,355	1,579,055	4,261,882	5,844,846	4,023,613	3,011,517	5,061,091	9,274,872	-
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	276,393	214,756	30,086	85,746	163,262	397,235	59,304	68,360	-
	29,555,573	14,083,074	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	(6,730,719)	(585,452)	2,547,017	3,018,453	(37,091)	1,261,024	3,527,137	7,853,290	-
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									

(Rupees in '000)

	2019									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	133,913	36,734	97,179	-	-	-	-	-	-	-
Balances with other banks	215,671	93,711	121,960	-	-	-	-	-	-	-
Lendings to financial and other institutions	4,548,879	4,548,879	-	-	-	-	-	-	-	-
Investments	29,813,625	466,490	824,920	146,636	15,213,757	901,493	10,220	344,894	11,905,215	-
Advances	20,539,412	2,313,503	2,082,047	2,971,248	2,376,448	3,548,053	2,519,021	3,030,220	1,698,872	-
Fixed assets	153,931	3,484	10,318	18,512	24,643	30,650	35,466	30,858	-	-
Intangible assets	6,198	969	1,442	2,164	1,623	-	-	-	-	-
Deferred tax assets	194,453	111,143	9,782	3,374	64,192	3,558	2,404	-	-	-
Other assets	1,760,072	195,942	707,626	631,676	170,913	37,287	1,682	671	14,275	-
Assets classified as held-for-sale	387,745	-	-	387,745	-	-	-	-	-	-
	57,753,899	7,770,855	3,855,274	3,773,610	17,851,576	4,521,041	2,568,793	3,406,643	13,618,362	-
Liabilities										
Borrowings	44,692,000	21,181,639	2,217,169	4,544,146	5,505,769	4,747,953	3,822,554	1,447,285	1,225,485	-
Deposits and other accounts	620,000	-	120,000	256,168						

41.5 COVID-19 RISK MANAGEMENT

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts. The risk management policies continue to remain robust and the Company is reviewing its portfolio regularly line with emerging risks.

The SBP has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% till December 31, 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The financing facilities of obligors who have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- Allowing banks / DFIs to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries, setting up of COVID-19 related facilities / new hospitals and import of plant and machinery for new/existing industrial projects.

COVID-19 has impacted institutions in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as certain Company's staff members are working from home. Major aspects of COVID 19 on the Group risk management policies are given below:

Credit risk management

The risk management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Group has further strengthened its credit review procedures in light of COVID-19 and the Group is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from COVID-19 outbreak.

Liquidity risk management

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

Equity risk management

The carrying value of the Group investment in listed equity securities classified as available-for-sale, amounts to Rs 728.079 million as at December 31, 2020. The Company has recorded an impairment of Rs 94.842 million in these unconsolidated financial statements. The index of Pakistan Stock Exchange has revived from March 2020 and there is no major loss on equity securities as at December 31, 2020 due to COVID-19.

Operational risk management

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

Business Continuity Plans (BCP) for respective areas are in place and tested. Remote work capabilities were enabled for staff, where required, and related risk and control measures were taken to ensure that the Group information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Group has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Group continues to meet the expectations of its employees and customers.

Capital adequacy ratio

Under the current scenario, the Companies are under pressure to extend further credit to their borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Company's from Capital Adequacy Ratio (CAR) perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks/DFIs to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Company for its tier 2 capital. Further, the regulatory limit for retail loans has also been increased by the SBP to 180 million, which will result in reduced Risk Weighted Assets (RWA) for some of its loans. In addition to the measures by SBP, the senior management of the group is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Group also believes that with its CAR at 33.69% it has sufficient buffer to meet any adverse movements in credit, market or operational risks.

42 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2020 of Rs. 0.50 per share (2018: Re.0.50 per share), amounting to Rs. 300 million (2019: Rs. 300 million) at their meeting held on March 02, 2021, for approval of the members at the annual general meeting to be held on March 29, 2021. The consolidated financial statements for the year ended December 31, 2020 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

43 GENERAL

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

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on _____ by the Board of Directors of the Holding Company.

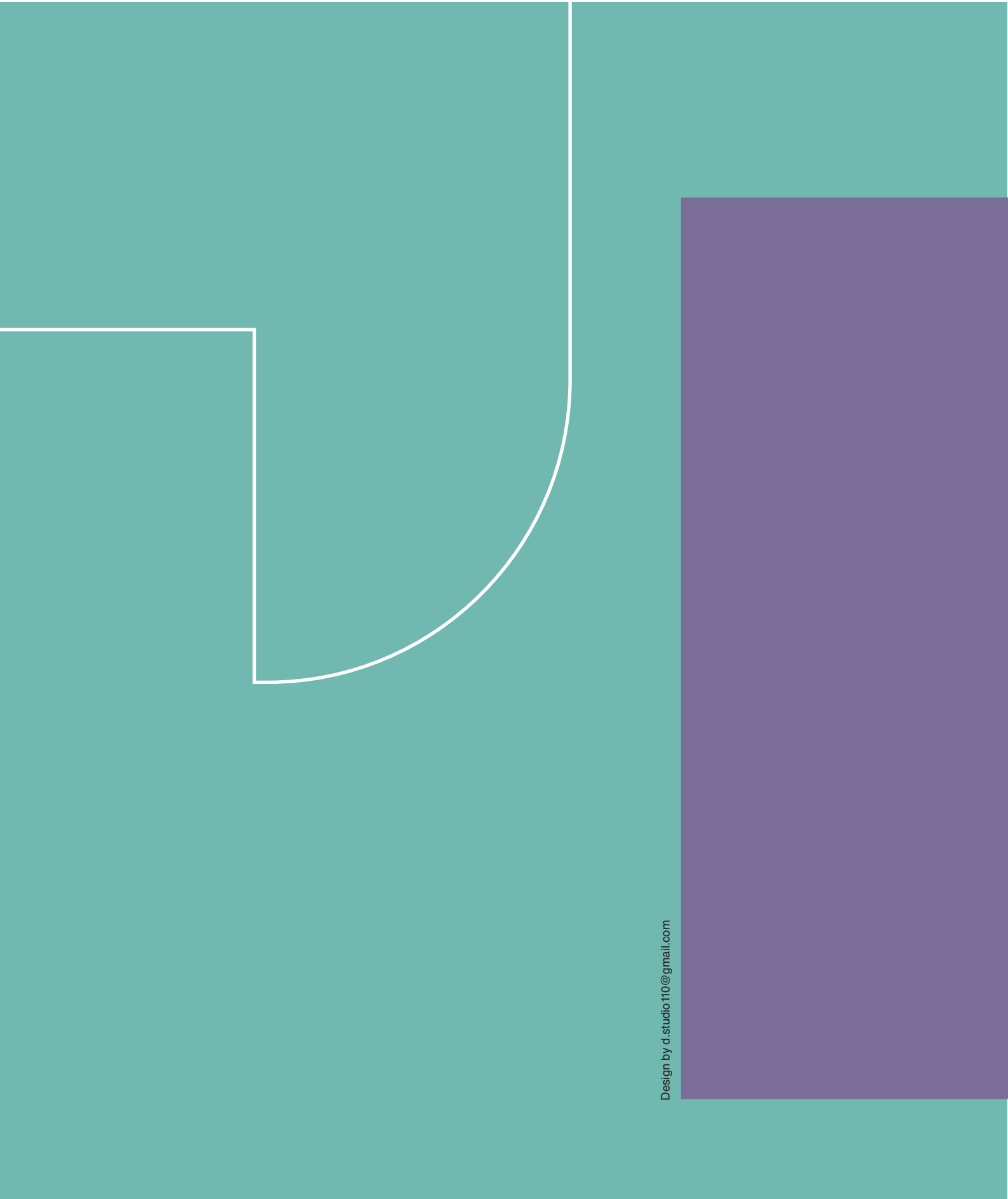
President/Chief Executive

Chief Financial Officer

Director

Director

Director



Design by d.studio110@gmail.com