# 15 Years of Navigation

## Annual Report 2022

pakbrunei
INVESTMENT COMPANY

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pakbrunei
INVESTMENT COMPANY

# 15 Years of Navigating Markets

Pak Brunei Investment Company, a joint venture of Government of Pakistan and Brunei Investment Agency (BIA), was established to support priority sectors and play a role in the economic progress of Pakistan. As we commemorate 15 years of sustained and strong performance, we take pride in our commitment to the objective that defines us.

Pak Brunei specializes in providing financial services in sectors that have limited access otherwise, striving to fill gaps existing in the financial landscape of Pakistan. With multiple platforms for providing investment and financial services, we are able to offer innovative, custom-made solutions to a wide range of clients. Our specialized team has experience of working in conventional as well as non-traditional markets. Sensitivity to the needs of our customers - whether they are large corporates, small/medium sized entities, or projects in distress - has resulted in strong, abiding relationships that have generated value year after year.

Our vision is to be at the forefront in our selected spheres; to remain the partner of choice for SMEs, to be the hand-holder for projects needing revival and to be the trusted advisor for corporates wishing to reach the next stage in their growth story.

# Vision

Pak Brunei will play a role in Pakistan's economic progress and development by providing the entire range of advisory services and 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

# Charting The Course

## through Revival and Rehabilitation

We understand that supporting distressed companies requires a unique skill set that goes beyond conventional investment banking. Our team of experts possess a range of competencies that allow us to engage in operational, legal, and financial evaluations before devising and implementing a successful turnaround strategy.

We are dedicated to providing the highest level of support to our clients throughout the entire process of dealing with debt and other capital structure issues. Our revival financing and restructuring services are designed to help our clients navigate the complex and stressful landscape of debt management. We work closely with clients to assess their situation, develop a comprehensive restructuring plan, and provide ongoing support throughout the process.

At Pak Brunei, we believe in the power of innovation and strategic thinking. We are committed to helping our clients achieve their goals and overcome the challenges they face.

# Sailing Forward

## with SME Financing

At Pak Brunei Investment Company Limited we believe in the vibrancy and resilience of the SME sector. This has enabled us to continuously build our exposures across multiple sectors, most particularly in the value-added Agri chain. Following the strategy of ‘Making SMEs Bankable’, Pak Brunei is the pioneer financial institution facilitating the SME Sector with non-financial advisory services (NFAS) since the inception of the SME Group in 2012. Our relationships with trade & industry associations, and our growing network within the SME sector provide us with special insights into the issues and challenges faced by our customers enabling us to meet their needs. Our risk-return matrix allows us to be patient and take exposures on small producers, traders, farmers and service providers - several of whom are introduced to banking for the first time. Additionally, we have tried to optimize the use of subsidized schemes carefully; we were the first financial institution to access financing schemes subsidized by SBP. With our unambiguous goal of women empowerment, we continue to finance women entrepreneurs across various industries using such subsidized schemes to facilitate them. Our SME team is made of seasoned and motivated individuals who have a background in trade, industry as well as agriculture, who understand their markets and customers and have delivered stellar results.

# Full Throttle

## with Corporate Relationships

Our Corporate Banking Group (CBG) specializes in providing tailored financing solutions to a wide range of clients. Our primary objective is to grow and enhance our credit portfolio, which comprises a balanced mix of established businesses as well as small to mid-tier companies with robust fundamentals and high growth potential.

CBG takes great pride in contributing towards national economic growth by financing numerous high-value projects across the country. Over the years, we have financed several greenfield and brownfield projects that have contributed to increasing the country's exports and substituting imports. Additionally, we direct subsidized financing schemes carefully; we have used such limits for agro value-add, hydel power, agro-waste-to-energy projects within the corporate sector with some transactions being first time additions in the category.

We also choose our green-field projects carefully. From the first LNG terminal to the first indigenous coal power project and the first private sector small-hydel project, we can be seen as part of several trail blazing transactions. We work with SME clients who have graduated to the corporate segment, and with Advisory Group in identifying and successfully financing acquisition targets for larger corporate customers; this means our relationships are not transactional and stand the test of time.

As we continue to expand our reach and diversify our portfolio, we remain committed to delivering exceptional value to our clients through innovative financing solutions that drive growth and prosperity in Pakistan.

# Steering Ahead

## with Advisory Services

Our advisory services go far and beyond the traditional ambit of financial advice and are seldom transactional in nature. We have successfully advised on mergers and acquisitions, capital raising, debt and equity advisory covering capital restructuring, working capital optimization, acquisition finance, expansion & growth capital both through debt and equity capital markets. Most importantly though, such advice is made available to the segment that is not large enough to attract banks; medium sized corporate entities have specific impediments to growth and have the biggest need for advisory services. This is where we excel at adding value to our customer and the markets where they operate.

We also stand out for supporting financially stressed companies through innovative solutions and capital commitment to unlock their full potential. We helped our clients navigate the challenges posed by the COVID-19 pandemic, providing them with innovative solutions to maintain business continuity and drive growth. Our commitment to excellence is reflected in the recognition we have received from our clients and their growth trajectories. We also believe in financing talent and have had some notable successes in employee buy-outs and acquisition finance where we trusted in talent rather than just the balance sheet.

Looking ahead, we will continue to invest in our people, technology, and capabilities to ensure we remain at the forefront of the industry and can provide our clients with the highest level of service.

# Shining Beacon

## for Financial Inclusion

Since the inception of our SME financing division, we have placed a significant emphasis on financial inclusion. Our ethos, in perfect alignment with the State Bank of Pakistan's directives, is why we have been comfortably meeting regulatory targets for SME financing set out for us

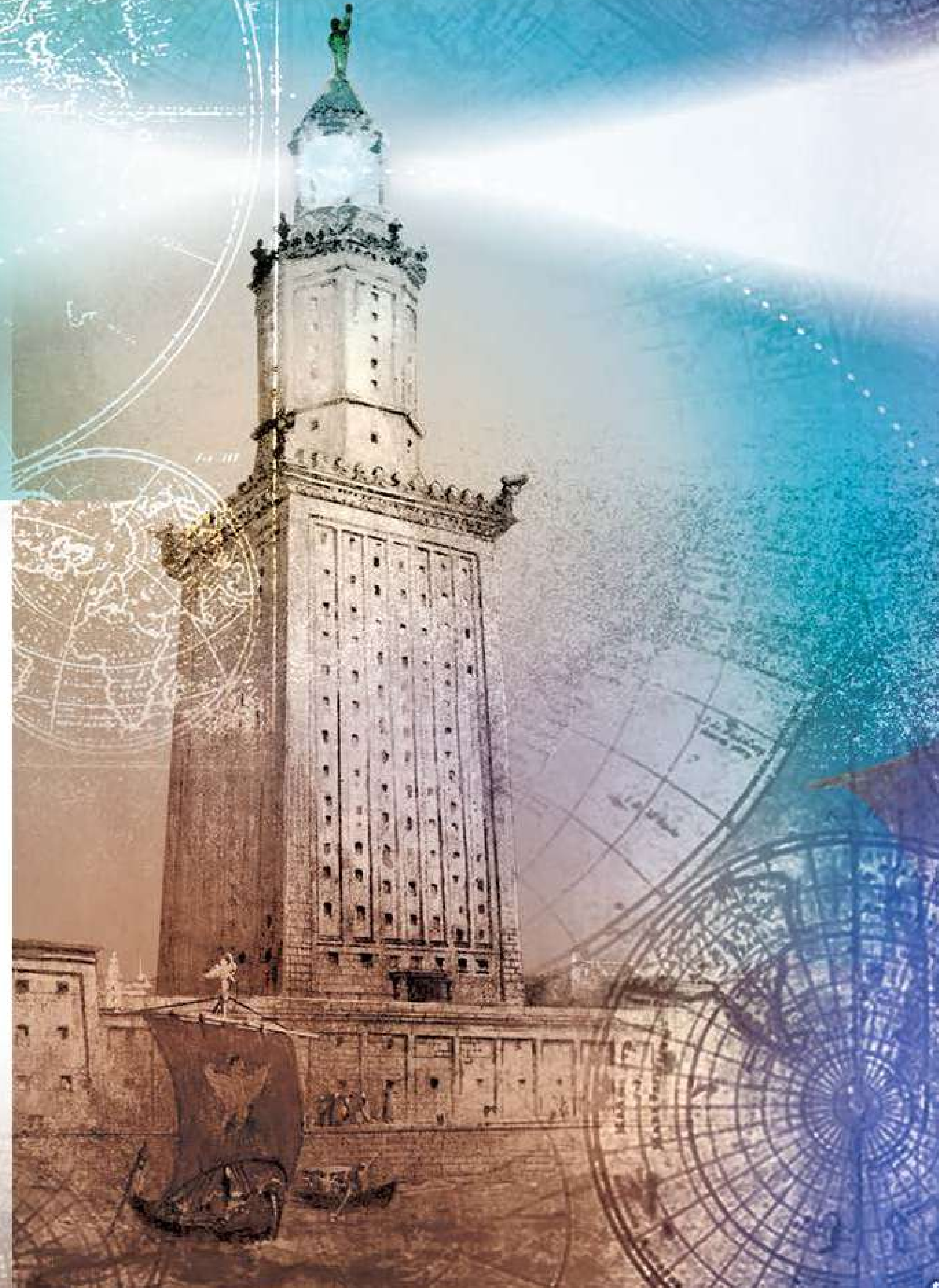
We are proud to report that most clients financed under various subsidized schemes have demonstrated success by persevering through challenges, be it the pandemic, the commodity super-cycle or natural disasters. This resilience has needed a supporting framework that we have been happy to provide. For SMEs, women entrepreneurs are a particularly important segment and our service often includes advice on opening a bank account, maintaining books of accounts and budgeting, and most importantly providing funds at an affordable rate. Our women entrepreneurs' spirit and tenacity are truly inspiring, and their success stories are a testament to the potential of investing in gender equality.

# Finding Guidance

## through Corporate Governance

We hold a strong belief that the establishment and maintenance of the highest standards of corporate governance are necessary for long-term success and sustainability of any organization. Our experience of dealing with distressed companies and abandoned projects has taught us that good governance extends beyond mere compliance with regulatory requirements. It entails how an organization conducts itself and upholds its values while carrying out its commercial operations.

At our core, we recognize that governance is fundamentally about integrity and to be embedded throughout the entire company, it must start from the top. As such, we remain dedicated to ensuring that our corporate values are well-aligned with our governance framework. We have practically demonstrated the positive impact that good governance practices have on an organization's financial performance and reputation.



# Rowing Together

## Diversity

Diversity, equality and inclusion define us in letter and spirit. Our practical demonstration of these values enables us to attract and retain the best talent. As a result of being blind to race, gender, background and belief, we have a pool of people from diverse communities and cultures, making the company that much richer. This ethos comes from the top and in fact, over the past 15 years, there have been times when there was not just equal but also majority female representation on the Board. Diversity at the Board level has helped in creating a culture that is marked by equality and equity; the basic right of an individual to be respected and to be heard.

# Towards New Landscapes

The large and increasing volume of non-performing advances in the banking system not only adversely impacts the performance of financial institutions but is a continuing drain on the economy due to unutilized capacity. At Pak Brunei, we recognize the need to address this issue and also see the opportunity for value addition taking our own track-record of dealing with distressed units.

To this end, we have established a Corporate Restructuring Company (CRC) that will acquire NPAs from Banks/FIs or act as the agent in managing them. By doing so, we can allow these institutions to focus on core banking activities while we extract value from these portfolios through more proactive and aggressive strategies.

Our CRC has been designed to expedite the resolution of NPAs and ensure that distressed companies become operational in case rehabilitation is a viable option. We understand the importance of a swift and efficient resolution process, and our team of experts is fully equipped to handle these complex transactions.

Our newest initiative is in line with sustainability goals and will involve the establishment of a Carbon Credit Advisory Unit. This initiative was spurred by Pakistan's vulnerability to climate change, as its agriculture-dependent economy faces significant consequences on food security, livelihoods, and economic stability.

The Carbon Credit Fund will invest in carbon reduction and sequestration projects, assisting large corporates and SMEs in adopting sustainable practices. This approach incentivizes businesses to embrace cleaner technologies, contributing to Pakistan's climate change mitigation efforts.

Our Advisory Unit will offer specialized guidance to businesses seeking to participate in carbon credit markets by implementing sustainable practices. Through tailored insights and solutions, we aim to enable our clients to contribute to a greener economy amid the global shift towards sustainability.

Pak Brunei Investment Company remains dedicated to exploring and investing in sustainable growth initiatives. We are confident that our Carbon Credit Fund and Advisory Unit will not only place us at the forefront of sustainable finance but also foster a more resilient and sustainable Pakistan for future generations.

# Content



## Unconsolidated Financial Statements

# Corporate Information

## Board of Directors

| | |
|---|---|
| Ms. Dk Noorul Hayati Pg Julaihi | Chairperson |
| Mr. Nasir Mahmood Khosa | Director |
| Ms. Norakerteni Muhammad | Director |
| Ms. Ayesha Aziz | Director / Managing Director |

## Audit Committee

| | |
|---|---|
| Mr. Nasir Mahmood Khosa | Chairman |
| Ms. Dk Noorul Hayati Pg Julaihi | Member |
| Ms. Norakerteni Muhammad | Member |

## Human Resource Committee

| | |
|---|---|
| Ms. Dk Noorul Hayati Pg Julaihi | Chairperson |
| Mr. Nasir Mahmood Khosa | Member |
| Ms. Norakerteni Muhammad | Member |

## Credit and Risk Management Committee

| | |
|---|---|
| Mr. Nasir Mahmood Khosa | Chairman |
| Ms. Dk Noorul Hayati Pg Julaihi | Member |
| Ms. Ayesha Aziz | Member |

## Company Secretary

Ms. Misbah Asjad

## Statutory Auditors

Yousuf Adil — Chartered Accountants

## Tax Consultant

Yousuf Adil — Chartered Accountants

## Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

## Registered Head Office

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

## Website

www.pakbrunei.com.pk

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

# Code of Ethics and Business Practices

## Integrity

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

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

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

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

## Objectivity

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

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

## Confidential and Proprietary Information

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

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

## Improper Influence

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

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

## Unfair Business Practices

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

## Insider Trading

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

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

## Recording and Reporting of the Company

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

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

## Compliance with Laws, Rules and Regulations

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

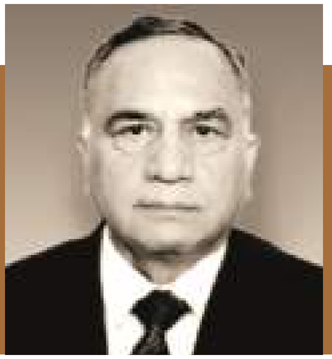
## Protection and Proper use of Company Assets

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

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

# Board of Directors'

## PROFILE



### Dk Noorul Hayati Pg Julaihi

Ms. Noorul is a Portfolio Manager in the Absolute Return Strategy in Brunei Investment Agency, the Sovereign Wealth Fund of the Government of Brunei. Ms. Noorul has been with the Brunei Investment Agency for 18 years, her prior positions have included Assistant Portfolio Manager for Fixed Income Internal Fund Management and Analyst for Macro and Fixed Income Group. While with the Fixed Income Group, she was posted to the London Office for almost 4 years, where she managed the European Fixed Income Portfolio. Before moving on to her current role, she was co-leading the Private Equity team, previously managing the Buyout, Infrastructure and Private Debt portfolios.

In her current role, she is now leading a team of 5 professionals focused on hedge fund invesments across the globe. She previously served as Director in Audley Insurance Company, a Brunei-based captive insurance company wholly owned by BIA with a majority of its business for BIA and other Government entities-owned assets. She holds a degree with a major in Economics from Universiti Brunei Darussalam.

### Nasir Mahmood Khosa

Mr. Nasir Mahmood Khosa is a retired Pakistani civil servant from Dera Ghazi Khan who belonged to the Pakistan Administrative Service and served in BPS-22 grade, the highest attainable rank for a serving officer. He was promoted to the rank of Federal Secretary in 2010.

Mr. Khosa has an outstanding civil service record, having held the most coveted bureaucratic assignments in the country. He served as the 22nd Principal Secretary to the Prime Minister of Pakistan, as well as the administrative head of two provinces as Chief Secretary Punjab and Chief Secretary Balochistan. Mr. Khosa also served as executive director at the World Bank from 2013-2017.

Mr. Khosa holds three Master Degrees: Master of Arts (M.A.) in English Literature from BZ University, Multan, Master of Public Administration (M.P.A.) from Pennsylvania State University, USA; and a Master of Science (M.Sc.) in Defense and Strategic Studies from Quaid-e-Azam University, Islamabad, Pakistan. He earned a Bachelor of Laws (LL.B.) and Bachelor of Arts from the University of the Punjab, Lahore, Pakistan.

### Norakerteni Muhammad

Ms. Norakerteni is a Portfolio Manager in the Private Equity Strategy in Brunei Investment Agency, the Sovereign Wealth Fund of the Government of Brunei. Ms. Norakerteni has been with the Brunei Investment Agency for 14 years, started as analyst for Macro and Fixed Income Strategy for 3 years before moving to Counterparty Management, Middle Office. In Middle Office, she managed the performance reporting across the investment portfolio as well as data management. She got the opportunity to co-lead a project on onboarding Futures Trading across the Firm. She also acted as the Portfolio Advisory Committee's secretary for about 5 years.

Ms. Norakerteni has been with Private Equity team for 4 years, initially managing Buyout and Venture Growth portfolios as well as Directs portfolio. Just recently, she has also been appointed as Board member of Oman-Brunei Investment Company (OBIC) including the Audit Committee. She holds a degree with a major in Mathematics from Universiti Brunei Darussalam.

### 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, Alfalah GHP Investment Management Limited and Haleon Pakistan Limited besides chairing the Board of Primus Leasing Limited. In the past, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

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

# Our Cultural Framework

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of gender and ethnicity.

The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

In order to detect and manage environmental hazards, as well as to lessen their carbon footprint and associated socially harmful acts, Pak Brunei aids in the promotion of environmentally friendly practices known as "green banking". Through implementation of green banking activities, Pak Brunei strive to improve the efficiency and ecological footprint of its operations, IT use, and physical infrastructure. We are aware of our responsibility to protect against environmental threats and to contribute appropriately to the transition of the nation to a low-carbon and climate-resilient economy through the implementation of the SBP's Green Banking Guidelines and the BOD's approved Green Banking Policy.

# Green Banking at Pak Brunei

Some of the measures carried out by Pak Brunei with regards to promotion of green banking & mitigating environmental risk are as follows:

**Paper-Less Environment:**
To reduce the use of paper in daily operations, Pak Brunei is pursuing various options. We have shifted our internal MIS reports in soft form, using paper only where crucial. For the ultimate transition to paperless operations, certain endeavors/steps to be taken are indispensable. These initiatives include the installation of application-based workflow systems. Communication across the company was initiated to promote a paperless working environment by suggesting tips and recommendations to reduce paper usage and highlight the benefits of paperless working. Further, we are migrating to a paperless environment and looking forward for development of IT systems accordingly for archiving and retrieval of data electronically.

**Green Banking Awareness:**
In order to implement green banking guidelines, green banking office constantly educates employees about environmental challenges and responsible resource use, runs campaign within company to raise awareness of environmental issues. Also, awareness on No Cost Low Impact Reduction Measures for All Employees is also disseminated through electronic mails pertaining to prudent usage of electricity, water, paper, and fuel, among other things.

**Green Financing**
Pak Brunei is contributing in green financing through environmentally sound projects in the energy sector. We aim to ensure our active participation to the solar energy space & acted as syndicate members in various green energy projects. Further, we are offering multiple small sized renewable loans to SME segment as well. We are actively involved in utilizing the State Bank of Pakistan's (SBP) renewable energy refinance facility to Corporate & Commercial business segments.

**Resource Efficiency and Own Impact Reduction**
Pak Brunei is actively pursuing its objective of lowering carbon emissions by:

- Promoting the usage of renewable energy to conserve natural resources. Employees will be incentivized for installations of Solar Photo Voltaic solutions at their homes.
- Deploying light management systems at our premises, aimed towards reducing the energy usage during peak/off-peak hours.
- We are also moving towards sustainable procurement practices. This includes the adoption of a total life cycle cost approach instead of upfront acquisition cost. We opt for products that are environmental-friendly and inverter-based technology is considered for all air conditioners.
- Normal bulbs have been replaced by LED bulbs during the year 2022. This transition is aimed at curtailing the energy costs and ultimately reducing carbon footprints.
- Covering of working areas to contain the cooling of Air conditioners in order to minimize number of operating ACs.

**Environmental & Social Risk Management (ESRM) Implementation**
Further, SBP has also issued Environmental & Social Risk Management (ESRM) Implementation Manual for Financial Institutions to ensure compliance of minimum standard for environmental & social risk management in the financial sector under Green Banking Guidelines (GBGs). The Manual provides tools and procedures to strengthen and accelerate the implementation of the risk management section of GBGs. Accordingly, we are working on:

- Incorporating social and climatic risks (in addition to environmental risks) in our vigilance ambit, which are becoming relevant and crucial for the nation.
- Building a comprehensive Environmental & Social Management System (ESMS) under systematic guidance by SBP on assessing and managing environmental and social risks.
- Integrating robust, quantitative risk rating system, E&S Due Diligence (ESDD) Checklist for performing E&S due diligence.
- Ensuring reporting of GBGs implementation progress including ESRM activities to SBP, on annual basis

# Chairperson's Review

On behalf of the Board of Directors, I am honored to present to you the Annual Report of Pak Brunei Investment Company Limited for the year ended December 31, 2022. This report provides an overview of performance and the effectiveness of the Board of Directors in achieving the Company's objectives. It also includes the annual unconsolidated and consolidated financial statements of the Company.

The year 2022 was marked by extraordinary global instability with consequences for all economies linked by trade. The conflict between Russia and Ukraine in early 2022 created risks to economic growth and gave rise to a commodity super-cycle that was exacerbated by supply chain issues. The economic impact of the conflict resulted in higher commodity prices and disruption of trade and supply chains. In addition, the Pakistani economy suffered not just the impact of political uncertainty but also devastating floods. Apart from tragic loss of life and livelihood, this had a very large financial impact for an economy that does not have the capacity to withstand the costs of climate change without a larger global response to address such costs. The result has been rapid increase in energy and food prices with the Rupee continuously devaluing against the US Dollar, further increasing inflationary pressure. In this challenging environment, the Company concentrated on protecting its asset base and managing risks in a proactive manner.

The Board has made every effort to discharge its primary responsibility of setting the overall strategy of the Company and enhancing its long-term strategic value. The Board's focus remains on overall governance structure to ensure effective oversight of the business, establishing a risk and control framework, determining the Company's level of risk tolerance through different policies and documents relating to operational, regulatory, compliance, and financial performance of the Company. The Board ensures that the business of the Company is conducted in an efficient and effective manner within an established framework of effective systems of internal controls, robust risk management processes, and compliance with regulatory requirements. In the course of discharging its responsibilities, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. During this year, an independent performance evaluation of the Board as a whole, its Committees, the Chairman, the MD/CEO, and Individual Directors of the Board, was carried out, the results of which are very encouraging.

I am pleased to present the overall performance of the Company in a year that saw volatility across markets and industries. Our priority remained profitability, asset quality, and portfolio composition. Despite a generally gloomy forecast, we remain optimistic about the future. Policy measures taken by the Government of Pakistan and State Bank of Pakistan towards managing challenges on internal and external fronts - including engaging seriously with IMF - are expected to bring positive results in the year 2023.

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

**Dk Noorul Hayati Pg Julaihi**
Chairperson of Board of Directors

Date: March 30, 2023

# Directors' Report

On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of Pak Brunei Investment Company Limited ("the Company") for the year ended December 31, 2022. The Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018, and BPRD Circular No. 10 dated November 27, 2018.

## Brief Economic Outlook

The year 2022 started on a turbulent note with increasing economic pressures due to global and domestic factors. While the pandemic was dusted and done with, new challenges appeared in the shape of the Russia-Ukraine conflict, commodity price hikes and supply chain disruptions. On the domestic front, Pakistan faced cataclysmic floods resulting in estimated losses of over $32 billion to the economy; staggering on their own but particularly so for an economy that was already in deep trouble.

Rising energy prices and supply shocks in the aftermath of floods meant continuously rising inflation that remained in double digits throughout the year, averaging 24.5% in December 2022 YoY, compared to 12.3% in the same period last year. On the one side, the global recession had a direct and negative impact on textile exports and on the other, rising fuel and commodity prices meant a larger import bill. During the same period, Pakistan faced external debt payments of US$17.2 billion, which included US$13.2 billion in long-term principal payments, US$1.07 billion against short-term borrowings, and US$2.8 billion against interest payments of foreign loans. The result was the rupee's rapid loss of value as well as investor confidence. The gap between bank and non-bank exchange markets also exacerbated the problem. PKR depreciated by ~27.5% from PKR/US$ 176.3 in January 2022 to PKR/US$ 224.7 in December 2022, the fastest decline on record since 2008.

In view of this situation, the government had no choice but to implement strict import curbs to manage a widening external account deficit. While this was an unavoidable step, the execution of it caused uncertainty; 'inessential' imports were meant to face the biggest brunt, but initial confusion meant that essential sectors also suffered, resulting in price hikes and shortages of some critical items. Import consignments remained blocked for several weeks which forced importers to arrange payments abroad or defer the same. Meanwhile, banks were also selective in opening new L/Cs causing temporary shut-downs in some sectors (such as automobiles). In the long run though, this has positive implications for indigenization and import substitution. On a limited scale, in these early days, we are already seeing a move in that direction.

With FX Reserves at US$ 5.58 billion by year end, down from US$ 16.6 billion at the beginning of the year, a point of concern is the slow pace of negotiations with IMF where the staff level agreement on economic and structural reforms is still awaited. Pakistan is set to receive a tranche of US$ 1.1 billion of the programme subject to pre-conditions; resumption of the programme will help release funds from other multilateral agencies/creditors and provide a measure of stability.

As we enter 2023, the economy remains fragile, affected by global recession, domestic economic challenges, and a difficult political landscape. To contain inflationary pressures, we expect the State Bank to continue raising interest rates in the first half of CY2023.

Despite these challenges, Pakistan recorded a growth rate of 6.0% in 2022. GDP growth rate is expected to slow down to 2.0% in FY23 compared to the initial target of 5.0% and actual growth of 6% in FY22. SBP/ADB/World Bank projection of growth stands at 2.0%/3.5%/2.0%.

Some positive developments include the repayment of international sukuk of USD 1.08bn, rollover of USD 3.0bn deposit by Saudi Arabia, and the approval of USD 0.5bn from ADB for flood rehabilitation. Additionally, the formation of a circular debt resolution committee and disbursement of USD 700mn by China have been beneficial. However, the revival of IMF program will remain critical to supporting foreign exchange reserves and stabilizing currency markets. While import restrictions will continue to impact industrial output and economic growth, the realization of foreign flows should help gradually lift import restrictions.

## Business and Financial Performance Overview

Despite challenging economic conditions, Pak Brunei demonstrated its resilience and delivered a strong financial performance. The Company's Profit Before Tax stood at 743.70 million, with Profit After Tax (PAT) at Rs. 502.86 million resulting in an Earning Per Share (EPS) of Rs. 0.84 compared to last year's Rs. 0.80.

While Net Markup Income decreased by 8.86%, Non-markup income grew by around 4% to Rs. 353.17 million compared to the corresponding period last year. The Company's operating expenses remained almost at par with last year, despite high inflationary environment, currency devaluation, and continued investment in human resources and technological upgradation.

Pak Brunei's proactive monitoring and recovery efforts led to a net provision reversal against non-performing loans (NPLs) amounting to Rs. 58.948 million for the year under review. The Company's robust risk management framework, effective pre-disbursement evaluation, and post-disbursement monitoring systems enabled it to manage credit risk effectively. Total Non-Performing Loans at Rs. 881.64 million carry coverage and infection ratios of 56.78% and 3.56%, respectively.

On Balance Sheet, total assets on an unconsolidated basis grew by 55.37% to reach Rs. 79.94 billion. Gross advances grew by 18.52% to Rs. 24.71 billion, while the investment portfolio (net) grew by 70.71% to reach Rs. 44.80 billion. Of this, 72.23% comprised floating rate and short-term government securities while the rest comprises investment in subsidiaries, shares, corporate bonds/sukuk, and fixed rate government securities.

Pak Brunei reported a Return on Assets of 0.77% and a Return on Equity of 4.97%, while the book value per share was Rs. 16.67. The Company's Capital Adequacy Ratio (CAR) at 23.02% is well above the regulatory requirement of 11.5%. The Common Equity Tier-1 (CET1) to total risk-weighted assets ratio stands at 23.02% against the regulatory requirement of 7.5%. Leverage Ratio at 9.65% is well above the regulatory limit of 3.0% whereas the Liquidity Coverage Ratio (LCR) at 112.41% and Net Stable Funding Ratio (NSFR) at 116.54% are both above the regulatory requirement of 100%.

The Company achieved a significant milestone during the year with the regulatory approval to form a new subsidiary company to carry out corporate restructuring business through a merger with AWWAL Modaraba. The Honorable Court has sanctioned the said merger request, and the newly formed subsidiary, AWWAL Corporate Restructuring Company Limited with a capital base of PKR 1 billion, will focus on revival business under the newly framed Corporate Restructuring Companies Rules, 2019. Pak Brunei expects to leverage its past successes and experience in this highly specialized business to meet its development mandate.

In regards to small and medium-sized enterprise (SME) development, Pak Brunei has demonstrated continued success in 2022 by achieving its targets in expanding its SME portfolio both within the organization and through its wholly-owned subsidiary, Primus Leasing Company Limited. The Company has actively utilized financing products subsidized by the State Bank of Pakistan (SBP), including the Refinance and Credit Guarantee Scheme for Women Entrepreneurs, Refinance Scheme for Working Capital (SME), Refinancing Facility for Modernization of Small and Medium Enterprises, and Export Refinance Scheme, resulting in marked portfolio growth supported by low infection ratios.

A major initiative planned by the Company relates to establishment of an independent and high powered Carbon Markets Advisory Unit that will provide advice to existing and potential projects in Pakistan, starting with its own client base, and act as a bridge to accessing international carbon market. We remain committed to our objective of being a responsible corporate citizen in form and spirit; our lending policies are increasingly focused on reducing carbon footprint of our customers and on encouraging and supporting their journey along the path of sustainability.

## Entity Rating

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



## Corporate Governance

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

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

## Corporate and Financial Reporting Framework

The directors are pleased to declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The internal control system is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2022, except as disclosed in the annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in note 36 of the financial statements;
- Following is the fair value of investments and bank balances as at 31 December 2022:
  - Provident Fund: PKR 83.58 million, based on unaudited financial statements.
  - Gratuity Fund: PKR 69.46 million, based on unaudited financial statements.
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;

Figures in PKR million unless stated otherwise

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Total Assets | 34,391 | 29,869 | 48,793 | 57,773 | 40,253 | 51,450 | **79,938** |
| Net Assets | 10,429 | 10,456 | 9,961 | 10,549 | 10,733 | 10,232 | **10,003** |
| Net Advances | 13,996 | 18,768 | 20,330 | 18,771 | 19,134 | 20,300 | **24,208** |
| Net Investments | 16,658 | 7,679 | 26,117 | 31,817 | 17,483 | 26,247 | **44,805** |
| Net Mark-up Income | 507 | 553 | 719 | 734 | 768 | 866 | **789** |
| Non-Mark-up Income | 1,237 | 588 | 222 | 43 | 688 | 340 | **353** |
| Profit before Tax | 1,333 | 671 | 503 | 458 | 1033 | 704 | **744** |
| Profit after Tax | 962 | 470 | 276 | 366 | 718 | 481 | **503** |
| Earnings per Share (PKR) | 1.60 | 0.78 | 0.46 | 0.61 | 1.20 | 0.80 | **0.84** |
| Dividend Pay-out (%) | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | **0.00%** |
| Gross Infection Ratio (%) | 3.17% | 5.00% | 2.87% | 3.10% | 5.03% | 4.89% | **3.56%** |
| NPL Coverage Ratio (%) | 52.33% | 30.33% | 52.28% | 66.22% | 42.99% | 53.69% | **56.78%** |

## Composition of Board of Directors

As per the joint venture arrangement between the Government of Pakistan (GoP) and the Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both Governments. At present, the composition of the 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 | Ms. Dk Noorul Hayati Pg Julaihi (Chairperson) | Nominated by the Government of Brunei |
| | Mr. Nasir Mahmood Khosa | Nominated by the Government of Pakistan |
| | Ms. Norakerteni Muhammad | Nominated by the Government of Brunei |
| Executive Director | Ms. Ayesha Aziz, CFA | Nominated by the Government of Pakistan |

## Meetings of the Board

The Board of Directors of the Company held three meetings during the year ended December 31, 2022. The following directors attended the meetings:

| Name | Meetings Attended |
|---|---|
| Mr. Sofian Mohammad Jani, CFA | 3 |
| Mr. Arif Ahmed Khan | 3 |
| Ms. Dk Noorul Hayati Pg Julaihi * | 3 |
| Mr. Nasir Mahmood Khosa** | N/A |
| Ms Norakerteni Muhammad*** | N/A |
| Ms. Ayesha Aziz, CFA | 3 |

* Ms. Dk Noorul Hayati Pg Julaihi has been designated as the chairperson of the Board with effect from March 22, 2023.
** On October 25, 2022 Mr. Nasir Mahmood Khosa was nominated as a director of the company by the Government of Pakistan in place of Mr. Arif Ahmed Khan with immediate effect.
*** On March 22, 2023 Ms. Norakerteni Muhammad was nominated as a director of the company by Brunei Investment Agency (Government of Brunei) in place of Mr. Sofian Mohammad Jani with immediate effect.

## Change in Directors

Mr. Nasir Mahmood Khosa was nominated as a director of the Company by the Government of Pakistan in place of Mr. Arif Ahmed Khan with effect from October 25, 2022.

Ms. Norakerteni Muhammad was nominated as a director of the company by Brunei Investment Agency (Government of Brunei) in place of Mr. Sofian Mohammad Jani with effect from March 22, 2023.

## Board Committees

The Board has the following committees for providing support in strategic direction and enhanced oversight. The board committees function as per their respective Terms of Reference (TORs) approved by the Board. A brief description of the functions of each sub-committee, is as follows:

**Board Audit Committee (BAC):**
The Board Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment, including financial and operational controls, accounting systems, and reporting structure. The Committee provides oversight of the Company's Internal Audit function; approves and monitors the progress of the annual audit plan; and ensures that the Internal Audit Function has adequate resources and is appropriately placed within the organization structure to maintain its independence. The BAC also reviews the financial statements and associated matters before recommending them to the Board for approval; as part of this process, the Committee also interacts with the External Auditors of the Company and recommends the appointment of the auditors to the Board. The BAC is also responsible for monitoring the implementation of new accounting standards.

**Board Risk Management Committee (BRMC):**
The Committee is responsible for oversight and advice to the Board on risk-related matters, including governance, with respect to the Company's risk appetite and profile. The BRMC also ensures the structure and completeness of the Company's internal risk framework in relation to the risk profile, and the development and maintenance of an independent, supportive and proactive risk management culture. The Committee also takes a forward-looking approach to ensure that evolving risks are identified and mitigated.

**Board Human Resource and Remuneration Committee (BHRRC):**
The Committee recommends key Human Resources and Remuneration policies including major terms of employment and benefits, Performance Management and Compensation Plans for all key executives and other staff members. It also reviews and recommends policies for staff training, career development and succession planning in line with relevant regulatory requirements and best practices

## 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 | 3 | 3 | N/A | N/A | N/A | N/A |
| Mr. Arif Ahmed Khan* | 3 | 3 | 2 | 2 | 2 | 2 |
| Ms. Dk Noorul Hayati Pg Julaihi | 3 | 3 | 2 | 2 | 2 | 2 |
| Mr. Nasir Mahmood Khosa* | N/A | N/A | N/A | N/A | N/A | N/A |
| Ms Norakerteni Muhammad** | N/A | N/A | N/A | N/A | N/A | N/A |
| Ms. Ayesha Aziz | N/A | N/A | 2 | 2 | 2 | 2 |

* On October 25, 2022 Mr. Nasir Mahmood Khosa was nominated as a director of the company by the Government of Pakistan in place of Mr. Arif Ahmed Khan with immediate effect. The fit and proper clearance in this regard has been received from the State Bank of Pakistan.
** On March 22, 2023 Ms. Norakerteni Muhammad was nominated as a director of the company by Brunei Investment Agency (Government of Brunei) in place of Mr. Sofian Mohammad Jani with immediate effect. The fit and proper clearance in this regard has been received from the State Bank of Pakistan.

## Directors' Remuneration

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

## Board Performance Evaluation

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

The scope 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 reviews to identify issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form the basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

## Internal Control over Financial Reporting (ICFR)

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

## Risk Management Framework

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

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

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

## Corporate Social Responsibility

Giving back to the country and the communities that we serve is part of Pak Brunei's strategic agenda. Being a responsible corporate entity, Pak Brunei is committed to play an integral role in the social development of Pakistan. During the year, the Company has made contribution in the healthcare sector and donated PKR 5 million to Indus Hospital and Health Network.

## Appointment of Auditors

The Auditors, M/s. EY Ford Rhodes, Chartered Accountants, as the statutory auditor of the Company, have completed their assignment for the year ended December 31, 2022. The Board on the recommendation of the Audit Committee recommends the appointment of M/s Yousuf Adil, Chartered Accountants as statutory auditors of the Company for the year 2023.

## Pattern of Shareholding

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

## Earning per Share

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



## Dividend

Considering the current difficult economic scenario, the Directors are of the view that preservation of capital for future growth of the Company is significant, hence they have not recommended any dividend to the shareholders for the year ended December 31, 2022.

## Subsequent Event

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

## Looking Ahead

Policy makers have taken some necessary monetary and fiscal measures to tackle serious fiscal and external imbalances. Restoration of political stability and revival of International Monetary Fund programme should stabilize the economy in the short term. As for the future, significant reforms in key sectors are necessary to ensure a stable and sustainable economy.

Looking ahead, the Company remains committed to serving its development and commercial objectives, meeting its obligations towards all stakeholders in a professional, ethical and fair manner. Management continues to track and analyze developments that can impact the interests of its stakeholders and takes proactive measures to mitigate such risks to the best of its abilities. This is visibly demonstrated in its past performance as also for the year 2022.

## ACKNOWLEDGEMENT AND APPRECIATION

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

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

For and on behalf of the Board of Directors

**Ayesha Aziz**
Managing Director

**Dk Noorul Hayati Pg Julaihi**
Chairperson

Date: March 30, 2023
Karachi

## حصہ/منافع(Dividend):

موجودہ مشکل معاشی منظرنامے پر غور کرتے ہوئے، ڈائریکٹرز کا خیال ہے کہ کمپنی کی مستقبل کی ترقی کے لیے سرمائے کا تحفظ اہم ہے، اس لیے انہوں نے 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے شیئر ہولڈرز کو کسی قسم کے منافع کی سفارش نہیں کی ہے۔

## بعد کا واقعہ:

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

## آگے دیکھیں:

پالیسی سازوں نے سنگین مالی اور بیرونی عدم توازن سے نمٹنے کے لیے کچھ ضروری مانیٹری اور مالیاتی اقدامات کیے ہیں۔ سیاسی استحکام کی بحالی اور بین الاقوامی مالیاتی فنڈ کے پروگرام کی بحالی سے معیشت کو مختصر مدت میں مستحکم کرنا چاہیے۔ جہاں تک مستقبل کا تعلق ہے، ایک مستحکم اور پائیدار معیشت کو یقینی بنانے کے لیے اہم شعبوں میں اہم اصلاحات ضروری ہیں۔

آگے دیکھتے ہوئے، کمپنی پیشہ ورانہ، اخلاقی اور منصفانہ انداز میں تمام اسٹیک ہولڈرز کے لیے اپنی ذمہ داریوں کو پورا کرتے ہوئے، اپنے ترقیاتی اور تجارتی مقاصد کی تکمیل کے لیے پرعزم ہے۔ انتظامیہ ان پیش رفتوں کا سراغ لگاتا اور ان کا تجزیہ کرتی رہتی ہے جو اس کے اسٹیک ہولڈرز کے مفادات کو متاثر کر سکتی ہیں اور اپنی بہترین صلاحیتوں کے مطابق ایسے خطرات کو کم کرنے کے لیے فعال اقدامات کرتی ہے۔ یہ واضح طور پر اس کی ماضی کی کارکردگی اور سال 2022 میں بھی ظاہر ہوتا ہے۔

## اعتراف اور تعریف:

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

ہم اپنے ملازمین، اسٹیک ہولڈرز، مالیاتی اداروں اور بورڈ آف ڈائریکٹرز کے ممبران کے تعاون اور قابل قدر تعاون کو بھی تسلیم کرتے ہیں اور ان کی تعریف کرتے ہیں۔ ہمیں پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ میں اپنی خدمات کے معیار میں بہترین کارکردگی اور اپنے صارفین کو بروقت ویلیو ایڈڈ سلوشنز فراہم کرنے کے عزم پر فخر ہے۔

بورڈ آف ڈائریکٹرز کے لیے اور اس کی جانب سے

| | |
|---|---|
| **عائشہ عزیز، سی ایف اے** | **ڈی کے نور المیاتی پی جی جولاہی** |
| مینیجنگ ڈائریکٹر | چیئرپرسن |

کراچی
تاریخ: 30 مارچ 2023



## بورڈز کی کارکردگی کا جائزہ:

بورڈ نے سالانہ بنیادوں پر کارکردگی کی جانچ کے لیے ایک رسمی عمل کی منظوری دے دی ہے۔ اس سلسلے میں، اندرون خانہ طریقہ اپنایا گیا ہے اور مقداری تکنیکوں کو لاگو کیا گیا ہے جس میں بورڈ کی تشخیص کے لیے اسکور کیے گئے سوالنامے استعمال کیے جاتے ہیں۔ ایس بی پی کے رہنما خطوط کے مطابق اسکورنگ اسکیل قائم کیا گیا ہے۔ مزید برآں، بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی کارکردگی کا جائزہ بھی کم از کم ہر تین سال بعد ایک بیرونی خود مختار تشخیص کار کے ذریعے کیا جاتا ہے۔

دائرہ کار مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کمیٹیوں، چیئرمین اور مینیجنگ ڈائریکٹر کی تشخیص کا احاطہ کرتا ہے۔ سالانہ تشخیص کے حتمی نتائج مرتب کیے جاتے ہیں اور بورڈ آف ڈائریکٹرز کو پیش کیے جاتے ہیں جس کا جائزہ لیا جاتا ہے تاکہ مسائل، کمزوریوں اور چیلنجوں کی نشاندہی کے ساتھ ساتھ ایک ایکشن پلان پر بات چیت کی جا سکے کہ ان کو مناسب طریقے سے کیسے حل کیا جا سکتا ہے۔ تشخیصی مشق کی سفارشات ایکشن پلان کی بنیاد بنتی ہیں جس پر عمل درآمد کے لیے بورڈ نے اتفاق کیا ہے۔ تشخیص کے دوران بہتری کے کسی بھی شعبے کی نشاندہی مناسب کارروائی کے لیے کی جاتی ہے۔

## مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR):

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

## رسک مینجمنٹ فریم ورک:

سال کے دوران، کمپنی نے اپنے رسک مینجمنٹ فریم ورک کو مزید مضبوط کرنا جاری رکھا جو کہ سالوں کے دوران تیار کیا گیا ہے اور اسے مزید بہتر اور بہتر بنایا جا رہا ہے۔

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

مارکیٹ کے خطرے اور آپریشنل خطرات کا انتظام بورڈ کی طرف سے منظور شدہ متعلقہ پالیسیوں کے ذریعے کیا جاتا ہے۔ اس کے علاوہ، لیکویڈیٹی رسک پالیسی کمپنی کی لیکویڈیٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے، جس کی روزانہ کی بنیاد پر نگرانی کی جاتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی کمپنی کی مارکیٹ اور لیکویڈیٹی کے خطرات، سرمائے کی مناسبیت، اور مربوط رسک مینجمنٹ کے انتظام میں مجموعی رہنمائی فراہم کرتی ہے یہ بھی انٹرپرائز رسک مینجمنٹ فنکشن کے تحت آتے ہیں۔ کمپنی کے انٹرپرائز وائیڈ انٹیگریٹڈ رسک پروفائل کی تشخیص با سل فریم ورک، اندرونی سرمائے کی مناسبیت کی تشخیص کے عمل، اور تناؤ کی جانچ کے ذریعے کی جاتی ہے۔

## کارپوریٹ سماجی ذمہ داری:

ملک اور کمیونٹیز کو واپس دینا جن کی ہم خدمت کرتے ہیں پاک برونائی کے اسٹریٹجک ایجنڈے کا حصہ ہے۔ ایک ذمہ دار کارپوریٹ ادارہ ہونے کے ناطے، پاک برونائی پاکستان کی سماجی ترقی میں انوٹ کردار ادا کرنے کے لیے پرعزم ہے۔ سال کے دوران، کمپنی نے صحت کی دیکھ بھال کے شعبے میں اپنا حصہ ڈالا ہے اور انڈس ہسپتال اور ہیلتھ نیٹ ورک کو 50 لاکھ روپے کا عطیہ دیا ہے۔

## آڈیٹرز کی تقرری:

آڈیٹرز میسرز EY Ford Rhodes، Chartered Accountants، کمپنی کے قانونی آڈیٹر کے طور پر، 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے اپنی اسائنمنٹ مکمل کر چکے ہیں۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس کو سال 2023 کے لیے کمپنی کے قانونی آڈیٹرز کے طور پر تعینات کرنے کی سفارش کی ہے۔

## شیئر ہولڈنگ کا پیٹرن

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

## فی حصص آمدنی

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

* محترمہ ڈی کے نورالحیات Pg جولائی کو 22 مارچ 2023 سے بورڈ کی چیئرپرسن کے طور پر نامزد کیا گیا ہے۔
** 25 اکتوبر 2022 کو جناب ناصر محمود کھوسہ کو حکومت پاکستان نے فوری طور پر جناب عارف احمد خان کی جگہ کمپنی کے ڈائریکٹر کے طور پر نامزد کیا تھا۔
*** 22 مارچ 2023 کو محترمہ نور کرتینی محمد کو برونائی انویسٹمنٹ ایجنسی (برونائی کی حکومت) نے فوری طور سے جناب صوفیان محمد جانی کی جگہ کمپنی کی ڈائریکٹر کے طور پر نامزد کیا تھا۔

## ڈائریکٹرز میں تبدیلی:

جناب ناصر محمود کھوسہ کو حکومت پاکستان نے جناب عارف احمد خان کی جگہ 25 اکتوبر 2022 سے کمپنی کے ڈائریکٹر کے طور پر نامزد کیا تھا۔
محترمہ نور کرتینی محمد کو برونائی انویسٹمنٹ ایجنسی (برونائی کی حکومت) نے جناب صوفیان محمد جانی کی جگہ 22 مارچ 2023 سے کمپنی کی ڈائریکٹر کے طور پر نامزد کیا تھا۔

## بورڈ کمیٹیاں:

بورڈ کے پاس اسٹریٹجک سمت اور بہتر نگرانی میں مدد فراہم کرنے کے لیے درج ذیل کمیٹیاں ہیں۔ بورڈ کمیٹیاں بورڈ کی طرف سے منظور شدہ اپنے متعلقہ ٹرمز آف ریفرنس (ٹی او آرز) کے مطابق کام کرتی ہیں۔ ہر ذیلی کمیٹی کے کاموں کی مختصر تفصیل حسب ذیل ہے:

### بورڈ آڈٹ کمیٹی (BAC):

بورڈ آڈٹ کمیٹی مالیاتی اور آپریشنل کنٹرولز، اکاؤنٹنگ سسٹمز، اور رپورٹنگ کے ڈھانچے سمیت کمپنی کے اندرونی کنٹرول کے ماحول کی مناسبیت اور تاثیر کا جائزہ لیتی ہے۔ کمیٹی کمپنی کے اندرونی آڈٹ فنکشن کی نگرانی فراہم کرتی ہے۔ سالانہ آڈٹ پلان کی پیشرفت کی منظوری اور نگرانی کرتا ہے؛ اور اس بات کو یقینی بناتا ہے کہ اندرونی آڈٹ فنکشن کے پاس مناسب وسائل ہیں اور اسے تنظیم کے ڈھانچے کے اندر اپنی آزادی کو برقرار رکھنے کے لیے مناسب طریقے سے رکھا گیا ہے۔ BAC بورڈ کو منظوری کے لیے سفارش کرنے سے پہلے مالیاتی گوشواروں اور متعلقہ معاملات کا بھی جائزہ لیتا ہے۔ اس عمل کے حصے کے طور پر، کمیٹی کمپنی کے بیرونی آڈیٹرز کے ساتھ بھی بات چیت کرتی ہے اور بورڈ کو آڈیٹرز کی تقرری کی سفارش کرتی ہے۔ BAC اکاؤنٹنگ کے نئے معیارات کے نفاذ کی نگرانی کے لیے بھی ذمہ دار ہے۔

### بورڈ رسک مینجمنٹ کمیٹی (BRMC):

کمیٹی کمپنی کی خطرے کی خواہش اور پروفائل کے حوالے سے بورڈ کو خطرے سے متعلقہ معاملات بشمول گورننس کی نگرانی اور مشورے کی ذمہ دار ہے۔ BRMC رسک پروفائل کے سلسلے میں کمپنی کے اندرونی رسک فریم ورک کی ساخت اور مکمل ہونے کو بھی یقینی بناتا ہے، اور ایک آزاد، معاون اور فعال رسک مینجمنٹ کلچر کی ترقی اور دیکھ بھال کو بھی یقینی بناتا ہے۔ کمیٹی اس بات کو یقینی بنانے کے لیے آگے کی طرف متوجہ ہونے کا طریقہ بھی اپناتی ہے کہ ابھرتے ہوئے خطرات کی نشاندہی اور ان میں تخفیف کی جائے۔

### بورڈ انسانی وسائل اور معاوضہ کمیٹی (BHRRC):

کمیٹی اہم انسانی وسائل اور معاوضے کی پالیسیوں کی سفارش کرتی ہے جس میں ملازمت اور فوائد کی اہم شرائط، تمام اہم ایگزیکٹوز اور عملے کے دیگر ارکان کے لیے کارکردگی کا انتظام اور معاوضے کے منصوبے شامل ہیں۔ یہ متعلقہ ریگولیٹری تقاضوں اور بہترین طریقوں کے مطابق عملے کی تربیت، کیریئر کی ترقی اور جانشینی کی منصوبہ بندی کے لیے پالیسیوں کا بھی جائزہ اور سفارش کرتا ہے۔

## بورڈ کمیٹیوں کے اجلاس:

| نام | آڈٹ کمیٹی | | ہیومن ریسورس اور مشاہرہ کمیٹی | | کریڈٹ اینڈ رسک مینجمنٹ کمیٹی | |
|---|---|---|---|---|---|---|
| | منعقدہ اجلاس | حاضری | منعقدہ اجلاس | حاضری | منعقدہ اجلاس | حاضری |
| جناب سفیان محمد جانی | 3 | 3 | N/A | N/A | N/A | N/A |
| جناب عارف احمد خان | 3 | 3 | 2 | 2 | 2 | 2 |
| مس ڈی کے نورالحیاتی پی جی جولائی | 3 | 3 | 2 | 2 | 2 | 2 |
| جناب ناصر محمود کھوسہ | N/A | N/A | N/A | N/A | N/A | N/A |
| مس نورا کرتینی محمد | N/A | N/A | N/A | N/A | N/A | N/A |
| مس عائشہ عزیز | N/A | N/A | 2 | 2 | 2 | 2 |

* 25 اکتوبر 2022 کو جناب ناصر محمود کھوسہ کو حکومت پاکستان نے فوری اثر سے جناب عارف احمد خان کی جگہ کمپنی کے ڈائریکٹر کے طور پر نامزد کیا تھا۔ اس سلسلے میں سٹیٹ بینک آف پاکستان سے مناسب اور مناسب کلیئرنس حاصل کر لی گئی ہے۔
** 22 مارچ 2023 کو محترمہ نور کرتینی محمد کو برونائی انویسٹمنٹ ایجنسی (برونائی کی حکومت) نے فوری اثر سے جناب صوفیان محمد جانی کی جگہ کمپنی کی ڈائریکٹر کے طور پر نامزد کیا تھا۔ اس سلسلے میں سٹیٹ بینک آف پاکستان سے مناسب اور مناسب کلیئرنس حاصل کر لی گئی ہے۔

## ڈائریکٹرز کا معاوضہ:

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



- بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS)، جیسا کہ پاکستان میں لاگو ہوتا ہے، مالیاتی بیانات کی تیاری میں پیروی کی گئی ہے اور وہاں سے کسی بھی روانگی کے بارے میں مناسب طور پر انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول سسٹم ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
- ایک جاری تشویش کے طور پر جاری رکھنے کی کمپنی کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔
- ٹیکسز، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں جو 31 دسمبر 2021 تک واجب الادا ہیں، سوائے اس کے کہ منسلک مالی بیانات میں ظاہر کیا گیا ہو۔
- ایگزیکٹوز اور نان ایگزیکٹو ڈائریکٹرز کے مجموعی معاوضے کی تفصیلات مالی بیانات کے نوٹ 36 میں شامل ہیں۔
- 31 دسمبر 2022 تک سرمایہ کاری اور بینک بیلنس کی مناسب قیمت درج ذیل ہے:-
  - پراویڈنٹ فنڈ: 83.58 PKR ملین، غیر آڈیٹ مالیاتی بیانات پر مبنی۔
  - گریجویٹی فنڈ: 65.48 PKR ملین، غیر آڈٹ شدہ مالیاتی بیانات پر مبنی۔
- گزشتہ 6 سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا خلاصہ شکل میں یہاں دیا گیا ہے:-

(پی کے آر ملین میں اعداد و شمار جب تک کہ دوسری صورت میں بیان نہ کیا جائے)۔

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| مجموعی اثاثے | **79,938** | 51,450 | 40,253 | 57,773 | 48,793 | 29,869 | 34,391 |
| خالص اثاثے | **10,003** | 10,232 | 10,733 | 10,549 | 9,961 | 10,456 | 10,429 |
| نیٹ ایڈوانس | **24,208** | 20,300 | 19,134 | 18,771 | 20,330 | 18,768 | 13,996 |
| خالص سرمایہ کاری | **44,805** | 26,247 | 17,483 | 31,817 | 26,117 | 7,679 | 16,658 |
| نیٹ مارک اپ آمدنی | **789** | 866 | 768 | 734 | 719 | 553 | 507 |
| غیر مارک اپ آمدنی | **353** | 340 | 688 | 43 | 222 | 588 | 1,237 |
| منافع قبل از محصول | **744** | 704 | 1033 | 458 | 503 | 671 | 1,333 |
| ٹیکس کے بعد منافع | **503** | 481 | 718 | 366 | 276 | 470 | 962 |
| فی شیئر آمدنی (PKR) | **0.84** | 0.80 | 1.20 | 0.61 | 0.46 | 0.78 | 1.60 |
| ڈیویڈنٹ پے آؤٹ (%) | **0.00%** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| مجموعی انفیکشن کا تناسب (%) | **3.56%** | 4.89% | 5.03% | 3.10% | 2.87% | 5.00% | 3.17% |
| NPL کوریج کا تناسب (%) | **56.78%** | 53.69% | 42.99% | 66.22% | 52.28% | 30.33% | 52.33% |

## بورڈ آف ڈائریکٹرز کی تشکیل:

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

| کیٹیگری | نام | تفصیل |
|---|---|---|
| آزاد ڈائریکٹر | کوئی نہیں | کمپنی نے 2007 کے BPRD سرکلر نمبر 4 کے تحت بورڈ پر ایک آزاد ڈائریکٹر کی تقرری کے سلسلے میں اسٹیٹ بینک آف پاکستان سے نرمی حاصل کی ہے۔ |
| نان ایگزیکٹیو ڈائریکٹر | محترمہ ڈی کے نورالحیتی پی جی جولائی (چیئرپرسن) | برونائی کی حکومت کی طرف سے نامزد کیا گیا |
| | جناب ناصر محمود کھوسہ | پاکستان کی حکومت کی طرف سے نامزد کیا گیا |
| ایگزیکٹیو ڈائریکٹر | محترمہ نور کرتینی محمد | برونائی کی حکومت کی طرف سے نامزد کیا گیا |
| | محترمہ عائشہ عزیز CFA | پاکستان کی حکومت کی طرف سے نامزد کیا گیا |

## بورڈ کی میٹنگز:

کمپنی کے بورڈ آف ڈائریکٹرز نے 31 دسمبر 2022 کو ختم ہونے والے سال کے دوران تین میٹنگیں کیں۔ مندرجہ ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

| نام | اجلاس میں شرکت |
|---|---|
| جناب صوفیان محمد جانی، CFA | 3 |
| جناب عارف احمد خان | 3 |
| محترمہ ڈی کے نورالحیتی پی جی جولائی | 3 |
| جناب ناصر محمود کھوسہ | N/A |
| محترمہ نور کرتینی محمد | N/A |
| محترمہ عائشہ عزیز | 3 |

# ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ ("دی کمپنی") کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ مالیاتی گوشواروں کو BPRD سرکلر نمبر 02 مورخہ 25 جنوری 2018 اور BPRD سرکلر نمبر 10 مورخہ 27 نومبر 2018 کی ضروریات کے مطابق تیار کیا گیا ہے۔

## مختصر اقتصادی نقطہ نظر:

سال 2022 عالمی اور گھریلو عوامل کی وجہ سے بڑھتے ہوئے معاشی دباؤ کے ساتھ ایک ہنگامہ خیز نوٹ پر شروع ہوا۔ جب کہ وبائی مرض کو خاک میں ملایا گیا اور اس کے ساتھ کیا گیا روس۔ یوکرین تنازعہ، اجناس کی قیمتوں میں اضافے اور سپلائی چین میں خلل کی شکل میں نئے چیلنجز نمودار ہوئے۔ گھریلو محاذ پر، پاکستان کو تباہ کن سیلابوں کا سامنا کرنا پڑا جس کے نتیجے میں معیشت کو 32 بلین ڈالر سے زائد کا نقصان ہوا، اپنے طور پر حیرت زدہ لیکن خاص طور پر ایسی معیشت کے لیے جو پہلے ہی گہری پریشانی میں تھی۔

سیلاب کے نتیجے میں توانائی کی قیمتوں میں اضافہ اور سپلائی کے جھٹکے کا مطلب ہے مسلسل بڑھتی ہوئی افراط زر جو پورے سال دوہرے ہندسوں میں رہی، دسمبر 2022 میں سالانہ اوسطاً 24.5 فیصد رہی، جو پچھلے سال کی اسی مدت میں 12.3 فیصد تھی۔ ایک طرف عالمی کساد بازاری کا براہ راست اور منفی اثر ٹیکسٹائل کی برآمدات پر پڑا اور دوسری طرف ایندھن اور اشیاء کی قیمتوں میں اضافے کا مطلب بڑا درآمدی بل ہے۔ اسی عرصے کے دوران، پاکستان کو 17.2 بلین امریکی ڈالر کے بیرونی قرضوں کی ادائیگیوں کا سامنا کرنا پڑا، جس میں 13.2 بلین امریکی ڈالر طویل مدتی پرنسپل ادائیگیوں، امریکی ڈالر 1.07 بلین امریکی ڈالر مختصر مدت کے قرضے اور 2.8 بلین امریکی ڈالر غیر ملکی قرضوں کی سود کی ادائیگیوں میں شامل تھے۔ نتیجہ روپے کی قدر میں تیزی سے کمی کے ساتھ ساتھ سرمایہ کاروں کا اعتماد بھی تھا۔ بینک اور غیر بینک ایکسچینج مارکیٹوں کے درمیان فرق نے بھی مسئلے کو بڑھا دیا۔ PKR جنوری 2022 میں US$/PKR 176.3 سے 27.5% کم ہو کر دسمبر 2022 میں US$/PKR 224.7 ہوگیا، جو کہ 2008 کے بعد ریکارڈ پر سب سے تیز ترین کمی ہے۔

اس صورتحال کے پیش نظر حکومت کے پاس بیرونی کھاتوں کے بڑھتے ہوئے خسارے کو سنبھالنے کے لیے درآمدات پر سخت پابندیاں لگانے کے سوا کوئی چارہ نہیں تھا۔ اگرچہ یہ ایک ناگزیر قدم تھا، لیکن اس پر عمل درآمد غیر یقینی کا باعث بنا۔ 'غیر ضروری' درآمدات کا مقصد سب سے زیادہ نقصان کا سامنا کرنا تھا، لیکن ابتدائی الجھن کا مطلب یہ تھا کہ ضروری شعبوں کو بھی نقصان اٹھانا پڑا، جس کے نتیجے میں قیمتوں میں اضافہ اور کچھ اہم اشیاء کی قلت پیدا ہوئی۔ درآمدی کنسائنمنٹس کئی ہفتوں تک بلاک رہے جس کی وجہ سے درآمد کنندگان کو بیرون ملک ادائیگیوں کا بندوبست کرنا پڑا یا اسے موخر کرنا پڑا۔ دریں اثنا، بینکوں نے نئے L/Cs کھولنے میں بھی انتخاب کیا جس کی وجہ سے کچھ سیکٹرز (جیسے آٹوموبائل) عارضی طور پر بند ہو گئے۔ اگرچہ طویل عرصے میں، اس کے مقامی بنانے اور درآمدی متبادل کے لیے مثبت اثرات مرتب ہوتے ہیں۔ محدود پیمانے پر ان ابتدائی دنوں میں ہم پہلے ہی اس سمت میں ایک قدم دیکھ رہے ہیں۔

سال کے آخر تک ایف ایکس کے ذخائر 5.58 بلین امریکی ڈالر کے ساتھ، سال کے آغاز میں 16.6 بلین امریکی ڈالر سے کم ہو کر تشویش کا ایک نقطہ آئی ایم ایف کے ساتھ مذاکرات کی سست رفتار ہے جہاں اقتصادی اور ساختی اصلاحات پر عملے کی سطح کے معاہدے کا ابھی بھی انتظار ہے۔ پاکستان کو پیشگی شرائط کے ساتھ پروگرام کی 1.1 بلین امریکی ڈالر کی قسط موصول ہونے کے لیے تیار ہے۔ پروگرام کو دوبارہ شروع کرنے سے دیگر کثیر الجہتی ایجنسیوں/قرض دہندگان سے فنڈز جاری کرنے اور استحکام کا ایک پیمانہ فراہم کرنے میں مدد ملے گی۔

جیسے ہی ہم 2023 میں داخل ہوتے ہیں، معیشت نازک رہتی ہے، عالمی کساد بازاری، گھریلو اقتصادی چیلنجوں اور ایک مشکل سیاسی منظرنامے سے متاثر ہے۔ افراط زر کے دباؤ پر قابو پانے کے لیے، ہم توقع کرتے ہیں کہ اسٹیٹ بینک CY2023 کی پہلی ششماہی میں شرح سود میں اضافہ جاری رکھے گا۔

ان چیلنجوں کے باوجود، پاکستان نے 2022 میں 6.0 فیصد کی شرح نمو ریکارڈ کی ہے۔ مالی سال 23 میں جی ڈی پی کی شرح نمو 5.0 فیصد کے ابتدائی ہدف اور مالی سال 22 میں 6 فیصد کی اصل شرح نمو کے مقابلے میں مالی سال 23 میں کم ہو کر 2.0 فیصد رہنے کی توقع ہے۔ ADB/SBP/ورلڈ بینک کی ترقی کا تخمینہ 2.0% / 3.5% / 2.0% ہے۔

کچھ مثبت پیش رفتوں میں USD 1.08bn کے بین الاقوامی سکوک کی ادائیگی، سعودی عرب کی طرف سے USD 3.0bn ڈپازٹ کا رول اوور، اور سیلاب کی بحالی کے لیے ADB سے USD 0.5bn کی منظوری شامل ہیں۔ مزید برآں، سرکلر ڈیٹ ریزولوشن کمیٹی کی تشکیل اور چین کی طرف سے 700 ملین امریکی ڈالر کی تقسیم فائدہ مند ثابت ہوئی ہے۔ تاہم، IMF پروگرام کی بحالی غیر ملکی زرمبادلہ کے ذخائر کو سہارا دینے اور کرنسی مارکیٹوں کو مستحکم کرنے کے لیے اہم رہے گی۔ جب کہ درآمدی پابندیاں صنعتی پیداوار اور معاشی نمو کو متاثر کرتی رہیں گی، غیر ملکی بہاؤ کی وصولی سے درآمدی پابندیوں کو بتدریج ختم کرنے میں مدد ملنی چاہیے۔

## کاروبار اور مالیاتی کارکردگی کا جائزہ:

مشکل معاشی حالات کے باوجود، پاک برونائی نے اپنی لچک کا مظاہرہ کیا اور مضبوط مالی کارکردگی پیش کی۔ کمپنی کا ٹیکس سے پہلے کا منافع 743.70 ملین روپے اور ٹیکس کے بعد منافع (PAT) کے ساتھ 502.86 ملین روپے رہا، جس کے نتیجے میں گزشتہ سال کے 0.80 روپے کے مقابلے میں 0.84 روپے فی شیئر (EPS) کی آمدنی ہوئی۔

جبکہ نیٹ مارک اپ آمدنی میں 8.86 فیصد کمی واقع ہوئی، غیر مارک اپ آمدنی گزشتہ سال کی اسی مدت کے مقابلے میں تقریباً 4 فیصد بڑھ کر 353.17 ملین روپے ہوگئی۔ اعلیٰ افراط زر کے ماحول، کرنسی کی قدر میں کمی، اور انسانی وسائل میں مسلسل سرمایہ کاری اور تکنیکی اپ گریڈیشن کے باوجود کمپنی کے آپریٹنگ اخراجات تقریباً پچھلے سال کے برابر رہے۔



پاک برونائی کی فعال نگرانی اور ریکوری کی کوششوں کے نتیجے میں غیر فعال قرضوں (NPLs) کے خلاف خالص پروویژن ریورسل ہوا جو کہ زیر جائزہ سال کے لیے 58.948 ملین روپے ہے۔ کمپنی کے مضبوط رسک مینجمنٹ فریم ورک، قبل از تقسیم کی مؤثر تشخیص، اور پوسٹ ڈسبرسمنٹ مانیٹرنگ سسٹم نے اسے کریڈٹ رسک کو مؤثر طریقے سے منظم کرنے کے قابل بنایا۔ کل نان پرفارمنگ لونز 881.64 ملین روپے کیری کوریج اور انفیکشن ریشو بالترتیب 56.78% اور 3.56% ہیں۔

بیلنس شیٹ پر، غیر منقطع بنیاد پر کل اثاثے 55.37 فیصد بڑھ کر 79.94 بلین روپے تک پہنچ گئے۔ مجموعی پیش قدمی 18.52 فیصد اضافے سے 24.71 بلین روپے ہوگئی، جب کہ سرمایہ کاری کا پورٹ فولیو (نیٹ) 70.71 فیصد اضافے سے 44.80 بلین روپے تک پہنچ گیا۔ اس میں سے 72.23 فیصد فلوٹنگ ریٹ اور قلیل مدتی سرکاری سیکیورٹیز پر مشتمل ہے جبکہ باقی ذیلی اداروں میں سرمایہ کاری پر مشتمل ہے حصص، کارپوریٹ بانڈز/سکوک اور فکسڈ ریٹ گورنمنٹ سیکیورٹیز۔

پاک برونائی نے اثاثوں پر ریٹرن 0.77% اور 4.97% ایکویٹی پر ریٹرن 14.97% حاصل کی، جبکہ بک ویلیو فی شیئر 16.67 روپے تھی۔ 22.85% پر کمپنی کا کیپٹل ایڈیکیسی ریشو (CAR) 11.5% کی ریگولیٹری ضرورت سے کافی زیادہ ہے۔ کامن ایکویٹی ٹائر-1 (CET1) اور کل رسک ویٹڈ اثاثوں کا تناسب 7.5% کی ریگولیٹری ضرورت کے مقابلے میں 22.85% ہے۔ 9.21% پر لیوریج ریشو 3.0% کی ریگولیٹری حد سے کافی اوپر ہے جبکہ 112.41% پر لیکویڈیٹی کوریج ریشو (LCR) اور 116.53% پر Net Stable Funding Ratio (NSFR) دونوں 100% کی ریگولیٹری ضرورت سے اوپر ہیں۔

کمپنی نے سال کے دوران AWAL مضاربہ کے ساتھ انضمام کے ذریعے کارپوریٹ تنظیم نو کے کاروبار کو انجام دینے کے لیے ایک نئی ذیلی کمپنی بنانے کے لیے ریگولیٹری منظوری کے ساتھ ایک اہم سنگ میل حاصل کیا۔ معزز عدالت نے انضمام کی مذکورہ درخواست کو منظور کر لیا ہے، اور تشکیل شدہ ذیلی ادارہ، AWWAL کارپوریٹ ری سٹرکچرنگ کمپنی لمیٹڈ جس کی کیپٹل بیس 1 بلین PKR ہے، نئے بنائے گئے کارپوریٹ ری سٹرکچرنگ کمپنیز رولز 2019 کے تحت بحالی کاروبار پر توجہ مرکوز کرے گی۔ پاک برونائی نے ترقیاتی مینڈیٹ کو پورا کرنے کے لیے اس انتہائی خصوصی کاروبار میں اپنی ماضی کی کامیابیوں اور تجربے سے فائدہ اٹھانے کی توقع رکھتا ہے۔

چھوٹے اور درمیانے درجے کے انٹرپرائز (SME) کی ترقی کے حوالے سے، پاک برونائی نے 2022 میں تنظیم کے اندر اور اپنی مکمل ملکیت والی ذیلی کمپنی پرائمس لیزنگ کمپنی لمیٹڈ کے ذریعے اپنے SME پورٹ فولیو کو وسعت دینے کے اپنے اہداف کو حاصل کرکے مسلسل کامیابی کا مظاہرہ کیا ہے۔ کمپنی نے اسٹیٹ بینک آف پاکستان (SBP) کی جانب سے سبسڈی یافتہ ری فنانسنگ پروڈکٹس کو فعال طور پر استعمال کیا ہے، جس میں خواتین کاروباریوں کے لیے ری فنانس اور کریڈٹ گارنٹی اسکیم، ورکنگ کیپٹل (SME) کے لیے ری فنانس اسکیم، چھوٹے اور درمیانے درجے کے کاروباری اداروں کی جدید کاری کے لیے ری فنانسنگ کی سہولت، اور برآمدات شامل ہیں۔ ری فنانس اسکیم، جس کے نتیجے میں پورٹ فولیو میں نمایاں اضافہ ہوتا ہے جس کی حمایت کم انفیکشن کے تناسب سے ہوتی ہے۔

کمپنی کی طرف سے منصوبہ بندی کی گئی ایک بڑی پہل کا تعلق ایک خود مختار اور اعلیٰ طاقت والے کاربن مارکیٹس ایڈوائزری یونٹ کے قیام سے ہے جو پاکستان میں موجودہ اور ممکنہ منصوبوں کے لیے مشورے فراہم کرے گا، جو اس کے اپنے کلائنٹس میں سے شروع ہوگا، اور بین الاقوامی کاربن مارکیٹ تک رسائی کے لیے ایک پل کا کام کرے گا۔ ہم شکل اور روح کے ساتھ ایک ذمہ دار کارپوریٹ شہری ہونے کے اپنے مقصد کے لیے پرعزم ہیں۔ ہماری قرض دینے کی پالیسیاں تیزی سے ہمارے صارفین کے کاربن فوٹ پرنٹ کو کم کرنے اور پائیداری کے راستے پر ان کے سفر کی حوصلہ افزائی اور حمایت کرنے پر مرکوز ہیں۔

## ENTITY کی درجہ بندی:

VIS کریڈٹ کمپنی لمیٹڈ نے 'AA+/A-1+' (ڈبل اے پلس/اے-ون پلس) پر پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ کی ہستی ریٹنگ کی توثیق کی ہے۔ 'AA+' کی طویل مدتی درجہ بندی اعلی کریڈٹ کوالٹی کی نشاندہی کرتی ہے، تحفظ کے عوامل مضبوط ہیں۔ خطرہ معمولی ہے لیکن معاشی حالات کی وجہ سے وقتاً فوقتاً تھوڑا سا مختلف ہو سکتا ہے۔ 'A-1+' کی قلیل مدتی درجہ بندی بروقت ادائیگی کے اعلیٰ ترین یقین کی نشاندہی کرتی ہے۔ قلیل مدتی لیکویڈیٹی، بشمول اندرونی آپریٹنگ عوامل اور/یا فنڈز کے متبادل ذرائع تک رسائی، بقایا ہے اور حفاظت خطرے سے پاک حکومت پاکستان کی قلیل مدتی ذمہ داریوں سے بالکل نیچے ہے تفویض کردہ ریٹنگز پر آؤٹ لک 'مستحکم' ہے۔

## کارپوریٹ گورننس:

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

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

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

ڈائریکٹرز یہ اعلان کرتے ہوئے خوش ہیں کہ:

- انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کے بیانات کو منصفانہ طور پر پیش کرتے ہیں۔
- کھاتوں کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- مالیاتی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق مستقل طور پر کیا جاتا ہے اور اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہوتے ہیں۔

# 15 Years Performance at a Glance

PKR in Million

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet** | | | | | | | | | | | | | | | |
| Investments | 44,805 | 26,247 | 17,483 | 31,817 | 26,117 | 7,679 | 16,658 | 16,850 | 24,247 | 27,431 | 7,121 | 25,741 | 9,868 | 8,416 | 2,688 |
| Advances | 24,208 | 20,300 | 19,134 | 18,771 | 20,330 | 18,768 | 13,996 | 10,237 | 7,386 | 6,800 | 5,776 | 4,647 | 2,468 | 1,732 | 1,063 |
| Borrowings | 68,320 | 40,285 | 27,763 | 45,152 | 36,890 | 13,976 | 20,493 | 14,544 | 18,090 | 26,392 | 2,417 | 23,360 | 5,943 | 5,297 | 186 |
| Deposits and other accounts | 55 | 50 | 830 | 620 | 725 | 4,751 | 2,913 | 4,218 | 5,164 | 567 | 2,825 | 979 | 844 | 395 | – |
| Total Assets | 79,938 | 51,450 | 40,253 | 57,773 | 48,793 | 29,869 | 34,391 | 29,115 | 32,901 | 35,508 | 14,046 | 32,544 | 14,369 | 12,131 | 5,529 |
| Net Assets | 10,003 | 10,232 | 10,733 | 10,549 | 9,960 | 10,456 | 10,429 | 9,684 | 9,139 | 8,246 | 8,581 | 7,928 | 7,343 | 6,306 | 5,281 |
| Paid up Capital | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 5,000 | 5,000 |
| **Profit & Loss** | | | | | | | | | | | | | | | |
| Mark up income | 6,899 | 3,335 | 3,681 | 5,042 | 2,507 | 1,462 | 1,591 | 1,832 | 2,503 | 1,407 | 2,912 | 2,395 | 1,698 | 971 | 672 |
| Mark up expense | 6,110 | 2,469 | 2,913 | 4,307 | 1,788 | 908 | 1,084 | 1,279 | 2,036 | 969 | 2,045 | 1,469 | 778 | 207 | 132 |
| Non mark up income | 353 | 340 | 688 | 43 | 222 | 588 | 1,237 | 1,230 | 907 | 706 | 406 | 284 | 212 | 254 | 86 |
| Non mark up expense | 434 | 432 | 388 | 332 | 341 | 293 | 314 | 304 | 272 | 219 | 201 | 203 | 165 | 133 | 119 |
| Gross income | 7,252 | 3,675 | 4,369 | 5,085 | 2,729 | 2,050 | 2,828 | 3,062 | 3,410 | 2,113 | 3,318 | 2,679 | 1,910 | 1,225 | 758 |
| Profit before provision and tax | 434 | 774 | 1,067 | 445 | 599 | 849 | 1,430 | 1,479 | 1,102 | 925 | 1,072 | 1,007 | 963 | 885 | 507 |
| Provisions | (35) | 71 | 34 | (13) | 96 | 178 | 97 | 179 | (4) | 8 | (4) | 87 | 81 | 218 | 134 |
| Profit before tax | 744 | 704 | 1,033 | 458 | 503 | 671 | 1,333 | 1,300 | 1,106 | 917 | 1,076 | 920 | 882 | 667 | 373 |
| Profit after tax | 503 | 481 | 718 | 366 | 276 | 470 | 962 | 937 | 905 | 706 | 784 | 604 | 581 | 447 | 222 |
| Taxation | 241 | 222 | 315 | – | – | – | – | – | – | – | – | – | – | – | – |
| Dividend paid | – | 300 | 300 | 300 | 300 | 300 | 300 | 200 | 200 | 200 | 1,000 | 200 | – | – | – |
| **Investors information** | | | | | | | | | | | | | | | |
| Profit before tax ratio | 10.25% | 19.15% | 23.64% | 9.01% | 18.43% | 32.73% | 47.14% | 42.46% | 32.43% | 43.40% | 32.43% | 34.34% | 46.18% | 54.45% | 49.21% |
| Gross spread ratio | 11.44% | 25.97% | 20.86% | 14.56% | 28.68% | 37.82% | 31.87% | 30.19% | 18.70% | 31.13% | 29.77% | 38.62% | 54.18% | 78.68% | 80.36% |
| Return on assets | 0.77% | 1.05% | 1.46% | 0.69% | 0.70% | 1.46% | 3.03% | 3.02% | 2.65% | 2.85% | 3.37% | 2.57% | 4.38% | 5.06% | 4.49% |
| Return on equity | 4.97% | 4.59% | 6.75% | 3.57% | 2.70% | 4.50% | 9.57% | 9.96% | 10.41% | 8.39% | 9.50% | 7.91% | 8.51% | 7.72% | 5.28% |
| Earning asset to total asset ratio | 94.67% | 94.48% | 93.28% | 95.64% | 95.29% | 96.90% | 96.21% | 94.67% | 96.38% | 97.06% | 94.06% | 97.03% | 95.27% | 97.67% | 95.59% |
| EPS (Earning per share) PKR | 0.84 | 0.80 | 1.20 | 0.61 | 0.46 | 0.78 | 1.60 | 1.56 | 1.51 | 1.18 | 1.31 | 1.01 | 0.98 | 0.89 | 0.52 |
| Gross Infection Ratio % | 3.56% | 4.89% | 5.03% | 3.10% | 2.87% | 5.00% | 3.17% | 3.00% | 0.03% | 0.04% | 0.05% | 0.06% | 0.27% | 16.04% | 0.00% |
| Net Infection Ratio | 1.57% | 2.32% | 2.93% | 1.07% | 1.39% | 3.54% | 1.54% | 1.52% | 0.00% | 0.00% | 0.00% | -0.38% | -0.03% | 14.83% | 0.00% |
| Capital Adequacy Ratio (CAR) | 29.42% | 29.42% | 26.64% | 27.27% | 24.50% | 30.62% | 25.59% | 26.44% | 33.80% | 35.82% | 59.76% | 58.47% | 84.61% | 81.00% | 138.00% |
| Dividend payout | 0.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 3.33% | 3.33% | 3.33% | 16.67% | 3.33% | – | – | – |

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# Independent Auditor's Review Report

**To the members of Pak Brunei Investment Company Limited (the Company)**

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

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 31 December 2022 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 31 December 2022.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

**Paragraph**

Reference Description

14 - The Audit Committee met three times during the year prior to approval of quarterly, half-yearly and annual financial statements of the Company by the Board. No meeting was held in the third quarter of the financial year.

**Chartered Accountants**

**Place:** Karachi

**Date:** April 12, 2023

**UDIN:** CR202210120ReQSFz8kB





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

**Pak Brunei Investment Company Limited**
Year ended December 31, 2022

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

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

1. The total number of directors are four (4) as per the following:
   Male: 02
   Female: 02

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

| Category | Names | Description |
|---|---|---|
| Executive Director | Ms. Ayesha Aziz | Nominated by the Government of Pakistan |
| Non-Executive Directors | Mr. Sofian Mohammad Jani (Chairman) | Nominated by the Government of Brunei |
| | Mr. Nasir Mahmood Khosa | Nominated by the Government of Pakistan |
| | Ms. DK Noorul Hayati Pg Julaihi | Nominated by the Government of Brunei |

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

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

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

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

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

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

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

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

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

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

**a) Audit Committee of the Board**

| Name of Director | Category |
|---|---|
| Mr. Nasir Mahmood Khosa | Chairman |
| Mr. Sofian Mohammad Jani | Member |
| Mr. Dk Noorul Hayati Pg Julaihi | Member |

**b) Human Resource & Remuneration Committee**

| Name of Director | Category |
|---|---|
| Mr. Dk Noorul Hayati Pg Julaihi | Chairperson |
| Mr. Nasir Mahmood Khosa | Member |
| Mr. Sofian Mohammad Jani | Member |

**c) Risk and Credit Management Committee**

| Name of Director | Category |
|---|---|
| Mr. Nasir Mahmood Khosa | Chairman |
| Mr. Dk Noorul Hayati Pg Julaihi | 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 | Three times during the year prior to approval of the quarterly, half-yearly and annual financial statements of the Company by the Board. No meeting was held in the third quarter of the financial year |
| b) | Human Resource and Remuneration Committee | Twice during the year |
| c) | Risk and Credit Management Committee | Twice during the year |

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

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

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

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

**Dk Noorul Hayati Pg Julaihi**

Karachi
Date: March 30, 2023



# Statement of Internal Controls

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

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

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

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

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

**Ahmed Nooruddin Virani**
Head – Internal Audit

**Humaira Siddique**
Chief Financial Officer

**Ayesha Aziz**
Managing Director

Date: March 30, 2023

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# Independent Auditor's Report

**To the members of Pak Brunei Investment Company Limited**

**Report on the Audit of the Unconsolidated Financial Statements**

**Opinion**

We have audited the annexed unconsolidated financial statements of **Pak Brunei Investment Company Limited** (the Company), which comprise the unconsolidated statement of financial position as at **31 December 2022,** and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the period 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 unconsolidated statement of cash flows 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 31 December 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the period 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 report thereon. Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance or 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 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.

**Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

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

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

**Other Matter**
The unconsolidated financial statements of the Company for the year ended 31 December 2021 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 7 April 2022.

The engagement partner on the audit resulting in this independent auditors' report is **Omer Chughtai.**

**Chartered Accountants**

**Place:** Karachi

**Dated:** April 13, 2023

**UDIN Number:** AR202210120X8Od6gHCs

Unconsolidated

# Statement of Financial Position

As at December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| | | **ASSETS** | | | |
| **1,487** | 542 | Cash and balances with treasury banks | 5 | **336,633** | 122,751 |
| **444** | 286 | Balances with other banks | 6 | **100,591** | 64,694 |
| **28,971** | 8,833 | Lendings to financial institutions | 7 | **6,559,967** | 2,000,000 |
| **197,877** | 115,915 | Investments | 8 | **44,805,384** | 26,246,638 |
| **106,911** | 89,653 | Advances | 9 | **24,207,863** | 20,300,141 |
| **249** | 241 | Fixed assets | 10 | **56,306** | 54,544 |
| **14** | 11 | Intangible assets | 11 | **3,267** | 2,524 |
| **3,904** | 2,425 | Deferred tax assets | 12 | **883,994** | 549,013 |
| **11,605** | 7,034 | Other assets | 13 | **2,627,825** | 1,592,709 |
| **1,571** | 2,282 | Assets classified as held-for-sale | 14 | **355,799** | 516,768 |
| **353,033** | 227,222 | | | **79,937,629** | 51,449,782 |
| | | **LIABILITIES** | | | |
| **–** | – | Bills payable | | **–** | – |
| **301,727** | 177,912 | Borrowings | 15 | **68,320,235** | 40,284,824 |
| **242** | 221 | Deposits and other accounts | 16 | **54,768** | 50,000 |
| **–** | – | Liabilities against assets subject to finance lease | | **–** | – |
| **–** | – | Subordinated debt | | **–** | – |
| **–** | – | Deferred tax liabilities | | **–** | – |
| **6,887** | 3,899 | Other liabilities | 17 | **1,559,399** | 882,940 |
| **308,856** | 182,032 | | | **69,934,402** | 41,217,764 |
| **44,177** | 45,190 | **NET ASSETS** | | **10,003,227** | 10,232,018 |
| | | **REPRESENTED BY** | | | |
| **26,498** | 26,498 | Share capital | 18 | **6,000,000** | 6,000,000 |
| **9,365** | 8,480 | Reserves | | **2,120,621** | 1,920,050 |
| **(6,632)** | (4,739) | Deficit on revaluation of assets | 19 | **(1,501,592)** | (1,073,299) |
| **14,946** | 14,951 | Unappropriated profit | | **3,384,198** | 3,385,267 |
| **44,177** | 45,190 | | | **10,003,227** | 10,232,018 |
| | | **CONTINGENCIES AND COMMITMENTS** | 20 | | |

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

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



Unconsolidated

# Profit and Loss Account

For the Year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| **30,470** | 14,729 | Mark-up / return / interest earned | 21 | **6,899,314** | 3,335,029 |
| **26,984** | 10,903 | Mark-up / return / interest expensed | 22 | **6,109,937** | 2,468,877 |
| **3,486** | 3,826 | Net mark-up / interest income | | **789,377** | 866,152 |
| | | **Non mark-up / interest income** | | | |
| **469** | 318 | Fee and commission income | 23 | **106,137** | 72,066 |
| **1,266** | 618 | Dividend income | | **286,648** | 139,865 |
| **–** | – | Foreign Exchange Income | | **–** | – |
| **–** | – | Income / (loss) from derivatives | | **–** | – |
| **(190)** | 554 | (Loss) / Gain on securities | 24 | **(43,060)** | 125,445 |
| **15** | 13 | Other income | 25 | **3,441** | 2,894 |
| **1,560** | 1,503 | Total non mark-up / interest income | | **353,166** | 340,270 |
| **5,046** | 5,329 | Total income | | **1,142,543** | 1,206,422 |
| | | **Non mark-up / interest expenses** | | | |
| **1,855** | 1,806 | Operating expenses | 26 | **420,079** | 408,855 |
| **–** | 48 | Other charges | 27 | **–** | 10,947 |
| **62** | 54 | Workers' Welfare Fund | 28 | **14,102** | 12,231 |
| **1,917** | 1,908 | Total non mark-up / interest expenses | | **434,181** | 432,033 |
| **3,129** | 3,421 | Profit before provisions | | **708,362** | 774,389 |
| **156** | (312) | Provisions and write offs - net | 29 | **35,340** | (70,748) |
| **–** | – | Extraordinary / unusual items | | **–** | – |
| **3,285** | 3,109 | **Profit before taxation** | | **743,702** | 703,641 |
| **1,064** | 982 | Taxation | 30 | **240,845** | 222,302 |
| **2,221** | 2,127 | Profit after taxation | | **502,857** | 481,339 |
| (USD) | | | | (Rupees) | |
| **0.00370** | 0.00354 | Basic and diluted earnings per share | 31 | **0.84** | 0.80 |

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

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

Unconsolidated
## Statement of Comprehensive Income
For the year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| **2,221** | 2,127 | Profit after taxation for the year | | **502,857** | 481,339 |
| | | **Other comprehensive income / (loss)** | | | |
| | | ***Items that may be reclassified to unconsolidated profit and loss account in subsequent periods:*** | | | |
| **(3,022)** | (3,971) | - Movement in deficit on revaluation of investments | 19.1 | **(684,355)** | (899,177) |
| **1,131** | 966 | - Deferred tax on revaluation of investments | 19.1 | **256,062** | 218,798 |
| **(1,891)** | (3,005) | | | **(428,293)** | (680,379) |
| | | ***Items that will not be reclassified to unconsolidated profit and loss account in subsequent periods:*** | | | |
| **(22)** | (9) | - Remeasurement loss on defined benefit plan | | **(5,008)** | (2,137) |
| **7** | 3 | - Deferred tax on remeasurement gain on defined benefit plan | | **1,653** | 620 |
| **(15)** | (6) | | | **(3,355)** | (1,517) |
| **315** | (884) | **Total comprehensive income / (loss)** | | **71,209** | (200,557) |

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

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



Unconsolidated
## Statement of Changes in Equity
For the year ended December 31, 2022

| | Share capital | Capital reserve<br>Statutory reserve* | Revenue reserve<br>General reserve** | Capital reserve<br>Deficit / on revaluation of assets | Revenue reserve<br>Unappropriated profit | Total |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| **As at January 1, 2021** | 6,000,000 | 1,623,782 | 100,000 | (392,920) | 3,401,713 | 10,732,575 |
| **Total comprehensive income for the year** | | | | | | |
| Profit after taxation for the year ended December 31, 2021 | – | – | – | – | 481,339 | 481,339 |
| **Other comprehensive loss** | | | | | | |
| - Remeasurement gain on defined benefit plan - net of tax | – | – | – | – | (1,517) | (1,517) |
| - Movement in surplus on revaluation of investments - net of tax | – | – | – | (680,379) | – | (680,379) |
| | – | – | – | (680,379) | 479,822 | (200,557) |
| Transfer to statutory reserve | – | 96,268 | – | – | (96,268) | – |
| Transfer to general reserve | – | – | 100,000 | – | (100,000) | – |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Final cash dividend paid for the year ended December 31, 2020 @ Re.0.50 per share | – | – | – | – | (300,000) | (300,000) |
| Balance as at December 31, 2021 | 6,000,000 | 1,720,050 | 200,000 | (1,073,299) | 3,385,267 | 10,232,018 |
| **Total comprehensive income for the year** | | | | | | |
| Profit after taxation for the year ended December 31, 2022 | – | – | – | – | 502,857 | 502,857 |
| **Other comprehensive loss** | | | | | | |
| - Remeasurement gain on defined benefit plan - net of tax | – | – | – | – | (3,355) | (3,355) |
| - Movement in deficit on revaluation of investments - net of tax | – | – | – | (428,293) | – | (428,293) |
| | – | – | – | (428,293) | 499,502 | 71,209 |
| Transfer to statutory reserve | – | 100,571 | – | – | (100,571) | – |
| 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, 2021 @ Re.0.50 per share | – | – | – | – | (300,000) | (300,000) |
| **Balance as at December 31, 2022** | 6,000,000 | 1,820,621 | 300,000 | (1,501,592) | 3,384,198 | 10,003,227 |

* This reserve is created under the requirement of section of 42(2) of SBP Act, 1956.
** This reserve is created under the requirement of Companies Act, 2017 for future losses and other contingencies.

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

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

Unconsolidated

# Cash Flow Statement

For the Year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| | | **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **3,285** | 3,109 | Profit before taxation | | **743,702** | 703,641 |
| **1,266** | 618 | Less: dividend income | | **286,648** | 139,865 |
| **2,019** | 2,491 | | | **457,054** | 563,776 |
| | | **Adjustments:** | | | |
| **148** | 189 | Depreciation | 26 | **33,412** | 42,711 |
| **1** | 6 | Amortisation | 26 | **265** | 1,410 |
| **11** | 26 | Interest expense on lease liability against right-of-use assets | 22 | **2,601** | 5,980 |
| **62** | 54 | Provision for Workers' Welfare Fund | 28 | **14,102** | 12,231 |
| **(156)** | 312 | Provision and write offs | 29 | **(35,340)** | 70,748 |
| **–** | (10) | Gain on sale of assets classified as held-for-sale | 25 | **–** | (2,221) |
| **–** | 1 | (Gain) / Loss on modification of lease receivable | 25 | **(91)** | 317 |
| **(15)** | (1) | Gain on sale of fixed assets | 25 | **(3,344)** | (285) |
| **51** | 577 | | | **11,605** | 130,891 |
| **2,070** | 3,068 | | | **468,659** | 694,667 |
| | | **(Increase) / decrease in operating assets** | | | |
| **(28,971)** | 2,243 | Lendings to financial institutions | | **(6,559,967)** | 507,800 |
| **(17,298)** | (5,696) | Advances | | **(3,916,728)** | (1,289,838) |
| **(2,980)** | 128 | Others assets (excluding advance taxation, non banking assets and dividend receivable) | | **(674,811)** | 28,934 |
| **(49,249)** | (3,325) | | | **(11,151,506)** | (753,104) |
| | | **Increase / (decrease) in operating liabilities** | | | |
| **123,814** | 55,299 | Borrowings from financial institutions | | **28,035,411** | 12,521,412 |
| **21** | (3,445) | Deposits | | **4,768** | (780,000) |
| **2,924** | 110 | Other liabilities (excluding lease liability) | | **662,050** | 24,945 |
| **126,759** | 51,964 | | | **28,702,229** | 11,766,357 |
| **(3,018)** | (1,489) | Income tax paid | | **(683,436)** | (337,095) |
| **76,562** | 50,218 | Net cash generated from operating activities | | **17,335,946** | 11,370,825 |
| | | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **(85,152)** | (42,398) | Net (investments) / divestments in available-for-sale securities | | **(19,281,000)** | (9,600,410) |
| | | Net divestment / (investment) in | | | |
| **220** | (31) | held-to-maturity securities | | **49,858** | (7,116) |
| **12** | (11) | Net investments in held-for-trading securities | | **2,505** | (2,505) |
| **1,266** | 617 | Dividends received | | **286,648** | 139,865 |
| **(36)** | (24) | Investments in operating fixed assets | | **(8,258)** | (5,458) |
| **(4)** | (1) | Investments in operating intangible assets | | **(1,008)** | (16) |
| **16** | 2 | Proceeds from sale of fixed assets | | **3,674** | 422 |
| **–** | – | Proceeds from sale of non-banking assets | | **–** | – |
| **(44)** | – | Investment in Subsidiary (Awwal Corporate Restructuring Company Limited) | | **(10,000)** | – |
| **888** | 292 | Proceeds from sale of assets classified as held-for-sale | | **200,850** | 66,049 |
| **(82,834)** | (41,554) | Net cash used in from investing activities | | **(18,756,731)** | (9,409,169) |
| | | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **(1,325)** | (1,325) | Dividend paid | | **(300,000)** | (300,000) |
| **(130)** | (285) | Rentals paid during the year | | **(29,436)** | (64,422) |
| **(1,455)** | (1,610) | Net cash used in financing activities | | **(329,436)** | (364,422) |
| **(7,727)** | 7,054 | Increase in cash and cash equivalents | | **(1,750,221)** | 1,597,234 |
| **9,661** | 2,607 | Cash and cash equivalents at beginning of the year | | **2,187,445** | 590,211 |
| **1,934** | 9,661 | Cash and cash equivalents at end of the year | 32 | **437,224** | 2,187,445 |

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

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



# Notes to and Forming part of the Unconsolidated Financial Statements

For the Year ended December 31, 2022

## 1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (2021: 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 IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 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. 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, 2022 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) |
|---|---|
| IAS 8 - Definition of Accounting Estimates (Amendments) | 01 January 2023 |
| IAS 12 - Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments) | 01 January 2023 |
| IAS 1 - Disclosure of Accounting Policies (Amendments) | 01 January 2023 |
| IAS 1 - Classification of Liabilities as Current or Non-Current (Amendments) | 01 January 2024 |
| IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments) | 01 January 2024 |
| IFRS 10 / IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) | Not yet finalised |

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

Further, following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 1 – First time adoption of IFRSs | 01 July 2009 |
| IFRS 17 – Insurance Contracts | 01 January 2023 |

SBP has directed banks / DFIs in Pakistan to implement IFRS 9 with effect from 1 January 2023 vide BPRD circular no. 03 dated 5 July 2022. The estimated impact of adoption is Rs. 203 million (net of tax) on retained earnings.

**2.5 IFRS 9 Financial Instruments**

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for DFIs.SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in DFIs.

During the year, the management of the financial institution entity performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the entity at the time of finalizing the impact for initial application of IFRS 9. In addition, the entity will implement changes in classification of certain financial instruments.

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

**2.5.1 Classification and measurement**

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The financial institution's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). Equity instruments are generally measured as Fair Value through Profit & Loss (FVTPL) unless the financial institution elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The financial institution has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

**Equity Securities**

The entity expects to continue measuring equity securities at fair value.

For (certain) quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the entity will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact. The Company will classify all of its investments currently classified under AFS as fair value through OCI.

The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus/deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has allowed relaxation to the financial institutions till one year to carry these investments under the current prudential regulation regime at lower of cost or breakup value.

**Debt securities and Loans and advances**

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those which pass SPPI test are expected to be measured at amortized costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, that fail SPPI test would be measured at fair value through profit and loss.

The Company has assessed that Debt securities amounting PKR 2,289,946 thousand will be reclassified from AFS to fair value through profit and loss. As a result, unrealized loss on these securities amounting to PKR 9,200 thousand will be reclassified from equity to profit and loss statement.

**2.5.2 Impairment**

The impairment requirements apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), loans and receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the entity has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

**2.5.3 Impact of adoption of IFRS 9**

The Company will adopt IFRS 9 in its entirety effective from January 01, 2023 with modified retrospective approach for restatement. As permitted by IFRS-9, the Company will not be restating comparatives on initial application. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period. The actual impact of adopting IFRS 9 on the Company's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Company would hold during next year and economic conditions at that time as well as accounting judgements that will be made in future. Nevertheless, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

**2.5.3.1 Impact on Equity of the Company**

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Company's equity at January 01, 2023, is reduction in equity of approximately Rs. 203 million, representing corresponding impact of:

- An increase of approximately Rs. 214 million (net of tax) related to impairment requirements; and
- A decrease of approximately Rs. 11 million related to classification and measurement requirements, other than impairment. The Company continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

**2.5.3.2 Impact on regulatory capital**

The Banks / Companies are allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the Banks/Companies to absorb the impact on regulatory capital. Accordingly, Banks / Companies, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022. The estimated impact of initial adoption of IFRS 9 on the Company's capital ratios, without accounting for the allowed transitional arrangement, is as follows:

| | As per adopted IFRS 9 | As per Current ARS |
|---|---|---|
| Common Equity Tier 1 Capital Adequacy ratio | 22.07% | 23.02% |
| Tier 1 Capital Adequacy Ratio | 22.07% | 23.02% |
| Total Capital Adequacy Ratio | 22.07% | 23.02% |
| CET1 available to meet buffers (as a percentage of risk weighted assets) | 10.57% | 11.35% |

**2.5.4 Loan / financing related fee**

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

**2.5.5 Presentation and disclosure**

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of financial institution's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.



SBP has notified revised formats for reporting of annual and interim financial statements vide circular number 02 of 2023. The Company will prepare financial statements in accordance with revised formats provided by SBP from accounting period beginning January 01, 2023.

**2.6 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 non performing loans and advances (notes 4.5 and 9 and 29);
**iii)** provision for defined benefit plan (notes 4.13 and 34);
**iv)** lease liability and right-of-use assets (notes 4.6.2 and 10);
**v)** taxation (notes 4.11 and 30);
**vi)** assets classified as held-for-sale (notes 14); and
**vii)** provision against off balance sheet obligations and contingent liabilities (note 20).

**2.7 Separate financial statements**

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

## 3 BASIS OF MEASUREMENT

**3.1 Accounting convention**

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

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

**3.2 US Dollar equivalent**

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs 226.4309 to US Dollars has been used for 2022 and 2021 as it was the prevalent rate on December 31, 2022.

**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 using the rates issued by Mutual Fund Association of Pakistan (MUFAP). However, for those securities whose market value is not readily available from MUFAP are carried at cost. Any surplus or deficit arising as a result of revaluation is taken to 'unconsolidated statement of comprehensive income'.

**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 time when proceeds are received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred using the effective interest rate 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, 2022.

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

**Defined contribution plan - staff provident fund**

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

**4.14 Financial instruments**

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

**Derivative financial instruments**

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

**Offsetting**

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

**4.15 Provisions, contingent assets and contingent liabilities**

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

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

**4.16 Commitments**

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

**4.17 Revenue recognition**

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

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

**4.18 Earnings per share**

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

**4.19 Foreign currency transactions**

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

**4.20 Proposed dividends and transfers between reserves**

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

**4.21 Segment reporting**

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

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

**4.21.1 Business segments**

**Corporate finance**

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

**Trading and sales**

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

**Commercial banking**

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

**4.21.2 Geographical segments**

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

## 5 CASH AND BALANCES WITH TREASURY BANKS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| With State Bank of Pakistan in: | | | |
| Local currency current account | 5.1 | **336,633** | 122,751 |

**5.1** This includes Rs. 121.465 million (2021: Rs.19.547 million) held as minimum cash reserve required to be maintained with the SBP in accordance with the requirements issued from time to time.

## 6 BALANCES WITH OTHER BANKS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| In Pakistan | | | |
| In deposit accounts | 6.1 | **100,591** | 64,694 |

**6.1** These carry mark-up rates of 4.40% to 14.51% per annum (2021: 2.33% to 8.26% per annum).

## 7 LENDINGS TO FINANCIAL INSTITUTIONS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Repurchase agreement lendings (reverse repo) | 7.1 | **6,559,967** | – |
| Term deposit receipts (TDRs) | | **–** | 2,000,000 |
| | | **6,559,967** | 2,000,000 |

**7.1** These carry mark-up at rates ranging from 15.50% to 16.20% (2021: 11.75% to 14%) and and are due to mature latest by January 16, 2023 (2021: January 6, 2022).

### 7.2 Particulars of lending

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| In local currency | | 6,559,967 | 2,000,000 |
| In foreign currencies | | – | – |
| | | 6,559,967 | 2,000,000 |

### 7.3 Securities held as collateral against lendings to financial institutions

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Held by the company | Further given as collateral | Total | Held by the company | Further given as collateral | Total |
| Pakistan Investment Bonds | 2,489,398 | – | 2,489,398 | – | – | – |
| Market Treasury Bills | 4,070,569 | (3,883,572) | 186,997 | – | – | – |
| Total | 6,559,967 | (3,883,572) | 2,676,395 | – | – | – |

## 8. INVESTMENTS

### 8.1 Investments by type:

(Rupees in '000)

| | Note | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| **Held-for-trading securities** | | | | | | | | | |
| Ordinary shares | | – | – | – | – | 2,501 | – | 4 | 2,505 |
| | | – | – | – | – | 2,501 | – | 4 | 2,505 |
| **Available-for-sale securities** | | | | | | | | | |
| Federal government securities | 8.3 | 40,669,231 | – | (1,695,365) | 38,973,866 | 22,597,778 | – | (1,188,220) | 21,409,558 |
| Ordinary shares | | 1,798,875 | (26,315) | (431,770) | 1,340,790 | 1,110,619 | (27,891) | (263,316) | 819,412 |
| Non-government debt securities | 8.1.1 | 2,748,404 | (263,332) | (7,716) | 2,477,356 | 2,227,114 | (266,221) | 1,040 | 1,961,933 |
| | | 45,216,510 | (289,647) | (2,134,851) | 42,792,012 | 25,935,511 | (294,112) | (1,450,496) | 24,190,903 |
| **Held-to-maturity securities** | | | | | | | | | |
| Commercial paper | | – | – | – | – | 49,858 | – | – | 49,858 |
| | | – | – | – | – | 49,858 | – | – | 49,858 |
| **Subsidiaries** | 8.4 | 2,013,372 | – | – | 2,013,372 | 2,003,372 | – | – | 2,003,372 |
| **Total investments** | | 47,229,882 | (289,647) | (2,134,851) | 44,805,384 | 27,991,242 | (294,112) | (1,450,492) | 26,246,638 |

**8.1.1** This includes privately placed Corporate Sukuks and Term Finance Certificates (TFCs) amounting to Rs. 1,278.15 million which are carried at cost as their market value is not readily available from Mutual Fund Association of Pakistan (MUFAP).

### 8.2 Investments by segments:

(Rupees in '000)

| | Note | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| **Federal government securities** | | | | | | | | | |
| Market Treasury Bills | | – | – | – | – | 9,742,610 | – | (117,594) | 9,625,016 |
| - Pakistan Investment Bonds - Fixed Rate | | 8,314,870 | – | (1,704,313) | 6,610,558 | 8,365,115 | – | (1,074,449) | 7,290,666 |
| - Pakistan Investment Bonds - Floater | | 32,354,361 | – | 8,948 | 32,363,308 | 4,490,053 | – | 3,823 | 4,493,876 |
| | | 40,669,231 | – | (1,695,365) | 38,973,866 | 22,597,778 | – | (1,188,220) | 21,409,558 |
| **Ordinary shares** | | | | | | | | | |
| Listed companies | | 1,777,544 | (4,984) | (431,770) | 1,340,790 | 1,091,789 | (6,560) | (263,312) | 821,917 |
| Unlisted companies | | 21,331 | (21,331) | – | – | 21,331 | (21,331) | – | – |
| | | 1,798,875 | (26,315) | (431,770) | 1,340,790 | 1,113,120 | (27,891) | (263,312) | 821,917 |
| **Non-government debt securities** | | | | | | | | | |
| Listed | | 1,148,841 | (14,361) | (7,716) | 1,126,764 | 1,101,946 | (15,841) | 1,040 | 1,087,145 |
| Unlisted | | 1,599,563 | (248,971) | – | 1,350,592 | 1,125,168 | (250,380) | – | 874,788 |
| | | 2,748,404 | (263,332) | (7,716) | 2,477,356 | 2,227,114 | (266,221) | 1,040 | 1,961,933 |
| **Commercial paper** | | – | – | – | – | 49,858 | – | – | 49,858 |
| **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 |
| Awwal Corporate Restructuring Company Limited | | 10,000 | – | – | 10,000 | – | – | – | – |
| | 8.4 | 2,013,372 | – | – | 2,013,372 | 2,003,372 | – | – | 2,003,372 |
| **Total investments** | | 47,229,882 | (289,647) | (2,134,851) | 44,805,384 | 27,991,242 | (294,112) | (1,450,492) | 26,246,638 |

### 8.2.1 Investments given as collateral

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost / amortised cost | Surplus / (deficit) | Carrying value | Cost / amortised cost | Surplus / (deficit) | Carrying value |
| Pakistan Investment Bonds | 34,512,294 | (1,306,329) | 33,205,965 | 11,591,587 | (895,056) | 10,696,531 |
| Market Treasury Bills | – | – | – | 8,940,956 | (107,852) | 8,833,104 |
| Term finance certificates / sukuks certificates | 759,760 | (7,715) | 752,045 | 759,788 | – | 759,788 |
| Ordinary shares | 118,576 | (31,420) | 87,156 | 161,026 | (42,402) | 118,624 |
| | 35,390,630 | (1,345,464) | 34,045,166 | 21,453,357 | (1,045,310) | 20,408,047 |

**8.3** Market Treasury Bills carry effective yield of Nil (2021: 7.66% to 7.67%) per annum and will mature on nil. (2021: 8 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% to 16.97% (2021: 7.00% to 13.00%) per annum on a semi-annual basis and will mature within 17 years (2021: 18 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)

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Percentage of holding | Country of incorporation | Total assets | Total liabilities | Revenue | Profit / (loss) after tax | Total comprehensive income / (loss) | Cost |
| **Investment in subsidiaries** | | | | | | | | |
| Awwal Modaraba Management Limited | 100.00 | Pakistan | 141,533 | 123,436 | 12,079 | (31,091) | (51,983) | **105,000** |
| Awwal Modaraba* | 89.78 | Pakistan | 1,198,364 | 40,291 | 97,427 | 27,854 | 22,544 | **898,372** |
| Primus Leasing Limited | 100.00 | Pakistan | 2,761,253 | 1,701,782 | 304,088 | 126,192 | 126,192 | **1,000,000** |
| Awwal Corporate Restructuring Company Limited | 100.00 | Pakistan | 10,546 | 1,228 | 546 | (682) | (682) | **10,000** |
| | | | | | | | | **2,013,372** |

(Rupees in '000)

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

* The details for Awwal Modaraba have been provided based on its audited financial statements for the year ended June 30, 2022.

### 8.5 Provision for diminution in value of investments

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| 8.5.1 Opening balance | **294,112** | 346,947 |
| **Charge / reversals** | | |
| Charge for the year | **14,972** | 1,998 |
| Reversals for the year | **(19,437)** | (54,833) |
| | **(4,465)** | (52,835) |
| Closing balance | **289,647** | 294,112 |

### 8.5.2 Particulars of provision against debt securities

(Rupees in '000)

| Category of classification | 2022 | | 2021 | |
|---|---|---|---|---|
| | Non-performing investments | Provision | Non-performing investments | Provision |
| **Domestic** | | | | |
| Loss | **263,332** | **263,332** | 266,221 | 266,221 |

### 8.6 Quality of available-for-sale securities

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

(Rupees in '000)

| | 2022 | 2021 |
|---|---|---|
| | Cost | |
| **Federal government securities - Government guaranteed** | | |
| Market Treasury Bills | **–** | 9,742,610 |
| Pakistan Investment Bonds | **40,669,231** | 12,855,168 |
| | **40,669,231** | 22,597,778 |
| **Ordinary shares** | | |
| ***Listed companies*** | | |
| Oil and gas marketing / exploration companies | **148,834** | 135,295 |
| Power generation and distribution | **742,546** | 435,440 |
| Cement | **607,437** | 281,242 |
| Engineering | **172,031** | 51,484 |
| Food and personal care products | **–** | 42,623 |
| Textile composite | **106,696** | 72,863 |
| Technology and communication | **–** | 37,097 |
| Refinery | **–** | 35,745 |
| | **1,777,544** | 1,091,789 |

All shares are ordinary shares of Rs. 10.

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Breakup value | Cost | Breakup value |
| ***Unlisted companies*** | | | | |
| Pakistan Mercantile Exchange Limited* | **21,331** | **6,844** | 21,331 | 2,789 |

* This investment has been fully provided.

(Rupees in '000)

| | 2022 | 2021 |
|---|---|---|
| | Cost | |
| **Non-government debt securities** | | |
| ***Listed*** | | |
| - AAA | **186,105** | 486,105 |
| - AA+, AA, AA- | **948,375** | 500,000 |
| - A+, A, A- | **–** | 100,000 |
| - CCC and below | **14,361** | 15,841 |
| | **1,148,841** | 1,101,946 |
| ***Unlisted*** | | |
| - AAA | **100,339** | – |
| - AA+, AA, AA- | **1,099,840** | 834,860 |
| - A+, A, A- | **150,412** | 39,928 |
| - CCC and below | **143,472** | 137,684 |
| - Unrated | **105,500** | 112,696 |
| | **1,599,563** | 1,125,168 |

(Rupees in '000)

| | 2022 | 2021 |
|---|---|---|
| | Cost | |
| **Equity securities** | | |
| ***Listed*** | | |
| **Oil and gas marketing / exploration companies** | | |
| Oil and Gas Development Company Limited | **46,542** | 57,293 |
| Sui Northern Gas Pipelines Limited | **62,928** | 53,323 |
| Sui Southern Gas Company Limited | **39,364** | 24,679 |
| **Power generation and distribution** | | |
| The Hub Power Company Limited | **184,294** | 38,780 |
| K-Electric Limited | **11,734** | 24,562 |
| Kot Addu Power Company Limited | **240,486** | 136,936 |
| Nishat Power Limited | **306,032** | 235,162 |
| **Cement** | | |
| D.G. Khan Cement Company Limited | **102,691** | 39,412 |
| Lucky Cement Limited | **169,505** | 101,094 |
| Maple Leaf Cement Factory Limited | **178,119** | 83,684 |
| Power Cement Limited | **157,122** | 57,052 |
| **Engineering** | | |
| International Industries Limited | **172,031** | 51,484 |
| **Food and personal care products** | | |
| Treet Corporation Limited | **–** | 42,623 |
| **Textile composite** | | |
| Nishat Mills Limited | **106,696** | 72,863 |
| **Technology and communication** | | |
| NetSol Technologies Limited | **–** | 37,097 |
| **Refinery** | | |
| Cnergyico PK Limited (formerly: Byco Petroleum Pakistan Limited) | **–** | 35,745 |
| | **1,777,544** | 1,091,789 |
| ***Unlisted*** | | |
| Pakistan Mercantile Exchange Limited | **21,331** | 21,331 |

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

| | 2022 | 2021 |
|---|---|---|
| ***Non-government debt securities*** | | |
| **Unlisted and unrated** | | |
| Commercial paper | **–** | 49,858 |

**8.7.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. Nil million (2021: Rs. 49.857 million).

## 9 ADVANCES

(Rupees in '000)

| | Note | Performing 2022 | Performing 2021 | Non-performing 2022 | Non-performing 2021 | Total 2022 | Total 2021 |
|---|---|---|---|---|---|---|---|
| Loans, cash credits, running finances, etc. | 9.1 | **23,826,850** | 19,828,288 | **881,635** | 1,018,878 | **24,708,485** | 20,847,166 |
| Advances - gross | | **23,826,850** | 19,828,288 | **881,635** | 1,018,878 | **24,708,485** | 20,847,166 |
| **Provision against advances** | 9.4 | | | | | | |
| - Specific | | **–** | – | **500,622** | 497,025 | **500,622** | 497,025 |
| - General | | **–** | 50,000 | **–** | – | **–** | 50,000 |
| | | **–** | 50,000 | **500,622** | 497,025 | **500,622** | 547,025 |
| Advances - net of provision | | **23,826,850** | 19,778,288 | **381,013** | 521,853 | **24,207,863** | 20,300,141 |

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

(Rupees in '000)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **452,151** | **451,734** | **–** | **903,885** | 309,228 | 498,194 | – | 807,422 |
| Residual value | **68,670** | **211,276** | **–** | **279,946** | 153,006 | 139,613 | – | 292,619 |
| Minimum lease payments | **520,821** | **663,010** | **–** | **1,183,831** | 462,234 | 637,807 | – | 1,100,041 |
| Financial charges for future periods | **(106,892)** | **(51,130)** | **–** | **(158,022)** | (67,309) | (51,061) | – | (118,370) |
| Present value of minimum lease payments | **413,929** | **611,880** | **–** | **1,025,809** | 394,925 | 586,746 | – | 981,671 |

**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 30% (2021: 10% to 25%) of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 9.43% to 24% per annum (2021: 9.68% to 16.47% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are pledged in favour of the Company.

**9.2 Particulars of advances (gross)**

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| In local currency | **24,708,485** | 20,847,166 |
| In foreign currencies | **–** | – |
| | **24,708,485** | 20,847,166 |

**9.3** Advances include Rs. 881.635 million (2021: Rs. 1,018.878 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

| Category of classification | Note | 2022 Non Performing Loans | 2022 Provision | 2021 Non Performing Loans | 2021 Provision |
|---|---|---|---|---|---|
| **Domestic** | | | | | |
| Other Assets Especially Mentioned | 9.3.1 | **7,175** | **717** | 1,500 | 150 |
| Substandard | | **3,528** | **882** | 47,356 | 11,839 |
| Doubtful | | **15,220** | **7,386** | 2,141 | 1,070 |
| Loss | | **855,712** | **491,637** | 967,881 | 483,966 |
| Total | | **881,635** | **500,622** | 1,018,878 | 497,025 |

**9.3.1** The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 7.175 million (2021: Rs. 1.5 million).

### 9.4 Particulars of provision against advances

(Rupees in '000)

| | Note | 2022 Specific | 2022 General | 2022 Total | 2021 Specific | 2021 General | 2021 Total |
|---|---|---|---|---|---|---|---|
| Opening balance | | **497,025** | **50,000** | **547,025** | 423,442 | – | 423,442 |
| Charge for the year | | **101,127** | **–** | **101,127** | 84,982 | 50,000 | 134,982 |
| Reversals | | **(110,075)** | **(50,000)** | **(160,075)** | (11,399) | – | (11,399) |
| | | **(8,948)** | **(50,000)** | **(58,948)** | 73,583 | 50,000 | 123,583 |
| Provision due to conversion of investments | 9.4.3 | **12,545** | **–** | **12,545** | – | – | – |
| Amounts written off | | **–** | **–** | **–** | – | – | – |
| Closing balance | | **500,622** | **–** | **500,622** | 497,025 | 50,000 | 547,025 |

### 9.4.1 Particulars of provision against advances

(Rupees in '000)

| | 2022 Specific | 2022 General | 2022 Total | 2021 Specific | 2021 General | 2021 Total |
|---|---|---|---|---|---|---|
| In local currency | **500,622** | **–** | **500,622** | 497,025 | 50,000 | 547,025 |
| In foreign currencies | **–** | **–** | **–** | – | – | – |
| | **500,622** | **–** | **500,622** | 497,025 | 50,000 | 547,025 |

**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. 364.074 million (2021: Rs. 483.916 million). The FSV benefit availed - net of tax amounting to Rs. 243.929 million (2021: 343.580 million) is not available for the distribution as either cash or stock dividend to the shareholders.

**9.4.3** This provision has been booked against the term loan recorded in settlement / restructuring of Company's investment in Privately Placed Term Finance Certificates of Azgard Nine Limited as per the terms of the Honorable Lahore High Court Approved Scheme of Arrangement ("the Approved Scheme"). This term loan shall be settled from proceeds of ANL Muzaffargarh Unit as per the Approved Scheme.

**9.5 Details of loans written-off of Rs.500,000 and above**
During the years ended December 31, 2022, write-offs of loans within or above Rs 500,000 amounted to Rs. 28.073 million (2021: Nil).



## 10 FIXED ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Property and equipment | 10.1 | **16,037** | 19,084 |
| Right-of-use assets | 10.1 | **40,269** | 35,460 |
| | | **56,306** | 54,544 |

### 10.1 Property and equipment

(Rupees in '000)

| 2022 | Note | Right-of-use-asset | Leasehold improvements | Furniture and fixtures | Electrical, office and computer equipment | Vehicles | Mobile phones | Total |
|---|---|---|---|---|---|---|---|---|
| **At January 1, 2022** | | | | | | | | |
| Cost | | **127,060** | **46,924** | **17,333** | **43,135** | **36,734** | **409** | **271,595** |
| Accumulated depreciation | | **(91,600)** | **(45,645)** | **(16,548)** | **(34,800)** | **(28,049)** | **(409)** | **(217,051)** |
| Net book value | | **35,460** | **1,279** | **785** | **8,335** | **8,685** | **–** | **54,544** |
| **Year ended December 31, 2022** | | | | | | | | |
| Opening net book value | | **35,460** | **1,279** | **785** | **8,335** | **8,685** | **–** | **54,544** |
| Additions | | **–** | **18** | **220** | **2,180** | **5,840** | **–** | **8,258** |
| Lease modification | | **27,246** | **–** | **–** | **–** | **–** | **–** | **27,246** |
| **Disposals** | | | | | | | | |
| Cost | | **–** | **–** | **–** | **(1,762)** | **(3,173)** | **–** | **(4,935)** |
| Accumulated depreciation | | **–** | **–** | **–** | **1,762** | **2,843** | **–** | **4,605** |
| | 10.1.1 | **–** | **–** | **–** | **–** | **(330)** | **–** | **(330)** |
| Depreciation charge | | **(22,437)** | **(739)** | **(567)** | **(4,121)** | **(5,548)** | **–** | **(33,412)** |
| Closing net book value | 10.1.2 | **40,269** | **558** | **438** | **6,394** | **8,647** | **–** | **56,306** |
| **At December 31, 2022** | | | | | | | | |
| Cost | | **154,306** | **46,942** | **17,553** | **45,315** | **42,244** | **409** | **306,769** |
| Accumulated depreciation | | **(114,037)** | **(46,384)** | **(17,115)** | **(38,921)** | **(33,597)** | **(409)** | **(250,463)** |
| Net book value | 10.1.2 | **40,269** | **558** | **438** | **6,394** | **8,647** | **–** | **56,306** |
| **Rate of depreciation (percentage)** | | **33.33% - 50%** | **20%** | **20%** | **20% - 33.33%** | **25%** | **50%** | **–** |

(Rupees in '000)

| 2021 | Note | Right-of-use-asset | Leasehold improvements | Furniture and fixtures | Electrical, office and computer equipment | Vehicles | Mobile phones | Total |
|---|---|---|---|---|---|---|---|---|
| **At January 1, 2021** | | | | | | | | |
| Cost | | 150,597 | 46,924 | 17,333 | 37,792 | 36,756 | 409 | 289,811 |
| Accumulated depreciation | | (59,617) | (44,817) | (15,899) | (29,983) | (23,615) | (409) | (174,340) |
| Net book value | | 90,980 | 2,107 | 1,434 | 7,809 | 13,141 | – | 115,471 |
| **Year ended December 31, 2021** | | | | | | | | |
| Opening net book value | | 90,980 | 2,107 | 1,434 | 7,809 | 13,141 | – | 115,471 |
| Additions | | – | – | – | 5,458 | – | – | 5,458 |
| Lease modification | | (23,537) | – | – | – | – | – | (23,537) |
| **Disposals** | | | | | | | | |
| Cost | | – | – | (490) | (3,050) | (224) | – | (3,764) |
| Accumulated depreciation | | – | – | 490 | 2,935 | 202 | – | 3,627 |
| | 10.1.1 | – | – | – | (115) | (22) | – | (137) |
| Depreciation charge | | (31,983) | (828) | (649) | (4,817) | (4,434) | – | (42,711) |
| Closing net book value | 10.1.2 | 35,460 | 1,279 | 785 | 8,335 | 8,685 | – | 54,544 |
| **At December 31, 2021** | | | | | | | | |
| Cost | | 127,060 | 46,924 | 17,333 | 43,135 | 36,734 | 409 | 271,595 |
| Accumulated depreciation | | (91,600) | (45,645) | (16,548) | (34,800) | (28,049) | (409) | (217,051) |
| Net book value | 10.1.2 | 35,460 | 1,279 | 785 | 8,335 | 8,685 | – | 54,544 |
| Rate of depreciation (percentage) | | 33.33%-36.36% | 20% | 20% | 20%-33.33% | 25% | 50% | – |

### 10.1.1 Details of disposal made to related parties

| Particulars of assets | Cost | Book value | Sale price | Mode of disposal | Particular of purchaser |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **2022** | | | | | |
| **Electrical, office and computer equipment** | | | | | |
| Laptop | 303 | – | 0.10 | Sale | Ayesha Aziz (Managing Director) |
| Laptop | 58 | – | 0.10 | Sale | Rais Sheikh (Chief Information Officer) |
| | **361** | **–** | **0.20** | | |

| Particulars of assets | Cost | Book value | Sale price | Mode of disposal | Particular of purchaser |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **2021** | | | | | |
| **Electrical, office and computer equipment** | | | | | |
| Laptop | 86 | – | 50 | Sale | Abdul Hafeez (Ex-employee) |
| Laptop | 140 | 66 | 95 | Sale | Ahmed Ateeq (Ex-employee) |
| | **226** | **66** | **145** | | |

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Leasehold improvements | | **43,097** | 43,044 |
| Furniture and fixtures | | **14,509** | 13,539 |
| Electrical, office and computer equipment | | **23,978** | 20,368 |
| Vehicles | | **1,361** | 4,429 |
| | | **82,945** | 81,380 |

## 11 INTANGIBLE ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| Intangible assets | 11.1 | **3,267** | 170 |
| Capital work-in-progress | 11.2 | **–** | 2,354 |
| | | **3,267** | 2,524 |



### 11.1 Intangible assets

| | Note | 2022 Computer software |
|---|---|---|
| | | (Rupees in '000) |
| **At January 1, 2022** | | |
| Cost | | **19,050** |
| Accumulated amortisation | | **(18,880)** |
| Net book value | | **170** |
| **Year ended December 31, 2022** | | |
| Opening net book value | | **170** |
| Additions | | **3,362** |
| Amortisation charge | | **(265)** |
| Closing net book value | | **3,267** |
| **At December 31, 2022** | | |
| Cost | 11.1.1 | **22,412** |
| Accumulated amortisation | | **(19,145)** |
| Net book value | | **3,267** |
| Rate of amortisation (percentage) | | **33.33%** |
| Useful life (in years) | | **3** |

| | Note | 2021 Computer software |
|---|---|---|
| | | (Rupees in '000) |
| **At January 1, 2021** | | |
| Cost | | 19,050 |
| Accumulated amortisation | | (17,470) |
| Net book value | | 1,580 |
| **Year ended December 31, 2021** | | |
| Opening net book value | | 1,580 |
| Additions | | – |
| Amortisation charge | | (1,410) |
| Closing net book value | | 170 |
| **At December 31, 2021** | | |
| Cost | 11.1.1 | 19,050 |
| Accumulated amortisation | | (18,880) |
| Net book value | | 170 |
| 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. 19.053 million (2021: Rs. 18.423 million).

### 11.2 Capital work-in-progress

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Advance against software | – | 2,354 |

## 12 DEFERRED TAX ASSETS

(Rupees in '000)

| | 2022 | | | |
|---|---|---|---|---|
| | At January 1, 2022 | Recognised in unconsolidated profit and loss account | Recognised in OCI | At December 31, 2022 |
| **Deductible temporary differences on** | | | | |
| - Accelerated tax depreciation | 5,547 | (2,945) | – | 2,602 |
| - Lease liability | 803 | 8,712 | – | 9,515 |
| - Carry forward of alternate corporate tax | 49,910 | (49,910) | – | – |
| - Provision for Bonus | 16,776 | 2,694 | – | 19,470 |
| - Provision for diminution in the value of investments | 82,663 | 12,098 | – | 94,761 |
| - Provision against advances, other assets, etc. | 158,637 | 6,568 | – | 165,205 |
| - Deficit on revaluation of investments | 377,197 | – | 256,062 | 633,259 |
| - Unrealized loss on equity investments | – | 170 | – | 170 |
| - Amortisation of Premium on investments | (105,280) | 126,374 | – | 21,094 |
| | 586,253 | 103,761 | 256,062 | 946,076 |
| **Taxable temporary differences on:** | | | | |
| - Net investment in finance lease | (25,036) | (23,488) | – | (48,524) |
| - Right-of-use assets | (10,283) | (3,006) | – | (13,289) |
| - Post retirement employee benefits | (1,921) | – | 1,652 | (269) |
| | (37,240) | (26,494) | 1,652 | (62,082) |
| | 549,013 | 77,267 | 257,714 | 883,994 |

(Rupees in '000)

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



## 13 OTHER ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Income / mark-up accrued in local currency | | 1,405,833 | 604,269 |
| Advances, deposits, advance rent and other prepayments | | 17,472 | 19,888 |
| Advance taxation (payments less provisions) | | 1,155,669 | 790,357 |
| Advance against subscription of term finance certificates | | – | 70,500 |
| Receivable against sale of shares | | – | 56,317 |
| Receivable from related parties | 13.1 | 4,985 | 2,462 |
| Lease receivable under IFRS-16 | 13.1.1 | 606 | 1,096 |
| Advance against investment in right shares -related party | 13.2 | 40,000 | 40,000 |
| Receivable from defined benefit plan - related party | 34 | 3,260 | 7,820 |
| | | 2,627,825 | 1,592,709 |
| Less: Provision held against other assets | | – | – |
| | | 2,627,825 | 1,592,709 |

### 13.1 Receivable from related parties

| | 2022 | 2021 |
|---|---|---|
| Receivable from Awwal Modaraba (subsidiary) | 1,124 | 837 |
| Receivable from other Modarabas managed by Awwal Modaraba Management Limited (related parties) | 810 | 810 |
| Receivable from Primus Leasing Company Limited (subsidiary) | 2,120 | 695 |
| Receivable from Awwal Corporate Restructuring Company Limited (subsidiary) | 931 | 120 |
| | 4,985 | 2,462 |

**13.1.1** This represents lease receivable against sublease under IFRS-16 amounting to Rs. 0.606 million (2021: Rs. 1.096 million) from Primus Leasing Limited.

### 13.1.2 Particulars of lease receivable under finance lease

(Rupees in '000)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 406 | 244 | – | 650 | 704 | 488 | – | 1,192 |
| Minimum lease payments | 406 | 244 | – | 650 | 704 | 488 | – | 1,192 |
| Financial charges for future periods | (38) | (6) | – | (44) | (79) | (17) | – | (96) |
| Present value of minimum lease payments | 368 | 238 | – | 606 | 625 | 471 | – | 1,096 |

**13.2** The Company has paid an advance against right issue to the Awwal Modaraba Management Limited (Subsidiary Company) amounting to Rs 40 million against which shares have not been issued as at December 31, 2022.

## 14 ASSETS CLASSIFIED AS HELD-FOR-SALE

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| ***Land, building and machinery acquired from:*** | | | |
| Sufi Steel Industries (Private) Limited | | **186,895** | 387,745 |
| Lion Steel Industries (Private) Limited | | **168,904** | 129,023 |
| Total assets classified as held-for-sale | 14.1 | **355,799** | 516,768 |

**14.1** These represent land, building and machinery which have been classified as 'non-current assets as held for sale' as at December 31, 2021. The Company acquired these assets by settling total outstanding principal and mark-up of Rs 494 million and Rs 62 million respectively. It is expected that the process of sale of these assets will be completed in the near future.

**14.2 Movement of assets classified as held for sale:**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Opening | | **516,768** | 580,596 |
| Additions | | **39,881** | 42,912 |
| Disposals | 14.3 | **(200,850)** | (106,740) |
| Closing | | **355,799** | 516,768 |

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

| | | | |
|---|---|---|---|
| Disposal proceed | | **200,850** | 108,961 |
| Less: cost | | **200,850** | 106,740 |
| | | **–** | 2,221 |

## 15 BORROWINGS

| | Note | 2022 | 2021 |
|---|---|---|---|
| ***Secured*** | | | |
| Borrowings from State Bank of Pakistan under: | | | |
| - Long-Term Finance Facility (LTFF) scheme | 15.2 | **4,085,463** | 4,776,169 |
| - Power Plants Using Renewable Energy (PPRE) scheme | 15.3 | **170,662** | 65,567 |
| - Temporary Economic Refinance Facility (TERF) | 15.4 | **789,398** | 742,405 |
| - Finance for Storage of Agriculture Produce (FSAP) scheme | 15.5 | **89,302** | 148,887 |
| - Credit Guarantee (CGS) Scheme | 15.6 | **119,462** | 53,119 |
| - Special Persons (SP) Scheme | 15.7 | **3,710** | 3,850 |
| - Working Capital (WCF) Scheme | 15.8 | **750,046** | 353,834 |
| - COVID - 19 Scheme | 15.9 | **6,000** | 8,000 |
| - Balancing, Modernization & Replacement (BMR) scheme | 15.10 | **363,649** | 97,991 |
| | | **6,377,692** | 6,249,822 |
| Repurchase agreement borrowings | 15.11 | **13,876,732** | 19,495,978 |
| Borrowings from banks | 15.12 | **36,229,167** | 10,262,441 |
| Total secured | | **56,483,591** | 36,008,241 |
| ***Unsecured*** | | | |
| Letters of placement: | | | |
| - Awwal Modaraba (subsidiary) | | **–** | 39,000 |
| - Staff retirement funds (related party) | | **–** | 66,654 |
| - Other Modarabas managed by Awwal Modaraba Management Limited (related parties) | | **–** | 124,500 |
| - Others | | **11,836,644** | 4,046,429 |
| | 15.13 | **68,320,235** | 40,284,824 |



**15.1 Particulars of borrowings with respect to currencies**

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| In local currency | **68,320,235** | 40,284,824 |
| In foreign currencies | **–** | – |
| | **68,320,235** | 40,284,824 |

**15.2** The Company has entered into agreements for financing with the SBP for Long-Term Financing under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2% to 7% per annum (2021: 2% to 6% per annum). These are secured against demand promissory notes and are repayable within 9 years (2021: 9 years).

**15.3** These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at rates ranging from 2.00% to 5.00% per annum (2021: 2.00% to 5.00% per annum) and are due to mature latest by June 30, 2029. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.4** These represent borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1% per annum (2021: 1% per annum) payable on quarterly basis, with maturities upto May, 2032 (2021: December, 2031). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.5** These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of 2.5% per annum (2021: 3% to 4% per annum) and are due to be matured by October 31, 2028.

**15.6** These represent borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2021: 0% per annum) payable on quarterly basis, with maturities upto November, 2027 (2021: November, 2026). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.7** These represent financing facilities to special persons to meet credit needs for setting up of new business enterprises or for expansion of existing ones and claim refinance from State Bank of Pakistan up to 100% of finance extended by them. The spread is capped at 5% per annum (2021: 5% per annum) by SBP whereas SBP's refinance rate for this facility is 0% per annum (2021: 0% per annum) with maturities upto September 2027. In case of default of the counterparty, upto 60% of principal is covered by SBP. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.8** These represent borrowings from the SBP under scheme for working capital facilities. The mark-up rate applicable on these facilities is 2% per annum (2021: 2% per annum) payable on quarterly basis, with maturities upto December 2023. 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.

**15.9** In accordance with the refinance facility for combating COVID-19, the Company has entered into agreements for financing with the SBP for extending medical equipment finances to the customers. The average profit rate on this facility is 0% (2021: Nil) with maturities upto October 2025. As per the agreements, the Company has granted the SBP the right to recover the outstanding amounts from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP.

**15.10** These represent borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% to 2% per annum (2021: 1% to 2% per annum) payable on quarterly basis, with maturities upto April 2028 (2021: December, 2026). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.11** These represent borrowings from various financial institutions at mark-up rates ranging from 16.09% to 16.10% per annum (2021: 10.01% to 10.75% per annum). Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 10,000 million (2021: 11,400 million) and Rs. 4,000 million (2021: Rs. 9,200 million) have been given as collateral against these borrowings respectively.

**15.12** These borrowings carry mark-up at rates ranging from 15.92% to 17.29% per annum (2021: 7.79% to 11.65% per annum) and are repayable within 5 years (2021: 3 years). These are secured against hypothecation of receivables, PIBs having a face value of Rs. 24.98 billion and floating charge over term finance certificates having a face value of Rs. 750 million (2021: 760 million).

**15.13 Particulars of borrowings**

| | 2022 | | |
|---|---|---|---|
| | Minimum (%) | Maximum (%) | Tenor |
| Letters of placement: | | | |
| - Awwal Modaraba (subsidiary) | – | – | – |
| - Staff retirement funds | – | – | – |
| - Other related parties | – | – | – |
| - Others | **7.10** | **16.50** | **5 months** |

| | 2021 | | |
|---|---|---|---|
| | Minimum (%) | Maximum (%) | Tenor |
| Letters of placement: | | | |
| - Awwal Modaraba (subsidiary) | 7.10 | 7.10 | 1 month |
| - Staff retirement funds | 9.00 | 14.00 | 1 year |
| - Other related parties | 7.10 | 7.10 | 1 month |
| - Others | 8.25 | 9.6 | 3 months |

## 16 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

| | Note | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| **Customers** | | | | | | | |
| - Certificate of investments (COIs) | 16.1 | **54,768** | – | **54,768** | 50,000 | – | 50,000 |
| **Financial institutions** | | | | | | | |
| - Certificate of investments (COIs) | 16.1 | – | – | – | – | – | – |
| | 16.2 | **54,768** | – | **54,768** | 50,000 | – | 50,000 |



**16.1** These Certificate of Investments (COIs) carry mark-up rate of 15% per annum (2021: 11.25% per annum) with maturity on December 22, 2023 (2021: December 23, 2022).

**16.2 Composition of deposits**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| - Public sector entities | | – | – |
| - Private sector | | **54,768** | 50,000 |
| | | **54,768** | 50,000 |

## 17 OTHER LIABILITIES

| | Note | 2022 | 2021 |
|---|---|---|---|
| Mark-up / return / interest payable in local currency | | **797,888** | 200,945 |
| Unearned commission and income on bills discounted | | **28,998** | 26,283 |
| Accrued expenses | | **86,826** | 81,173 |
| Brokerage / commission payable | | **1,584** | 1,266 |
| Payable against purchase of shares | | **120,362** | 89,311 |
| Payable to related party | 17.1 | **28** | 28 |
| Lease liability against right-of-use assets | | **28,834** | 29,457 |
| Security deposits against advances | | **295,565** | 292,617 |
| Provision for Worker's Welfare Fund | | **148,995** | 134,893 |
| Advance from customers | | – | 13,293 |
| Others | | **50,319** | 13,674 |
| | | **1,559,399** | 882,940 |

**17.1 Payable to related party**

| | | |
|---|---|---|
| Payable to Primus Leasing Limited (subsidiary) | **28** | 28 |

**17.1.1** The maximum aggregate amount due to Primus Leasing Limited at the end of any month during the year was Rs. 0.28 million (2021:0.28 million) respectively.

## 18 SHARE CAPITAL

**18.1 Authorised capital**

| 2022 | 2021 | | 2022 | 2021 |
|---|---|---|---|---|
| (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**

| | | | Note | | |
|---|---|---|---|---|---|
| | | **Ordinary shares** | | | |
| **600,000,000** | 600,000,000 | Fully paid in cash | 18.2.1 | **6,000,000** | 6,000,000 |

**18.2.1** As at December 31, 2022, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2021: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2021: 300,000,000 shares) are held by the Brunei Investment Agency.

## 19 DEFICIT ON REVALUATION OF ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Deficit on revaluation of | | | |
| – available-for-sale securities | 8.1 | **(2,134,851)** | (1,450,496) |
| Deferred tax on deficit on revaluation of: | | | |
| – available-for-sale securities | | **633,259** | 377,197 |
| | | **(1,501,592)** | (1,073,299) |

### 19.1 Movement in revaluation of assets

| | 2022 | 2021 |
|---|---|---|
| Deficit on revaluation as at January 01 | **(1,450,496)** | (551,319) |
| Revaluation deficit recognised during the year | **(684,355)** | (899,177) |
| Deficit on revaluation as at December 31 | **(2,134,851)** | (1,450,496) |
| Less: related deferred tax asset on | | |
| - Revaluation as at January 01 | **377,197** | 158,399 |
| - Revaluation recognised during the year | **256,062** | 218,798 |
| | **633,259** | 377,197 |
| Deficit on revaluation of assets - net of tax | **(1,501,592)** | (1,073,299) |

## 20 CONTINGENCIES AND COMMITMENTS

| | Note | 2022 | 2021 |
|---|---|---|---|
| - Guarantees | 20.1 | **1,330,000** | 1,098,728 |
| - Commitments | 20.2 | **2,609,492** | 1,111,764 |
| - Other contingent liabilities | 20.3 | **–** | – |
| | | **3,939,492** | 2,210,492 |

### 20.1 Guarantees

| | 2022 | 2021 |
|---|---|---|
| Financial guarantees | **1,330,000** | 1,098,728 |

### 20.2 Commitments

| | Note | 2022 | 2021 |
|---|---|---|---|
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | **4,103** | 374,020 |
| Commitments in respect of: | | | |
| - forward lendings | 20.2.1 | **2,485,027** | 694,630 |
| - forward shares | 20.2.2 | **120,362** | 43,114 |
| | | **2,609,492** | 1,111,764 |

### 20.2.1 Commitments in respect of forward lendings

| | 2022 | 2021 |
|---|---|---|
| Undrawn formal standby facilities, credit lines and other commitments to lend | **2,485,027** | 694,630 |

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.

### 20.2.2 Commitments in respect of forward shares transactions

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Purchase | **120,362** | – |
| Sale | **–** | 43,114 |
| | **120,362** | 43,114 |

### 20.3 Other contingent liabilities

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

**20.3.2** The returns of income of the Company from tax years 2008 to 2022 had been filed with the tax authorities. From tax year 2008 upto tax year 2020, these returns have been revised and additional tax demands have been raised of which Rs. 782.07 million are outstanding as at December 31, 2022. 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.

## 21 MARK-UP / RETURN / INTEREST EARNED

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| On: | | |
| a) Loans and advances | **2,126,930** | 1,163,127 |
| b) Investments | **4,622,325** | 2,132,078 |
| c) Lendings to financial institutions | **137,665** | 35,591 |
| d) Sub-lease of premises | **123** | 147 |
| e) Balances with banks | **12,271** | 4,086 |
| | **6,899,314** | 3,335,029 |

## 22 MARK-UP / RETURN / INTEREST EXPENSED

| | 2022 | 2021 |
|---|---|---|
| Deposits | **5,689** | 16,860 |
| Interest expense on lease liability against right-of-use assets | **2,601** | 5,980 |
| Borrowings | **6,101,647** | 2,446,037 |
| | **6,109,937** | 2,468,877 |

## 23 FEE AND COMMISSION INCOME

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Processing fee income | | **15,854** | 6,311 |
| Advisory / participation fee | | **22,538** | 2,250 |
| Commitment fee | | **10,843** | 8,336 |
| Trustee fee | | **56,902** | 55,169 |
| | | **106,137** | 72,066 |

## 24 GAIN ON SECURITIES

| | Note | 2022 | 2021 |
|---|---|---|---|
| Realised (loss) / gain | 24.1 | **(43,056)** | 124,415 |
| Unrealised (loss) / gain on held for trading - net | | **(4)** | 1,030 |
| | | **(43,060)** | 125,445 |

### 24.1 Realised (loss) / gain on:

| | | 2022 | 2021 |
|---|---|---|---|
| Federal government securities | | **7,896** | 58,817 |
| Shares | | **(49,560)** | 49,156 |
| Non-government debt securities | | **(1,350)** | 353 |
| Commercial paper | | **(42)** | 6 |
| Units of mutual funds | | **–** | 16,083 |
| | | **(43,056)** | 124,415 |

## 25 OTHER INCOME

| | | 2022 | 2021 |
|---|---|---|---|
| Rent on property | | **–** | 705 |
| Gain / (loss) on sale of assets classified as held-for-sale | | **–** | 2,221 |
| Loss on modification of lease receivable | | **–** | (317) |
| Gain on sale of fixed assets - net | | **3,344** | 285 |
| Others | | **97** | – |
| | | **3,441** | 2,894 |

## 26 OPERATING EXPENSES

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Total compensation expenses** | 26.1 | **247,638** | 254,666 |
| **Property expense** | | | |
| Rent and taxes | | **–** | 121 |
| Insurance | | **5,896** | 6,101 |
| Utilities cost | | **5,699** | 5,298 |
| Security (including guards) | | **2,281** | 1,696 |
| Repairs and maintenance (including janitorial charges) | | **9,856** | 6,107 |
| Depreciation | 10.1 | **23,181** | 32,811 |
| | | **46,913** | 52,134 |
| **Information technology expenses** | | | |
| Software maintenance | | **4,340** | 2,826 |
| Hardware maintenance | | **1,156** | 713 |
| Depreciation | 10.1 | **3,481** | 3,597 |
| Amortisation | 11.1 | **265** | 1,410 |
| | | **9,242** | 8,546 |
| **Other operating expenses** | | | |
| Directors' fees and allowances | | **3,600** | 4,800 |
| Fees and subscription | | **2,867** | 2,247 |
| Legal and professional charges | | **23,773** | 24,185 |
| Travelling and conveyance | | **31,782** | 28,893 |
| Brokerage commission | | **9,818** | 13,078 |
| Depreciation | 10.1 | **6,749** | 6,303 |
| Training and development | | **1,094** | 1,548 |
| Postage and courier charges | | **403** | 517 |
| Communication | | **3,540** | 2,943 |
| Stationery and printing | | **962** | 1,709 |
| Marketing, advertisement and publicity | | **400** | 167 |
| Donations | 26.3 | **5,000** | 3,500 |
| Auditors' remuneration | 26.4 | **2,962** | 2,038 |
| Expenses incurred in relation to assets held for sale | | **16,600** | – |
| Service charges for lease rental recoveries | | **2,319** | – |
| Others | | **4,417** | 1,581 |
| | | **116,286** | 93,509 |
| | | **420,079** | 408,855 |

### 26.1 Managerial Remuneration

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Fixed | | **118,023** | 123,068 |
| **Contractual Staff** | | | |
| In-house | | **31,475** | 22,454 |
| Salaried outsourced staff | | **8,524** | 6,392 |
| | | **39,999** | 28,846 |
| **Other benefits** | | | |
| Cash bonus / awards | | **63,582** | 82,777 |
| Charge for defined benefit plan | | **5,742** | 6,004 |
| Contribution to defined contribution plan | | **7,904** | 8,156 |
| Medical | | **6,111** | 7,182 |
| Fuel reimbursement | | **20,276** | 13,999 |
| Leave fare assistance | | **10,092** | 9,042 |
| Leave encashment | | **1,576** | – |
| Others | | **2,938** | 2,437 |
| | | **118,221** | 129,597 |
| **Re-imbursement of salaries - subsidiaries** | | **(28,605)** | (26,845) |
| **Total compensation expense** | | **247,638** | 254,666 |

**26.2** The Company does not have any material outsourcing arrangements.

### 26.3 Details of donations

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Donations individually exceeding Rs 500,000 | | | |
| Indus Hospital and Health Network | | **5,000** | – |
| Institute of Business Administration | | **–** | 2,000 |
| Friends of Burn Centre Patients Welfare Society | | **–** | 1,500 |
| Donations individually not exceeding Rs 500,000 | | **–** | – |
| | | **5,000** | 3,500 |

### 26.4 Auditors' remuneration

| | Note | 2022 | 2021 |
|---|---|---|---|
| Audit fee for annual financial statements | | **1,100** | 1,058 |
| Half yearly review fee | | **400** | 363 |
| Special certifications and sundry advisory services | | **980** | 375 |
| Out-of-pocket expenses | | **482** | 242 |
| | | **2,962** | 2,038 |

## 27 OTHER CHARGES

| | Note | 2022 | 2021 |
|---|---|---|---|
| Penalties imposed by the State Bank of Pakistan | 27.1 | **–** | 10,947 |

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



## 28 WORKERS' WELFARE FUND

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Provision for Workers' Welfare Fund | 28.1 | **14,102** | 12,231 |

**28.1** As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter relating to payment of SWWF is pending before the Sindh High Court and an interim stay order has been granted to the Company. However, as a matter of abundant caution, the management has maintained a provision for SWWF in the unconsolidated financial statements amounting to Rs 148.995 million which includes a provision of Rs 14.102 million for the current year.

## 29 PROVISIONS AND WRITE OFFS - NET

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Reversal of provision against investments | 8.5.1 | **(4,465)** | (52,835) |
| Provisions against loans and advances | 9.4 | **(58,948)** | 123,583 |
| Write-off | | **28,073** | – |
| | | **(35,340)** | 70,748 |

## 30 TAXATION

| | Note | 2022 | 2021 |
|---|---|---|---|
| Current | | **293,515** | 149,459 |
| Prior years | | **24,597** | 50,963 |
| Deferred | 12 | **(77,267)** | 21,880 |
| | | **240,845** | 222,302 |

### 30.1 Relationship between tax expense and accounting profit

| | 2022 | 2021 |
|---|---|---|
| Accounting profit before tax | **743,702** | 703,641 |
| Tax rate | **29%** | 29% |
| Tax on accounting profit | **215,674** | 204,056 |
| **Tax effect of:** | | |
| Income chargeable to tax at special rate | **(69,276)** | 19,347 |
| Permanent differences | **831** | 3,175 |
| Prior year charge | **24,597** | – |
| Super tax | **41,518** | – |
| Reversal of deferred tax asset | **49,910** | – |
| Others | **(22,409)** | (4,276) |
| | **240,845** | 222,302 |

## 31 BASIC EARNINGS PER SHARE

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year | **502,857** | 481,339 |
| | Number of shares | |
| Weighted average number of ordinary shares | **600,000** | 600,000 |
| | Rupees | |
| Basic earnings per share | **0.84** | 0.80 |

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

## 32 CASH AND CASH EQUIVALENTS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash and balance with treasury banks | 5 | **336,633** | 122,751 |
| Balance with other banks | 6 | **100,591** | 64,694 |
| Term deposit receipts (TDRs) | 7 | **–** | 2,000,000 |
| | | **437,224** | 2,187,445 |

## 33 STAFF STRENGTH

| | | | |
|---|---|---|---|
| Permanent | | **59** | 60 |
| On Company's contract | | **19** | 16 |
| Outsourced | 33.1 | **20** | 20 |
| | | **98** | 96 |

**33.1** This includes 6 (2021:7) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

## 34 DEFINED BENEFIT PLAN

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



**34.2 Number of employees under the defined benefit plan**

| | 2022 | 2021 |
|---|---|---|
| | (Number) | |
| The number of employees covered under the defined benefit plan as at December 31 | **72** | 73 |

**34.3 Principal actuarial assumptions**
The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Per annum) | |
| Discount rate | | **14.50%** | 11.75% |
| Expected rate of salary increase | | **14.50%** | 11.75% |

**34.4 Reconciliation of receivable from defined benefit plan**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Present value of obligation | 34.6 | **66,198** | 57,120 |
| Fair value of plan assets | 34.7 | **(69,458)** | (64,940) |
| Receivable | | **(3,260)** | (7,820) |

**34.5 Movement in defined benefit plan**

| | Note | 2022 | 2021 |
|---|---|---|---|
| At the beginning of the year | | **(7,820)** | (10,238) |
| Current service cost | 34.8.1 | **5,742** | 6,004 |
| Actual contributions by the Company | | **(6,190)** | (2,975) |
| Benefits paid by the Company | | **(0)** | (2,748) |
| Re-measurement loss / (gain) | 34.8.2 | **5,008** | 2,137 |
| At the end of the year | | **(3,260)** | (7,820) |

**34.6 Movement in payable under defined benefit plan**

| | Note | 2022 | 2021 |
|---|---|---|---|
| Opening balance | | **57,120** | 63,313 |
| Current service cost | 34.8.1 | **6,473** | 7,451 |
| Interest cost on defined benefit obligation | | **6,199** | 4,986 |
| Re-measurement loss / (gain) recognised in OCI during the year | 34.8.2 | **2,595** | 2,226 |
| Benefits paid by the Company to outgoing members | | **(6,189)** | (20,856) |
| Closing balance | | **66,198** | 57,120 |

**34.7 Movement in fair value of plan assets**

| | Note | 2022 | 2021 |
|---|---|---|---|
| Fair value at the beginning of the year | | **64,940** | 73,551 |
| Interest income on plan assets | | **6,930** | 6,433 |
| Contribution by the Company - net | | **6,190** | 2,975 |
| Actual benefits paid from the fund during the year | | **(6,189)** | (18,108) |
| Re-measurement (loss) / gain | 34.8.2 | **(2,413)** | 89 |
| Fair value at the end of the year | | **69,458** | 64,940 |

### 34.8 Charge for defined benefit plan

### 34.8.1 Cost recognised in unconsolidated profit and loss account

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Current service cost | **6,473** | 7,451 |
| Net interest income on plan | **(731)** | (1,447) |
| | **5,742** | 6,004 |

### 34.8.2 Re-measurements recognised in OCI during the year

| | 2022 | 2021 |
|---|---|---|
| Loss / (gain) on obligation | | |
| - financial assumptions | **257** | 153 |
| - experience adjustments | **2,338** | 2,073 |
| | **2,595** | 2,226 |
| Return on plan assets over interest income | **2,413** | (89) |
| Total re-measurements recognised in OCI | **5,008** | 2,137 |

### 34.9 Components of plan assets

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents - net | **2,874** | 19,352 |
| Government securities | **66,584** | 45,588 |
| | **69,458** | 64,940 |

### 34.9.1 Description of risks

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

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

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

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

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

### 34.10 Sensitivity analysis

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

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| 1% increase in discount rate | **4,736** | 4,864 |
| 1% decrease in discount rate | **(5,309)** | (3,446) |
| 1 % increase in expected rate of salary increase | **(5,358)** | 3,484 |
| 1 % decrease in expected rate of salary increase | **4,864** | (4,970) |



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

| | (Rupees in '000) |
|---|---|
| **34.11** Expected contributions to be paid to the fund in the next financial year | 7,033 |

**34.12** The expected charge for the next financial year commencing January 1, 2023 works out to Rs 7.033 million (2021: 5.081 million).

### 34.13 Maturity profile

The weighted average duration of the obligation is 7.6 years (2021: 8.4 years).

### 34.14 Funding policy

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

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

## 35 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2021: 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:

| | 2022 | 2021 |
|---|---|---|
| | Number | |
| Contribution made by the Company | **7,904** | 8,156 |
| Contribution made by employees | **7,904** | 8,156 |
| | **15,808** | 16,312 |

## 36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 36.1 Total Compensation Expense

(Rupees in '000)

| Items | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Chairman | Directors: Executives (other than CEO) | Directors: Non-Executive | Member Shariah Board | President / CEO | Key Management Personnel | Other Material Risk Takers / Controllers |
| **Fees and Allowances etc.** | 1,200 | – | 2,400 | – | – | – | – |
| **Managerial Remuneration** | | | | | | | |
| i) Fixed | – | – | – | – | 24,920 | 58,476 | 99,606 |
| ii) Total Variable | – | – | – | – | – | – | – |
| of which | | | | | | | |
| a) Cash Bonus / Awards | – | – | – | – | 17,982 | 16,234 | 39,397 |
| b) Bonus & Awards in Shares | – | – | – | – | – | – | – |
| Charge for defined benefit plan | – | – | – | – | 2,187 | 870 | 4,065 |
| Contribution to defined contribution plan | – | – | – | – | 1,719 | 2,219 | 4,808 |
| Rent & house maintenance | – | – | – | – | – | – | – |
| Utilities | – | – | – | – | – | – | – |
| Medical | – | – | – | – | 908 | 1,691 | 3,331 |
| Conveyance | – | – | – | – | – | – | – |
| **Others** | | | | | | | |
| - LFA | – | – | – | – | – | 1,191 | 2,349 |
| - TDA | – | – | – | – | 520 | 127 | 654 |
| - Fuel | – | – | – | – | 413 | 4,533 | 7,264 |
| - Leave encashment | – | – | – | – | 1,576 | – | 1,576 |
| - Mobile reimbursement | – | – | – | – | 95 | 201 | 403 |
| - Security & Vehicle Maintenance | – | – | – | – | 586 | – | 586 |
| - others | – | – | – | – | 44 | 505 | 748 |
| Total | 1,200 | – | 2,400 | – | 50,950 | 86,047 | 164,787 |
| Number of persons | 1 | – | 2 | – | 1 | 13 | 20 |

(Rupees in '000)

| Items | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Chairman | Directors: Executives (other than CEO) | Directors: Non-Executive | Member Shariah Board | President / CEO | Key Management Personnel | Other Material Risk Takers / Controllers |
| **Fees and Allowances etc.** | 1,600 | – | 3,200 | – | – | – | – |
| **Managerial Remuneration** | | | | | | | |
| i) Fixed | – | – | – | – | 23,976 | 66,225 | 89,015 |
| ii) Total Variable | – | – | – | – | – | – | – |
| of which | | | | | | | |
| a) Cash Bonus / Awards | – | – | – | – | 16,798 | 26,197 | 33,863 |
| b) Bonus & Awards in Shares | – | – | – | – | – | – | – |
| Charge for defined benefit plan | – | – | – | – | 2,239 | 827 | 4,407 |
| Contribution to defined contribution plan | – | – | – | – | 1,654 | 2,812 | 4,186 |
| Rent & house maintenance | – | – | – | – | – | – | – |
| Utilities | – | – | – | – | – | – | – |
| Medical | – | – | – | – | 2,267 | 1,655 | 4,209 |
| Conveyance | – | – | – | – | – | – | – |
| **Others** | | | | | | | |
| - LFA | – | – | – | – | 3,761 | 4,345 | 7,782 |
| - TDA | – | – | – | – | 32 | 75 | 108 |
| - Fuel | – | – | – | – | 475 | 3,791 | 4,662 |
| - Leave encashment | – | – | – | – | – | – | – |
| - Mobile reimbursement | – | – | – | – | 43 | 335 | 364 |
| - others | – | – | – | – | 728 | 349 | 1,372 |
| Total | 1,600 | – | 3,200 | – | 51,973 | 106,611 | 149,968 |
| Number of persons | 1 | – | 2 | – | 1 | 20 | 21 |

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

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

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

(Rupees in '000)

| Sr. No. | Name of Director | 2022 – Meeting Fees and Allowances Paid | | | | |
|---|---|---|---|---|---|---|
| | | For Board Meetings | For Board Committees: Audit Committee | For Board Committees: HR&RC Committee | For Board Committees: Credit and Risk Management Committee | Total Amount Paid |
| 1 | Mr. Sofian Mohammad Jani | 1,200 | – | – | – | 1,200 |
| 2 | Mr. Arif Ahmed Khan | 1,200 | – | – | – | 1,200 |
| 3 | Ms. Dk Noorul Hayati Julaihi | 1,200 | – | – | – | 1,200 |
| | **Total Amount Paid** | 3,600 | – | – | – | 3,600 |

(Rupees in '000)

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

## 37 FAIR VALUE MEASUREMENT

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

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

### 37.1 Fair value of financial assets

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

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

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

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

### Valuation techniques and inputs used in determination of fair values

| Item | Valuation techniques and input used |
|---|---|
| Fully paid-up ordinary shares | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange. |
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (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. |

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)

| | 2022 | | | |
|---|---|---|---|---|
| **On balance sheet financial instruments** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal government securities | **–** | **38,973,866** | **–** | **38,973,866** |
| Ordinary shares | **1,340,790** | **–** | **–** | **1,340,790** |
| Non-government debt securities | **–** | **2,477,356** | **–** | **2,477,356** |
| **Off-balance sheet financial instruments** | | | | |
| Commitments | | | | |
| Forward shares | **120,362** | **–** | **–** | **120,362** |

(Rupees in '000)

| | 2021 | | | |
|---|---|---|---|---|
| On balance sheet financial instruments | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal government securities | – | 21,409,558 | – | 21,409,558 |
| Ordinary shares | 821,917 | – | – | 821,917 |
| Non-government debt securities | – | 1,961,933 | – | 1,961,933 |
| **Off-balance sheet financial instruments -** | | | | |
| Commitments | | | | |
| Forward shares | 43,114 | – | – | 43,114 |

## 38 SEGMENT INFORMATION

### 38.1 Segment details with respect to business activities

(Rupees in '000)

| | 2022 | | | |
|---|---|---|---|---|
| | **Corporate finance** | **Trading and sales** | **Commercial banking** | **Total** |
| **Unconsolidated Profit & Loss Account** | | | | |
| Net Mark-up / return / profit | **–** | **608,598** | **180,779** | **789,377** |
| Non mark-up / return / interest income | **106,137** | **247,029** | **–** | **353,166** |
| Total income | **106,137** | **855,627** | **180,779** | **1,142,543** |
| Total expenses | **40,334** | **325,149** | **68,698** | **434,181** |
| Provisions | **–** | **7,067** | **(42,407)** | **(35,340)** |
| **Profit before tax** | **65,803** | **523,411** | **154,488** | **743,702** |
| **Unconsolidated Statement of Financial Position** | | | | |
| Cash and bank balances | **40,616** | **327,428** | **69,180** | **437,224** |
| Investments | **–** | **44,805,384** | **–** | **44,805,384** |
| Lendings to financial institutions | **–** | **6,559,967** | **–** | **6,559,967** |
| Advances - performing | **–** | **1,288,503** | **22,538,347** | **23,826,850** |
| - non-performing | **–** | **11,249** | **369,764** | **381,013** |
| Others | **5,534** | **3,237,605** | **684,052** | **3,927,192** |
| **Total assets** | **46,150** | **56,230,136** | **23,661,343** | **79,937,629** |
| Borrowings | **–** | **56,403,229** | **11,917,006** | **68,320,235** |
| Deposits & other accounts | **–** | **45,215** | **9,553** | **54,768** |
| Others | **–** | **1,287,395** | **272,004** | **1,559,399** |
| Total liabilities | **–** | **57,735,839** | **12,198,563** | **69,934,402** |
| Equity | **46,150** | **(1,505,703)** | **11,462,780** | **10,003,227** |
| Total equity and liabilities | **46,150** | **56,230,136** | **23,661,343** | **79,937,629** |
| **Contingencies and commitments** | **–** | **–** | **3,939,492** | **3,939,492** |

(Rupees in '000)

| | 2021 | | | |
|---|---|---|---|---|
| | Corporate finance | Trading and sales | Commercial banking | Total |
| **Unconsolidated Profit and Loss Account** | | | | |
| Net mark-up / return / profit | – | 598,416 | 267,736 | 866,152 |
| Non mark-up / return / interest income | 72,065 | 268,205 | – | 340,270 |
| Total income | 72,065 | 866,621 | 267,736 | 1,206,422 |
| Total expenses | 26,091 | 311,417 | 94,525 | 432,033 |
| Provisions | – | (44,561) | 115,309 | 70,748 |
| Profit before tax | 45,974 | 599,765 | 57,902 | 703,641 |
| **Unconsolidated Statement of Financial Position** | | | | |
| Cash and bank balances | 11,197 | 134,649 | 41,599 | 187,445 |
| Investments | – | 26,246,638 | – | 26,246,638 |
| Lendings to financial institutions | – | 2,000,000 | – | 2,000,000 |
| Advances - performing | – | 900,770 | 18,877,518 | 19,778,288 |
| Advances - non-performing | – | 17,397 | 504,456 | 521,853 |
| Others | 3,409 | 2,071,200 | 640,949 | 2,715,558 |
| Total assets | 14,606 | 31,370,654 | 20,064,522 | 51,449,782 |
| Borrowings | – | 24,177,900 | 16,106,924 | 40,284,824 |
| Deposits and other accounts | – | 30,009 | 19,991 | 50,000 |
| Others | – | 673,398 | 209,542 | 882,940 |
| **Total liabilities** | – | 24,881,307 | 16,336,457 | 41,217,764 |
| Equity | 14,606 | 6,489,347 | 3,728,065 | 10,232,018 |
| Total equity and liabilities | 14,606 | 31,370,654 | 20,064,522 | 51,449,782 |
| Contingencies and commitments | – | – | 2,210,492 | 2,210,492 |

### 38.2 Segment details with respect to geographical location

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

## 39 TRUST ACTIVITIES

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

Presently, the Company is acting as Trustee and/or Investment Agent to 52 (fifty-two) debt securities issues of entities, including Agha Steel Industries Limited, Agritech Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, Crescent Steel & Allied Product Limited, Dubai Islamic Bank Pakistan Limited, Habib Bank Limited, Hub Power Company Limited, Hub Power Holding Pvt. Limited, Jahangir Siddiqui & Co. Limited, JS Bank Limited, K-Electric Limited, Khushhali Microfinance Bank Limited, Neelum Jhelum Hydro Power Co. Limited, Pakistan Intermodals Limited, Pakistan Services Limited, Silk Bank Limited, Sindh Nooriabad Power Co. Limited (Phase-I & II), Soneri Bank Limited, Summit Bank Limited, Telecard Limited, The Bank of Punjab, U Microfinance Bank Limited, and WAPDA (Dasu Hydro Power Project). The combined value of debt securities as at December 31, 2022 amounted to Rs. 404,841 million (2021: Rs. 386,557 million).

## 40 RELATED PARTY TRANSACTIONS

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

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are made in accordance with the actuarial valuations / terms of scheme. Remuneration to executives is disclosed in note 36 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. However, we understand that there are several transaction with subsidiaries that are based on agreed terms. 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)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Directors | Key management personnel | Subsidiaries | Other related parties | Directors | Key management personnel | Subsidiaries | Other related parties |
| **Lendings** | | | | | | | | |
| Opening balance | – | – | – | – | – | – | – | – |
| Addition during the year | – | – | – | 58,000 | – | – | – | 109,511 |
| Repaid during the year | – | – | – | (32,000) | – | – | – | (109,511) |
| Transfer in / (out) - net | – | – | – | – | – | – | – | – |
| Closing balance | – | – | – | 26,000 | – | – | – | – |
| **Investments** | | | | | | | | |
| Opening balance | – | – | 2,003,372 | – | – | – | 2,003,372 | – |
| Investment made during the year | – | – | 10,000 | – | – | – | – | 39,277 |
| Investment redeemed / disposed off during the year | – | – | – | – | – | – | – | (39,277) |
| Transfer to available-for-sale securities on recharacterisation of investment | – | – | – | – | – | – | – | – |
| Transfer in / (out) | – | – | – | – | – | – | – | – |
| Classified as held-for-sale | – | – | – | – | – | – | – | – |
| Closing balance | – | – | 2,013,372 | – | – | – | 2,003,372 | – |
| **Advances** | | | | | | | | |
| Opening balance | – | 89,209 | 371,223 | 150,000 | – | 94,365 | 40,792 | – |
| Addition during the year | – | 46,336 | 570,095 | 150,000 | – | 20,781 | 358,332 | 300,000 |
| Repaid during the year | – | (10,432) | (366,515) | (150,000) | – | (66,568) | (27,901) | (150,000) |
| Transfer in / (out) - net | – | (52,909) | – | 28,207 | – | 40,631 | – | – |
| Closing balance | – | 72,204 | 574,803 | 178,207 | – | 89,209 | 371,223 | 150,000 |
| **Other assets** | | | | | | | | |
| Interest / mark-up accrued | – | – | 13,613 | 423 | – | – | 4,080 | 52 |
| Lease receivable under IFRS-16 | – | – | 606 | – | – | – | 1,096 | – |
| Receivable from defined benefit plan | – | – | – | 3,260 | – | – | – | 7,820 |
| Preliminary expense | – | – | 931 | – | – | – | 120 | – |
| Advance against investments in right shares | – | – | 40,000 | – | – | – | 40,000 | – |
| Others | – | – | 3,244 | 810 | – | – | 1,532 | 7,581 |
| | – | – | 58,394 | 4,493 | – | – | 46,828 | 15,453 |
| **Borrowings** | | | | | | | | |
| Opening balance | – | – | 39,000 | 191,154 | – | – | 332,982 | 72,723 |
| Borrowings during the year | – | – | – | 28,444 | – | – | 535,341 | 1,240,360 |
| Settled during the year | – | – | (39,000) | (219,598) | – | – | (829,323) | (1,121,928) |
| Transfer in / (out) - net | – | – | – | – | – | – | – | – |
| Closing balance | – | – | – | – | – | – | 39,000 | 191,155 |
| **Deposits and other accounts** | | | | | | | | |
| Opening balance | – | – | – | – | – | – | – | – |
| Received during the year | – | – | – | – | – | – | – | – |
| Withdrawn during the year | – | – | – | – | – | – | – | – |
| Closing balance | – | – | – | – | – | – | – | – |
| **Other Liabilities** | | | | | | | | |
| Interest / mark-up payable | – | – | – | – | – | – | 197 | 2,214 |
| Other liabilities | – | – | 28 | – | – | – | 28 | – |
| | – | – | 28 | – | – | – | 225 | 2,214 |
| **Income** | | | | | | | | |
| Mark-up / return / interest earned | – | 2,542 | 56,602 | 23,173 | – | 5,748 | 11,046 | 15,616 |
| Dividend income | – | – | 119,752 | – | – | – | 88,728 | – |
| **Expense** | | | | | | | | |
| Mark-up / return / interest paid | – | – | 46 | 7,864 | – | – | 10,733 | 15,815 |
| Operating expenses | 3,600 | 125,798 | – | – | 3,200 | 99,578 | 912 | – |
| Reimbursement of expenses | – | 11,198 | 2,319 | – | – | 6,204 | – | – |
| Expenses charged (note 40.1) | – | – | 21,083 | 9,806 | – | – | 20,709 | 8,722 |

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

**40.2** During the year, the Company entered into transaction with Awwal Modaraba for the sale of advances portfolio amounting to Rs. 238 million against sale proceeds of Rs. 210 million. The remaining amount was written off in the books of Company.

**40.3** During the year, the Company entered into transaction with Primus Leasing Limited amounting to Rs. 245.83 million against purchase of Loan and Lease receivables. The company incurred service charges for lease rental recoveries amounting to Rs. 2.319 million.

## 41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Minimum Capital Requirement (MCR):** | | |
| Paid-up capital (net of losses) | **6,000,000** | 6,000,000 |
| **Capital Adequacy Ratio (CAR):** | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | **7,555,743** | 8,435,693 |
| Eligible Additional Tier 1 (ADT 1) Capital | **–** | – |
| Total Eligible Tier 1 Capital | **7,555,743** | 8,435,693 |
| Eligible Tier 2 Capital | **–** | – |
| Total Eligible Capital (Tier 1 + Tier 2) | **7,555,743** | 8,435,693 |
| **Risk Weighted Assets (RWAs):** | | |
| Credit Risk | **25,209,260** | 21,681,140 |
| Market Risk | **5,629,213** | 5,023,295 |
| Operational Risk | **1,981,195** | 1,972,722 |
| Total | **32,819,667** | 28,677,157 |
| Common Equity Tier 1 Capital Adequacy ratio | **23.02%** | 29.42% |
| Tier 1 Capital Adequacy Ratio | **23.02%** | 29.42% |
| Total Capital Adequacy Ratio | **23.02%** | 29.42% |

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 23.02% of its risk weighted exposure as at December 31, 2022.

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.

| | 2022 | 2021 |
|---|---|---|
| Notional minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | **6.00%** | 6.00% |
| Tier 1 minimum ratio | **7.50%** | 7.50% |
| Total capital minimum ratio | **11.50%** | 11.50% |



| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Leverage Ratio (LR):** | | |
| Eligible Tier-1 Capital | **7,555,743** | 8,435,693 |
| Total Exposures | **78,312,993** | 51,770,833 |
| Leverage Ratio | **9.65%** | 16.29% |
| **Liquidity Coverage Ratio (LCR):** | | |
| Total High Quality Liquid Assets | **7,989,493** | 11,216,690 |
| Total Net Cash Outflow | **7,107,724** | 11,713,912 |
| Liquidity Coverage Ratio | **112.41%** | 95.76% |
| **Net Stable Funding Ratio (NSFR):** | | |
| Total Available Stable Funding | **27,729,097** | 21,834,760 |
| Total Required Stable Funding | **23,794,119** | 19,904,685 |
| Net Stable Funding Ratio | **116.54%** | 109.70% |

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

## 42 RISK MANAGEMENT

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

**Categories of risk**

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

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

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

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

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

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

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

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

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

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

The Company manages 3 principal sources of credit risk:

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

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

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

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

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

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

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

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

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

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

**42.1.1 Lendings to financial institutions**

(Rupees in '000)

| | Gross lendings | | Non-performing lendings | | Provision held | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | – | – | – | – | – | – |
| Private | 6,559,967 | 2,000,000 | – | – | – | – |
| | 6,559,967 | 2,000,000 | – | – | – | – |

### 42.1.2 Investment in debt securities

(Rupees in '000)

| | Gross investments | | Non-performing investments | | Provision held | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Credit risk by industry sector** | | | | | | |
| Agriculture, Forestry, Hunting and Fishing | **56,910** | 58,320 | **56,910** | 58,320 | **56,910** | 58,320 |
| Textile | **42,920** | 42,920 | **42,920** | 42,920 | **42,920** | 42,920 |
| Electronics and electrical appliances | **105,500** | 155,358 | **105,500** | 105,500 | **105,500** | 105,500 |
| Other (Real Estate) | **43,641** | 43,641 | **43,641** | 43,641 | **43,641** | 43,641 |
| Transport, Storage and Communication | **14,361** | 15,840 | **14,361** | 15,840 | **14,361** | 15,840 |
| Financial institution | **2,474,246** | 1,960,893 | **–** | – | **–** | – |
| | **2,737,578** | 2,276,972 | **263,332** | 266,221 | **263,332** | 266,221 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | **–** | – | **–** | – | **–** | – |
| Private | **2,737,578** | 2,276,972 | **263,332** | 266,221 | **263,332** | 266,221 |
| | **2,737,578** | **2,276,972** | **263,332** | **266,221** | **263,332** | **266,221** |

### 42.1.3 Advances

(Rupees in '000)

| | Gross advances | | Non-performing advances | | Provision held | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Credit risk by industry sector** | | | | | | |
| Agriculture, Forestry, Hunting And Fishing | **418,573** | 156,685 | **–** | – | **–** | – |
| Textile | **4,251,533** | 4,288,560 | **28,901** | 21,485 | **28,227** | 16,664 |
| Chemical and Pharmaceuticals | **3,530,536** | 3,087,373 | **4,030** | – | **4,027** | – |
| Cement | **1,050,000** | 1,000,000 | **–** | – | **–** | – |
| Sugar | **1,375,448** | 715,652 | **21,998** | 21,998 | **–** | 4,821 |
| Automobile and transportation equipment | **262,831** | 284,348 | **3,180** | 1,143 | **3,183** | 1,143 |
| Electronics and electrical appliances | **782,813** | 1,447,892 | **–** | 411,937 | **–** | 13,804 |
| Construction | **859,263** | 864,606 | **4,975** | – | **2,245** | – |
| Power (Electricity), Gas, Water, Sanitary | **4,764,428** | 3,269,083 | **–** | 138,073 | **–** | 92,278 |
| Transport, Storage And Communication | **78,152** | 108,172 | **58,883** | 71,421 | **58,881** | 59,700 |
| Financial | **724,803** | 521,223 | **–** | – | **–** | – |
| Services | **145,766** | 94,970 | **3,950** | 6,083 | **1,975** | 3,811 |
| Individuals | **–** | 159,426 | **–** | – | **–** | – |
| Packaging | **1,407,865** | 1,073,848 | **830** | 591 | **826** | 591 |
| Engineering | **471,451** | 13,536 | **411,938** | 10,791 | **69,860** | 2,698 |
| Food and beverages | **2,409,140** | 1,830,724 | **309,795** | 312,227 | **309,795** | 290,736 |
| Steel and engineering | **892,653** | 1,370,422 | **7,760** | 6,270 | **7,013** | 6,270 |
| Information Technology | **38,092** | 35,000 | **–** | – | **–** | – |
| Hotels | **4,000** | 25,021 | **–** | – | **–** | – |
| Others | **1,079,967** | 500,625 | **25,396** | 16,859 | **14,590** | 54,509 |
| | **24,547,314** | 20,847,166 | **881,636** | 1,018,878 | **500,622** | 547,025 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | **–** | 20,656 | **–** | – | **–** | – |
| Private | **24,547,314** | 20,826,510 | **881,636** | 1,018,878 | **500,622** | 547,025 |
| | **24,547,314** | 20,847,166 | **881,636** | 1,018,878 | **500,622** | 547,025 |

### 42.1.4 Contingencies and Commitments

| | **2022** | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Credit risk by industry sector** | | |
| Agriculture, Forestry, Hunting and Fishing | **5,000** | – |
| Textile | **219,505** | 449,120 |
| Chemical and Pharmaceuticals | **211,548** | 47,524 |
| Construction | **–** | 98,728 |
| Power (Electricity), Gas, Water, Sanitary | **2,716,632** | 1,304,000 |
| Transport, Storage And Communication | **–** | – |
| Financial | **20,887,144** | 19,675,492 |
| Services | **–** | 18,000 |
| Packaging | **10,000** | 107,466 |
| Food and beverages | **48,500** | 9,745 |
| Electronics and electrical appliances | **150,000** | – |
| Steel and engineering | **–** | 29,797 |
| Leather & footwear | **–** | 2,500 |
| Others | **427,513** | 43,114 |
| | **24,675,842** | 21,785,486 |
| **Credit risk by public / private sector** | | |
| Public / Government | **19,262,635** | 18,614,537 |
| Private | **5,413,207** | 3,170,949 |
| | **24,675,842** | 21,785,486 |

### 42.1.5 Concentration of advances

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

| | **2022** | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Funded | **9,050,467** | 7,598,140 |
| Non Funded | **1,334,103** | 1,318,276 |
| Total Exposure | **10,384,570** | 8,916,416 |

The sanctioned limits against these top 10 exposures aggregated to Rs.11,368 million (2021: Rs.9,670 million).

### 42.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | Utilisation | | | | |
| | Disbursements | Punjab | Sindh | Balochistan | Islamabad | KPK |
| **Province / Region** | | | | | | |
| Punjab | **6,300,335** | **6,300,335** | **–** | **–** | **–** | **–** |
| Sindh | **10,620,162** | **–** | **10,620,162** | **–** | **–** | **–** |
| Balochistan | **28,000** | **–** | **–** | **28,000** | **–** | **–** |
| Islamabad | **–** | **–** | **–** | **–** | **–** | **–** |
| KPK | **129,333** | **–** | **–** | **–** | **–** | **129,333** |
| Total | **17,077,830** | **6,300,335** | **10,620,162** | **28,000** | **–** | **129,333** |

(Rupees in '000)

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

## 42.2 Market risk

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

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

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

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

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

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Banking book | Trading book | Total | Banking book | Trading book | Total |
| Cash and balances with treasury banks | **336,633** | **–** | **336,633** | 122,751 | – | 122,751 |
| Balances with other banks | **100,591** | **–** | **100,591** | 64,694 | – | 64,694 |
| Lendings to financial institutions | **6,559,967** | **–** | **6,559,967** | 2,000,000 | – | 2,000,000 |
| Investments | **4,490,728** | **40,314,656** | **44,805,384** | 4,015,163 | 22,231,475 | 26,246,638 |
| Advances | **24,207,863** | **–** | **24,207,863** | 20,300,141 | – | 20,300,141 |
| Fixed assets | **56,306** | **–** | **56,306** | 54,544 | – | 54,544 |
| Intangible assets | **3,267** | **–** | **3,267** | 2,524 | – | 2,524 |
| Deferred tax assets | **883,994** | **–** | **883,994** | 549,013 | – | 549,013 |
| Other assets | **2,627,825** | **–** | **2,627,825** | 1,592,709 | – | 1,592,709 |
| Assets classified as held-for-sale | **355,799** | **–** | **355,799** | 516,768 | – | 516,768 |
| | **39,622,973** | **40,314,656** | **79,937,629** | 29,218,307 | 22,231,475 | 51,449,782 |

### 42.2.2 Foreign exchange risk

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

(Rupees in '000)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign Currency Assets | Foreign Currency Liabilities | Off-balance sheet | Net foreign currency | Foreign Currency Assets | Foreign Currency Liabilities | Off-balance sheet | Net foreign currency |
| United States Dollar | **–** | **–** | **–** | **–** | – | – | – | – |
| | **–** | **–** | **–** | **–** | – | – | – | – |

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| Impact of 1% change in foreign exchange rates on<br>- Unconsolidated profit and loss account | **–** | **–** | – | – |

### 42.2.3 Equity position risk

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

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| Impact of 5% change in equity prices on | | | | |
| - Unconsolidated profit and loss account | **–** | **–** | – | – |
| - Other comprehensive income | **–** | **(67,040)** | – | (41,096) |

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

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

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

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

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Banking book** | **Trading book** | Banking book | Trading book |
| Impact of 1% change in interest rates on | | | | |
| - Unconsolidated profit and loss account | **(52,767)** | **–** | (77,980) | – |
| - Other comprehensive income | **–** | **(275,638)** | – | (357,800) |

## 42.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

| | | | 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Exposed to yield/interest risk | | | | | | | | | |
| | **Effective yield/ interest rate %** | **Total** | **Upto 1 month** | **Over 1 to 3 months** | **Over 3 to 6 months** | **Over 6 months to 1 year** | **Over 1 to 2 years** | **Over 2 to 3 years** | **Over 3 to 5 years** | **Over 5 to 10 years** | **Above 10 years** | **Non-interest Bearing Financial Instruments** |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| ***Asset*** | | | | | | | | | | | | |
| Cash and balances with treasury banks | | 336,633 | – | – | – | – | – | – | – | – | – | 336,633 |
| Balances with other banks | 4.40% to 14.51% | 100,591 | 100,591 | – | – | – | – | – | – | – | – | – |
| Lending to financial institutions | | 6,559,967 | 6,559,967 | – | – | – | – | – | – | – | – | – |
| Investments | 7.00% to 16.97% | 42,792,012 | 21,802,365 | 3,109,192 | 9,921,018 | 31,056 | 905,636 | – | 919,377 | 4,562,941 | 199,637 | 1,340,790 |
| Advances | 2.25% to 24.00% | 24,207,863 | 7,926,340 | 8,014,603 | 2,802,658 | 1,028,155 | 1,105,235 | 929,673 | 1,468,841 | 830,815 | 44,523 | 57,021 |
| Other assets | | 1,411,423 | – | – | – | – | – | – | – | – | – | 1,411,423 |
| | | 75,408,490 | 36,389,263 | 11,123,795 | 12,723,676 | 1,059,211 | 2,010,871 | 929,673 | 2,388,218 | 5,393,756 | 244,160 | 3,145,867 |
| ***Liabilities*** | | | | | | | | | | | | |
| Borrowings | 1.00% to 17.20% | 68,320,235 | 25,557,521 | 19,103,762 | 13,245,871 | 4,991,381 | 1,150,977 | 1,991,757 | 1,465,160 | 813,806 | – | – |
| Deposits and other accounts | 15% | 54,768 | – | – | – | 54,768 | – | – | – | – | – | – |
| Other liabilities | | 1,085,313 | – | – | – | – | – | – | – | – | – | 1,085,313 |
| | | 69,460,316 | 25,557,521 | 19,103,762 | 13,245,871 | 5,046,149 | 1,150,977 | 1,991,757 | 1,465,160 | 813,806 | – | 1,085,313 |
| **On-balance sheet gap** | | 5,948,174 | 10,831,742 | (7,979,967) | (522,195) | (3,986,938) | 859,894 | (1,062,084) | 923,058 | 4,579,950 | 244,160 | 2,060,554 |
| **Non financial net assets** | | 4,055,053 | | | | | | | | | | |
| **Total net assets** | | 10,003,227 | | | | | | | | | | |
| **Off-balance sheet financial instruments** | | | | | | | | | | | | |
| Documentary credits and short-term trade-related transactions | | 1,334,103 | 1,334,103 | – | – | – | – | – | – | – | – | – |
| Commitments in respect of: | | | | | | | | | | | | |
| - forward foreign exchange contracts | | – | – | – | – | – | – | – | – | – | – | – |
| - forward lendings | | 2,485,027 | 2,485,027 | – | – | – | – | – | – | – | – | – |
| - forward investments | | 120,362 | 120,362 | – | – | – | – | – | – | – | – | – |
| - repo transactions | | – | – | – | – | – | – | – | – | – | – | – |
| - other commitment | | – | – | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet gap** | | 3,939,492 | 3,939,492 | – | – | – | – | – | – | – | – | – |
| **Total yield / interest risk sensitivity gap** | | | 14,771,234 | (7,979,967) | (522,195) | (3,986,938) | 859,894 | (1,062,084) | 923,058 | 4,579,950 | 244,160 | 2,060,554 |
| **Cumulative yield / interest risk sensitivity gap** | | | 14,771,234 | 6,791,267 | 6,269,072 | 2,282,134 | 3,142,028 | 2,079,943 | 3,003,001 | 7,582,951 | 7,827,111 | 9,887,665 |

(Rupees in '000)

| | | | 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Exposed to yield/interest risk | | | | | | | | | |
| | Effective yield/ interest rate % | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | Non-interest Bearing Financial Instruments |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| ***Asset*** | | | | | | | | | | | | |
| Cash and balances with treasury banks | | 122,751 | – | – | – | – | – | – | – | – | – | 122,751 |
| Balances with other banks | 4.51% to 5.51% | 64,694 | 64,694 | – | – | – | – | – | – | – | – | – |
| Lending to financial institutions | | 2,000,000 | 2,000,000 | – | – | – | – | – | – | – | – | – |
| Investments | 6.99% to 15.93% | 24,243,266 | 769,853 | 4,995,776 | 10,365,045 | 1,968 | 1,110 | 958,923 | 1,002,887 | 5,076,046 | 249,981 | 821,677 |
| Advances | 3.50% to 22.00% | 20,300,141 | 9,208,573 | 4,378,130 | 708,746 | 1,092,062 | 1,091,015 | 1,009,110 | 1,501,908 | 1,226,743 | 33,674 | 50,180 |
| Other assets | 9.03% | 734,644 | – | – | – | – | – | – | – | – | – | 734,644 |
| | | 47,465,496 | 12,043,120 | 9,373,906 | 11,073,791 | 1,094,030 | 1,092,125 | 1,968,033 | 2,504,795 | 6,302,789 | 283,655 | 1,729,252 |
| ***Liabilities*** | | | | | | | | | | | | |
| Borrowings | 2.00% to 14.00% | 40,284,824 | 22,423,030 | 7,982,272 | 3,406,387 | 965,094 | 1,421,162 | 1,328,818 | 1,495,946 | 1,262,115 | – | – |
| Deposits and other accounts | 7.20% to 7.50% | 50,000 | – | – | 50,000 | – | – | – | – | – | – | – |
| Other liabilities | | 415,826 | – | – | – | – | – | – | – | – | – | 415,826 |
| | | 40,750,650 | 22,423,030 | 7,982,272 | 3,406,387 | 1,015,094 | 1,421,162 | 1,328,818 | 1,495,946 | 1,262,115 | – | 415,826 |
| **On-balance sheet gap** | | 6,714,846 | (10,379,910) | 1,391,634 | 7,667,404 | 78,936 | (329,037) | 639,215 | 1,008,849 | 5,040,674 | 283,655 | 1,313,426 |
| **Non financial net assets** | | 3,517,172 | | | | | | | | | | |
| **Net assets** | | 10,232,018 | | | | | | | | | | |
| **Off–balance sheet financial instruments** | | | | | | | | | | | | |
| Documentary credits and short-term trade-related transactions | | 1,472,748 | 1,472,748 | – | – | – | – | – | – | – | – | – |
| Commitments in respect of: | | | | | | | | | | | | |
| - forward government securities transactions | | – | – | – | – | – | – | – | – | – | – | – |
| - forward lendings | | 694,630 | 694,630 | – | – | – | – | – | – | – | – | – |
| - forward shares | | 43,114 | 43,114 | – | – | – | – | – | – | – | – | – |
| - repo transactions | | – | – | – | – | – | – | – | – | – | – | – |
| Other commitment | | – | – | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet gap** | | 2,210,492 | 2,210,492 | – | – | – | – | – | – | – | – | – |
| **Total yield / interest risk sensitivity gap** | | | (8,169,418) | 1,391,634 | 7,667,404 | 78,936 | (329,037) | 639,215 | 1,008,849 | 5,040,674 | 283,655 | 1,313,426 |
| **Cumulative yield / interest risk sensitivity gap** | | | (8,169,418) | (6,777,784) | 889,620 | 968,556 | 639,519 | 1,278,734 | 2,287,583 | 7,328,257 | 7,611,912 | 8,925,338 |

## 42.3 Operational risk

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

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

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

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

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

## 42.4 Liquidity risk

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

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

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

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

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

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

(Rupees in '000)

| | 2022 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 336,633 | 201,633 | – | – | – | – | – | – | – | – | – | – | – | 135,000 |
| Balances with other banks | 100,591 | – | 30,000 | – | 1,704 | – | – | – | – | 68,888 | – | – | – | – |
| Lendings to financial institutions | 6,559,967 | – | 6,553,967 | – | 6,000 | – | – | – | – | – | – | – | – | – |
| Investments | 44,805,384 | – | – | – | 262,754 | 131,377 | 131,377 | 1,039,783 | 7,600,403 | 6,004,018 | 5,797,059 | 7,327,358 | 10,125,802 | 6,385,452 |
| Advances | 24,207,863 | 493,030 | 523,078 | 48,545 | 2,687,656 | 1,365,482 | 1,911,607 | 3,276,472 | 1,175,479 | 3,772,720 | 2,965,985 | 2,147,528 | 2,237,275 | 1,603,006 |
| Fixed assets | 56,306 | – | – | – | – | 82 | 1,155 | 8,972 | 8,663 | 5,351 | 27,377 | 824 | 3,882 | – |
| Intangible assets | 3,267 | – | – | – | 3,267 | – | – | – | – | – | – | – | – | – |
| Deferred tax assets | 883,995 | – | – | – | – | – | – | – | – | 883,995 | – | – | – | – |
| Other assets | 2,627,824 | 270,445 | 109,885 | 145,892 | 62,452 | 116,041 | 338,567 | 1,477,765 | 97 | 22,484 | – | – | 84,197 | – |
| Assets classified as held-for-sale | 355,799 | – | – | – | – | – | – | – | 355,799 | – | – | – | – | – |
| | 79,937,629 | 965,108 | 7,216,929 | 194,437 | 3,023,833 | 1,612,982 | 2,382,706 | 5,802,992 | 9,140,441 | 10,757,455 | 8,790,421 | 9,475,710 | 12,451,156 | 8,123,458 |
| **Liabilities** | | | | | | | | | | | | | | |
| Borrowings | 68,320,235 | – | 7,485,233 | 6,023,652 | 12,057,404 | 12,520,002 | 3,907,898 | 8,703,334 | 791,898 | 2,644,172 | 5,881,711 | 4,774,290 | 2,717,410 | 813,231 |
| Deposits and other accounts | 54,768 | – | – | – | – | – | – | – | – | – | 54,768 | – | – | – |
| Other liabilities | 1,559,399 | 160,465 | 16,807 | 25,057 | 223,808 | 211,339 | 179,898 | 488,308 | 2,870 | 22,431 | 106,511 | 33,726 | 88,179 | – |
| | 69,934,402 | 160,465 | 7,502,040 | 6,048,709 | 12,281,212 | 12,731,341 | 4,087,796 | 9,191,642 | 794,769 | 2,721,371 | 5,988,222 | 4,808,016 | 2,805,589 | 813,231 |
| Net assets | 10,003,227 | 804,643 | (285,111) | (5,854,272) | (9,257,379) | (11,118,359) | (1,705,090) | (3,388,650) | 8,345,673 | 8,036,085 | 2,802,199 | 4,667,694 | 9,645,567 | 7,310,227 |
| Share capital | 6,000,000 | | | | | | | | | | | | | |
| Reserves | 2,120,621 | | | | | | | | | | | | | |
| Unappropriated profit | 3,384,198 | | | | | | | | | | | | | |
| Deficit on revaluation of assets | (1,501,592) | | | | | | | | | | | | | |
| | 10,003,227 | | | | | | | | | | | | | |

(Rupees in '000)

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

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

(Rupees in '000)

| | 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 336,633 | 201,633 | – | – | – | – | – | – | 135,000 | – |
| Balances with other banks | 100,591 | 31,704 | – | – | 68,888 | – | – | – | – | – |
| Lendings to financial institutions | 6,559,967 | 6,559,967 | – | – | – | – | – | – | – | – |
| Investments | 44,805,384 | 262,754 | 262,754 | 1,039,783 | 13,604,421 | 5,797,059 | 7,327,358 | 10,125,802 | 6,385,452 | – |
| Advances | 24,207,863 | 3,752,308 | 3,277,089 | 3,276,472 | 4,948,199 | 2,965,985 | 2,147,528 | 2,237,275 | 1,603,006 | – |
| Fixed assets | 56,306 | – | 1,237 | 8,972 | 14,014 | 27,377 | 824 | 3,882 | – | – |
| Intangible assets | 3,267 | 3,267 | – | – | – | – | – | – | – | – |
| Deferred tax assets | 883,995 | – | – | – | 883,995 | – | – | – | – | – |
| Other assets | 2,627,824 | 588,674 | 454,607 | 1,477,765 | 22,581 | – | – | 84,197 | – | – |
| Assets classified as held-for-sale | 355,799 | – | – | – | 355,799 | – | – | – | – | – |
| | 79,937,628 | 11,400,307 | 3,995,688 | 5,802,992 | 19,897,897 | 8,790,421 | 9,475,710 | 12,451,156 | 8,123,458 | – |
| **Liabilities** | | | | | | | | | | |
| Borrowings | 68,320,235 | 25,566,290 | 16,427,900 | 8,703,334 | 3,436,070 | 5,881,711 | 4,774,290 | 2,717,410 | 813,231 | – |
| Deposits and other accounts | 54,768 | – | – | – | 54,768 | – | – | – | – | – |
| Other liabilities | 1,559,399 | 426,136 | 391,237 | 488,308 | 25,302 | 106,511 | 33,726 | 88,179 | – | – |
| | 69,934,402 | 25,992,426 | 16,819,137 | 9,191,642 | 3,516,139 | 5,988,222 | 4,808,016 | 2,805,589 | 813,231 | – |
| **Net assets** | 10,003,226 | (14,592,119) | (12,823,449) | (3,388,650) | 16,381,757 | 2,802,199 | 4,667,694 | 9,645,567 | 7,310,227 | – |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 2,120,621 | | | | | | | | | |
| Unappropriated profit | (1,501,592) | | | | | | | | | |
| Deficit on revaluation of assets | 3,384,198 | | | | | | | | | |
| | 10,003,227 | | | | | | | | | |

(Rupees in '000)

| | 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| **Assets** | | | | | | | | | | |
| Cash and balances with treasury banks | 122,751 | 103,204 | – | – | – | – | – | – | 19,547 | – |
| Balances with other banks | 64,694 | 2,119 | – | – | 62,575 | – | – | – | – | – |
| Lendings to financial institutions | 2,000,000 | 2,000,000 | – | – | – | – | – | – | – | – |
| Investments | 26,246,638 | 248,340 | 155,858 | 10,601,337 | 2,037,378 | 4,490,964 | 1,155,050 | 1,002,967 | 6,554,744 | – |
| Advances | 20,300,141 | 4,380,250 | 747,898 | 2,748,396 | 3,394,201 | 2,763,957 | 2,265,685 | 2,552,631 | 1,447,123 | – |
| Fixed assets | 54,544 | 2,729 | 3,445 | 5,308 | 10,728 | 24,092 | 4,955 | 3,287 | – | – |
| Intangible assets | 2,524 | 165 | – | 2,359 | – | – | – | – | – | – |
| Deferred tax assets | 549,013 | – | – | – | 549,013 | – | – | – | – | – |
| Other assets | 1,592,709 | 338,598 | 184,750 | 419,780 | 579,301 | – | – | 70,280 | – | – |
| Assets classified as held-for-sale | 516,768 | – | 86,111 | 387,745 | 42,912 | – | – | – | – | – |
| | 51,449,782 | 7,075,405 | 1,178,062 | 14,164,925 | 6,676,108 | 7,279,013 | 3,425,690 | 3,629,165 | 8,021,414 | – |
| **Liabilities** | | | | | | | | | | |
| Borrowings | 40,284,824 | 22,423,413 | 4,898,938 | 1,468,887 | 2,590,095 | 2,983,662 | 2,162,151 | 2,497,071 | 1,260,607 | – |
| Deposits and other accounts | 50,000 | – | – | | | 500,000 | – | – | – | – |
| Other liabilities | 882,940 | 326,657 | 91,334 | 89,799 | 226,267 | 24,374 | 90,184 | 30,475 | 3,850 | – |
| | 41,217,764 | 22,750,070 | 4,990,272 | 1,558,686 | 2,816,362 | 3,058,036 | 2,252,335 | 2,527,546 | 1,264,457 | – |
| **Net assets** | 10,232,018 | (15,674,665) | (3,812,210) | 12,606,239 | 3,859,746 | 4,220,977 | 1,173,355 | 1,101,619 | 6,756,957 | – |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,920,050 | | | | | | | | | |
| Unappropriated profit | 3,385,267 | | | | | | | | | |
| Deficit on revaluation of assets | (1,073,299) | | | | | | | | | |
| | 10,232,018 | | | | | | | | | |

## 43 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2022 of Rs. **Nil** per share (2021: Re.0.50 per share), amounting to Rs. **Nil** million (2021: Rs.300 million) at their meeting held on **March 30, 2023** , for approval of the members at the annual general meeting to be held on **April 25, 2023** . The unconsolidated financial statements for the year ended December 31, 2022 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2023.

## 44 GENERAL

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

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



# Annexure - I

As referred in note 9.5 of the unconsolidated financial statements.

## Statement showing written-off loans or any other financial relief of Rs. 500,000/- or above provided

During the year ended December 31, 2022

(Rupees in '000)

| S. No. | Name and address of the borrower | Name of individuals/ partners/ directors (with CNIC No.) | Father's/ Husband's name | Outstanding Liabilities at beginning of year | | | | Principal written-off | Interest/ Mark-up written-off/ waived | Other financial relief provided | Total (9+10+11) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Principal | Interest/ mark-up | Other than Interest/ mark-up | Total | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | Allahdin Power Pvt. Ltd,<br>11-C, Small Industrial Estate Sailkot | Syed Najam Rizvi<br>42101-6313682-7<br>Muhammad Zubair<br>34601-6875707-2<br>Muhammad Saleem<br>34601-8750503-1<br>Imtiaz Ahmed<br>34601-8165532-1<br>Muhammad Rashid Azeem<br>34601-5952338-5 | Syed Noor-ul-Hassan Rizvi<br>Muhammad Saleem<br>Sardar Muhammad<br>Sardar Muhammad<br>Muhammad Azeem | 138,073 | 29,649 | – | 167,722 | 28,073 | 29,649 | – | 57,722 |

# Consolidated Financial Statements

EY Ford Rhodes
Chartered Accountants
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# Independent Auditor's Report

**To the members of Pak Brunei Investment Company Limited**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the annexed Consolidated financial statements of **Pak Brunei Investment Company Limited** (the Company), which comprise the Consolidated statement of financial position as at **31 December 2022,** and the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated cash flow statement for the period then ended, and notes to the Consolidated 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 consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 31 December 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the period 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 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 Report 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 report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or 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 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 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 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 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.

**Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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 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.

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

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

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

b) the consolidated statement of financial position, 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 together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

**Other Matter**
The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 7 April 2022.

The engagement partner on the audit resulting in this independent auditors' report is **Omer Chughtai.**

**Chartered Accountants**

**Place:** Karachi

**Dated:** April 13, 2023

**UDIN Number:** AR2022101208KdjQgO93

Consolidated
## Statement of Financial Position

As at December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| | | **ASSETS** | | | |
| **1,487** | 543 | Cash and balances with treasury banks | 5 | **336,735** | 122,856 |
| **2,208** | 1,288 | Balances with other banks | 6 | **499,887** | 291,710 |
| **29,098** | 9,179 | Lendings to financial and other institutions | 7 | **6,588,721** | 2,078,487 |
| **189,092** | 107,990 | Investments | 8 | **42,816,258** | 24,452,231 |
| **119,571** | 98,009 | Advances | 9 | **27,074,496** | 22,192,370 |
| **289** | 329 | Fixed assets | 10 | **65,440** | 74,321 |
| **16** | 14 | Intangible assets | 11 | **3,659** | 3,075 |
| **3,908** | 2,431 | Deferred tax assets | 12 | **884,825** | 550,449 |
| **11,826** | 7,339 | Other assets | 13 | **2,677,834** | 1,661,731 |
| **1,571** | 2,282 | Assets classified as held-for-sale | 14 | **355,799** | 516,768 |
| **359,066** | 229,404 | | | **81,303,654** | 51,943,998 |
| | | **LIABILITIES** | | | |
| **–** | – | Bills payable | | **–** | – |
| **304,230** | 177,740 | Borrowings | 15 | **68,886,902** | 40,245,824 |
| **242** | 221 | Deposits and other accounts | 16 | **54,768** | 50,000 |
| **–** | – | Liabilities against assets subject to finance lease | | **–** | – |
| **–** | – | Subordinated debt | | **–** | – |
| **–** | – | Deferred tax liabilities | | **–** | – |
| **9,923** | 5,875 | Other liabilities | 17 | **2,246,874** | 1,330,194 |
| **314,395** | 183,836 | | | **71,188,544** | 41,626,018 |
| **44,671** | 45,568 | **NET ASSETS** | | **10,115,110** | 10,317,980 |
| | | **REPRESENTED BY** | | | |
| **26,498** | 26,498 | Share capital | 18 | **6,000,000** | 6,000,000 |
| **9,365** | 8,480 | Reserves | | **2,120,621** | 1,920,050 |
| **15,496** | 15,335 | Unappropriated profit | | **3,508,752** | 3,472,236 |
| **(6,698)** | (4,755) | Deficit on revaluation of assets | 19 | **(1,516,623)** | (1,076,611) |
| **44,661** | 45,558 | Total equity attributable to the equity holders of the Holding Company | | **10,112,750** | 10,315,675 |
| **10** | 10 | Non-controlling interest | | **2,360** | 2,305 |
| **44,671** | 45,568 | | | **10,115,110** | 10,317,980 |
| | | **CONTINGENCIES AND COMMITMENTS** | 20 | | |

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

| President/Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|



Consolidated
## Profit and Loss Account

For the Year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| **32,051** | 15,566 | Mark-up / return / interest earned | 21 | **7,257,379** | 3,524,670 |
| **27,114** | 10,867 | Mark-up / return / interest expensed | 22 | **6,139,498** | 2,460,568 |
| **4,937** | 4,699 | Net mark-up / interest income | | **1,117,881** | 1,064,102 |
| | | **Non mark-up / interest income** | | | |
| **518** | 422 | Fee and commission income | 23 | **117,179** | 95,533 |
| **756** | 226 | Dividend income | | **171,185** | 51,137 |
| **–** | – | Foreign exchange income | | **–** | – |
| **–** | – | Income / (loss) from derivatives | | **–** | – |
| **(190)** | 554 | (Loss) / gain on securities | 24 | **(43,060)** | 125,445 |
| **21** | 18 | Other income | 25 | **4,667** | 4,096 |
| **1,105** | 1,220 | Total non-markup / interest income / expense | | **249,971** | 276,211 |
| **6,042** | 5,919 | Total income | | **1,367,852** | 1,340,313 |
| | | **Non mark-up / interest expenses** | | | |
| **2,341** | 2,307 | Operating expenses | 26 | **530,000** | 522,288 |
| **–** | 48 | Other charges | 27 | **–** | 10,947 |
| **83** | 66 | Workers' Welfare Fund | 28 | **18,806** | 15,035 |
| **2,424** | 2,421 | Total non mark-up / interest expenses | | **548,806** | 548,270 |
| **3,618** | 3,498 | Profit before provisions | | **819,046** | 792,043 |
| **(90)** | 373 | Provisions and write offs - net | 29 | **(20,439)** | 84,557 |
| **3,708** | 3,125 | **Profit before taxation** | | **839,485** | 707,486 |
| **1,318** | 1,145 | Taxation | 30 | **298,498** | 259,010 |
| **2,390** | 1,980 | **Profit after taxation** | | **540,987** | 448,476 |
| | | **Attributable to:** | | | |
| **2,389** | 1,980 | Equity holders of the Holding Company | | **540,838** | 448,424 |
| **1** | 1 | Non-controlling interest | | **149** | 52 |
| **2,390** | 1,981 | | | **540,987** | 448,476 |
| (USD) | | | | (Rupees) | |
| **0.00398** | 0.00330 | **Basic and diluted earning per share** | 31 | **0.90** | 0.75 |

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

| President/Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|

Consolidated

# Statement of Comprehensive Income

For the year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| | | **Profit after taxation for the year attributable to:** | | | |
| **2,389** | 1,980 | Equity holders of the Holding Company | | **540,838** | 448,424 |
| **1** | 1 | Non-controlling interest | | **149** | 52 |
| **2,390** | 1,981 | | | **540,987** | 448,476 |
| | | **Other comprehensive loss** | | | |
| | | ***Items that may be reclassified to consolidated profit and loss account in subsequent periods:*** | | | |
| **(3,074)** | (3,986) | - Movement in deficit on revaluation of investments | 19.1 | **(696,074)** | (902,489) |
| **1,131** | 966 | - Deferred tax on revaluation of investments | 19.1 | **256,062** | 218,798 |
| **(1,943)** | (3,020) | | | **(440,012)** | (683,691) |
| | | ***Items that will not be reclassified to consolidated profit and loss account in subsequent periods:*** | | | |
| **(24)** | (4) | - Remeasurement loss on defined benefit plan | | **(5,450)** | (1,013) |
| **7** | 3 | - Deferred tax on remeasurement loss on defined benefit plan | | **1,653** | 620 |
| **(17)** | (1) | | | **(3,797)** | (393) |
| **430** | (1,040) | **Total comprehensive income / (loss)** | | **97,178** | (235,608) |

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

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



Consolidated

# Statement of Changes in Equity

For the year ended December 31, 2022

| | Share capital | Capital reserve: Statutory reserve (a) | General reserve | Capital reserve: Surplus / (deficit) on revaluation of investments | Revenue reserve: Unappropriated profit | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | |
| As at January 1, 2021 | 6,000,000 | 1,623,782 | 100,000 | (392,920) | 3,520,451 | 2,345 | 10,853,658 |
| **Total comprehensive income for the year** | | | | | | | |
| Profit after taxation for the year ended December 31, 2021 | – | – | – | – | 448,424 | 52 | 448,476 |
| **Other comprehensive loss** | | | | | | | |
| - Remeasurement loss on defined benefit obligations - net of tax | – | – | – | – | (371) | (22) | (393) |
| - Movement in deficit on revaluation of investments - net of tax | – | – | – | (683,691) | – | – | (683,691) |
| | – | – | – | (683,691) | 448,053 | 30 | (235,608) |
| Transfer to statutory reserve | – | 96,268 | – | – | (96,268) | – | – |
| Transfer to general reserve | – | – | 100,000 | – | (100,000) | – | – |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Final cash dividend paid for the year ended December 31, 2020 @ Re.0.50 per share | – | – | – | – | (300,000) | – | (300,000) |
| Dividend payout by Awwal Modaraba @ Rs. 0.80 per certificate | – | – | – | – | – | (70) | (70) |
| **Balance as at December 31, 2021** | 6,000,000 | 1,720,050 | 200,000 | (1,076,611) | 3,472,236 | 2,305 | 10,317,980 |
| **Total comprehensive income for the year** | | | | | | | |
| Profit after taxation for the year ended December 31, 2022 | – | – | – | – | 540,838 | 149 | 540,987 |
| **Other comprehensive loss** | | | | | | | |
| - Remeasurement loss on defined benefit obligations - net of tax | – | – | – | – | (3,751) | (46) | (3,797) |
| - Movement in deficit on revaluation of investments - net of tax | – | – | – | (440,012) | – | – | (440,012) |
| | – | – | – | (440,012) | 537,087 | 103 | 97,178 |
| Transfer to statutory reserve | – | 100,571 | – | – | (100,571) | – | – |
| 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, 2021 @ Re.0.50 per share | – | – | – | – | (300,000) | – | (300,000) |
| Dividend payout by Awwal Modaraba @ Rs. 0.22 per certificate | – | – | – | – | – | (48) | (48) |
| **Balance as at December 31, 2022** | 6,000,000 | 1,820,621 | 300,000 | (1,516,623) | 3,508,752 | 2,360 | 10,115,110 |

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

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

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

Consolidated
# Cash Flow Statement

For the Year ended December 31, 2022

| 2022 | 2021 | | Note | 2022 | 2021 |
|---|---|---|---|---|---|
| (US Dollars in '000) | | | | (Rupees in '000) | |
| | | **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **3,708** | 3,125 | Profit before taxation | | **839,485** | 707,486 |
| **756** | 226 | Less: Dividend income | | **171,185** | 51,137 |
| **2,952** | 2,899 | | | **668,300** | 656,349 |
| | | **Adjustments:** | | | |
| **201** | 254 | Depreciation | 26 | **45,423** | 57,461 |
| **3** | 16 | Amortisation | 26 | **572** | 3,561 |
| **16** | 36 | Interest expense - lease liability against right-of-use assets | | **3,585** | 8,193 |
| **83** | 67 | Provision for Workers' Welfare Fund | 28 | **18,806** | 15,035 |
| **(90)** | 373 | Provision and write-offs | 29 | **(20,439)** | 84,557 |
| **–** | (10) | (Gain) / loss on sale of assets classified as held-for-sale | 25 | **–** | (2,221) |
| **–** | 2 | Loss on modification of lease liability | 25 | **–** | 317 |
| **(15)** | (2) | Gain on sale of fixed assets | 25 | **(3,344)** | (285) |
| **198** | 736 | | | **44,603** | 166,618 |
| **3,150** | 3,635 | | | **712,903** | 822,967 |
| | | **(Increase) / decrease in operating assets** | | | |
| **(28,752)** | 2,112 | Lendings to financial institutions | | **(6,510,234)** | 478,192 |
| **(21,587)** | (6,523) | Advances | | **(4,887,894)** | (1,476,884) |
| **(2,944)** | 351 | Others assets (excluding advance taxation) | | **(666,691)** | 79,446 |
| **(53,283)** | (4,060) | | | **(12,064,819)** | (919,246) |
| | | **Increase/ (decrease) in operating liabilities** | | | |
| **126,489** | 56,597 | Borrowings from financial institutions | | **28,641,078** | 12,815,394 |
| **21** | (3,445) | Deposits | | **4,768** | (780,000) |
| **3,990** | 435 | Other liabilities (excluding current taxation, lease liability and WWF) | | **903,564** | 98,534 |
| **130,500** | 53,587 | | | **29,549,410** | 12,133,928 |
| **(178)** | (338) | Rentals (paid) / received | | **(40,304)** | (76,643) |
| **(3,261)** | (1,664) | Taxes paid | | **(738,442)** | (376,886) |
| **76,928** | 51,160 | Net cash generated from / (used in) operating activities | | **17,418,748** | 11,584,120 |
| | | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **(84,388)** | (43,337) | Net investments in available-for-sale securities | | **(19,107,999)** | (9,812,687) |
| **220** | (32) | Net divestments / (investments) in held-to-maturity securities | | **49,858** | (7,116) |
| **–** | (12) | Net investments in held-for-trading securities | | **–** | (2,505) |
| **757** | 226 | Dividends received | | **171,185** | 51,137 |
| **(42)** | (29) | Investments in operating fixed assets | | **(9,382)** | (6,540) |
| **(5)** | (4) | Investments in operating intangible assets | | **(1,156)** | (810) |
| **–** | 2 | Proceeds from sale of fixed assets | | **–** | 422 |
| **888** | 482 | Proceeds from sale of assets classified as held for sale | | **200,850** | 108,961 |
| **(82,570)** | (42,704) | Net cash (used in) / generated from investing activities | | **(18,696,644)** | (9,669,138) |
| | | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **(1,325)** | (1,325) | Dividend paid to equity shareholders of the Holding Company | | **(300,000)** | (300,000) |
| **–** | – | Dividend paid to non-controlling interests | | **(48)** | (70) |
| **(1,325)** | (1,325) | Net cash used in financing activities | | **(300,048)** | (300,070) |
| **(6,967)** | 7,131 | **Increase in cash and cash equivalents** | | **(1,577,944)** | 1,614,912 |
| **10,664** | 3,532 | Cash and cash equivalents at beginning of the year | | **2,414,566** | 799,654 |
| **3,697** | 10,663 | **Cash and cash equivalents at end of the year** | 32 | **836,622** | 2,414,566 |

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

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



# Notes to and Forming part of the Consolidated Financial Statements

For the Year ended December 31, 2022

## 1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

**Holding Company**

Pak Brunei Investment Company Limited (the Holding Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Holding Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Holding Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Holding Company is in operation with 2 offices (2021: 2) one located in Karachi and the other in Lahore.

**Subsidiaries**

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

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

The Company is managing the following modarabas:

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

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

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

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

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

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

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

**Awwal Corporate Restructuring Company Limited - 100% holding**
Awwal Corporate Restructuring Company Limited (ACRCL) is an unlisted public limited company incorporated, under the Companies Act 2017, on December 24, 2021. The registered office of Awwal Corporate Restructuring Company Limited is situated at 3rd floor, Horizon Vista, Plot No. Commercial 10, Block No. 4, Scheme No.5, Clifton, Karachi.

The principal activity of the company shall be to conduct business as per Corporate Restructuring Act 2016 and Corporate Restructuring Rules 2019 notified by the Securities & Exchange Commission of Pakistan (SECP). As of the financial statements date, the Company has not commenced its commercial operations.

## 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;
- 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) 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 IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 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. Investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 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) |
|---|---|
| IAS 8 - Definition of Accounting Estimates (Amendments) | 01 January 2023 |
| IAS 12 - Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments) | 01 January 2023 |
| IAS 1 - Disclosure of Accounting Policies (Amendments) | 01 January 2023 |
| IAS 1 - Classification of Liabilities as Current or Non-Current (Amendments) | 01 January 2024 |
| IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments) | 01 January 2024 |
| IFRS 10 / IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) | Not yet finalised |

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

Further, following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 1 – First time adoption of IFRSs | 01 July 2009 |
| IFRS 17 – Insurance Contracts | 01 January 2023 |

SBP has directed banks / DFIs in Pakistan to implement IFRS 9 with effect from 1 January 2023 vide BPRD circular no. 03 dated 5 July 2022. The estimated impact of adoption is Rs. 203 million (net of tax) on retained earnings.

**2.5 IFRS 9 Financial Instruments**
As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for DFIs. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in DFIs.

During the year, the management of the Holding Company performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the entity at the time of finalizing the impact for initial application of IFRS 9. In addition, the entity will implement changes in classification of certain financial instruments.

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

**2.5.1 Classification and measurement**

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Holding Company's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). Equity instruments are generally measured as Fair Value through Profit & Loss (FVTPL) unless the Holding Company elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Holding Company has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

**Equity Securities**

The Holding Company expects to continue measuring equity securities at fair value.

For (certain) quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Holding Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact. The Holding Company will classify all of its investments currently classified under AFS as fair value through OCI.

The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus/deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has allowed relaxation to the financial institutions till one year to carry these investments under the current prudential regulation regime at lower of cost or breakup value.

**Debt securities and Loans and advances**

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those which pass SPPI test are expected to be measured at amortized costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, that fail SPPI test would be measured at fair value through profit and loss.

The Holding Company has assessed that Debt securities amounting PKR 2,289,946 thousand will be reclassified from AFS to fair value through profit and loss. As a result, unrealized loss on these securities amounting to PKR 9,200 thousand will be reclassified from equity to profit and loss statement.

**2.5.2 Impairment**

The impairment requirements apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), loans and receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Holding Company has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

**2.5.3 Impact of adoption of IFRS 9**

The Holding Company will adopt IFRS 9 in its entirety effective from January 01, 2023 with modified retrospective approach for restatement. As permitted by IFRS-9, the Holding Company will not be restating comparatives on initial application. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period. The actual impact of adopting IFRS 9 on the Holding Company’s financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Holding Company would hold during next year and economic conditions at that time as well as accounting judgements that will be made in future. Nevertheless, the Holding Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

**2.5.4 Impact on Equity of the Holding Company**

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Holding Company's equity at January 01, 2023, is reduction in equity of approximately Rs. 203 million, representing corresponding impact of:

- An increase of approximately Rs. 214 million (net of tax) related to impairment requirements; and
- A decrease of approximately Rs. 11 million related to classification and measurement requirements, other than impairment.

The Holding Company continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

**2.5.5 Impact on regulatory capital**

The Banks / Companies are allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the Banks/Companies to absorb the impact on regulatory capital. Accordingly, Banks / Companies, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP’s Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022. The estimated impact of initial adoption of IFRS 9 on the Holding Company’s capital ratios, without accounting for the allowed transitional arrangement, is as follows:

| | As per adopted IFRS 9 | As per Current ARS |
|---|---|---|
| Common Equity Tier 1 Capital Adequacy ratio | 22.07% | 23.02% |
| Tier 1 Capital Adequacy Ratio | 22.07% | 23.02% |
| Total Capital Adequacy Ratio | 22.07% | 23.02% |
| CET1 available to meet buffers (as a percentage of risk weighted assets) | 10.57% | 11.52% |

**2.5.6 Loan / financing related fee**

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

**2.5.7 Presentation and disclosure**

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of financial institution's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

SBP has notified revised formats for reporting of annual and interim financial statements vide circular number 02 of 2023. The Holding Company will prepare financial statements in accordance with revised formats provided by SBP from accounting period beginning January 01, 2023.

**2.6 Critical accounting estimates and judgments**

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

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

**i)** classification, valuation and provisioning of investments (notes 4.4 and 8);
**ii)** classification and provisioning against non performing loans and advances (notes 4.6 and 9);
**iii)** provision for defined benefit plan (notes 4.14 and 34);
**iv)** lease liability and right-of-use assets (notes 4.7.2, 10 and 17);
**v)** taxation (notes 4.12 and 30) ;
**vi)** assets classified as held-for-sale (notes 4.10 and 14); and
**vii)** provision against off balance sheet obligations and contingent liabilities (note 20).

## 3 BASIS OF MEASUREMENT

**3.1 Accounting convention**

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

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



**3.2 US Dollar equivalent**

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of the consolidated financial statements. For the purpose of conversion to US Dollars, the rate of Rs 226.4309 to US Dollars has been used for 2022 and 2021 as it was the prevalent rate on December 31, 2022.

**3.3 Functional and presentation currency**

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**4.1 Basis of consolidation**

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

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

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

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

Material intra-group balances and transactions have been eliminated.

**4.2 Cash and cash equivalents**

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

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

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

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

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

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

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

### 4.4 Investments

#### 4.4.1 Classification

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

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

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

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

#### 4.4.2 Initial measurement

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

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

#### 4.4.3 Subsequent measurement

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

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

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

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The cost of investment is determined on a weighted average basis. A decline in the carrying value is charged to the consolidated profit and loss account. Investments in other unquoted securities are valued using the rates issued by Mutual Fund Association of Pakistan (MUFAP). However, for those securities whose market value is not readily available from MUFAP are carried at cost. Any surplus or deficit arising as a result of revaluation is taken to 'consolidated statement of comprehensive income'.



### 4.5 Investments in associates

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

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

### 4.6 Advances

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

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

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

### 4.7 Fixed assets and depreciation

#### 4.7.1 Tangible assets - owned

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

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

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

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

#### 4.7.2 Lease liability and right-of-use assets

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

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

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

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

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

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

**4.7.3 Capital work-in-progress**

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

**4.8 Intangible assets and amortisation**

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

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

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

**4.9 Impairment**

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

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

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

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

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

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

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

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

**4.10 Assets classified as held-for-sale**

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

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

**4.11 Assets acquired in satisfaction of claims**

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

**4.12 Taxation**

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

**4.12.1 Current**

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

**4.12.2 Deferred**

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

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

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

**4.13 Borrowings / deposits**

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

**4.14 Staff retirement benefits**

**4.14.1 Defined benefit plan - Holding Company**

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2022.

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

**Defined contribution plan - Holding Company**

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

**4.14.2 Staff retirement benefits of the subsidiaries**

**Staff gratuity scheme - subsidiaries**

Awwal Modaraba and AMML operates a funded gratuity scheme for their employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2022.



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

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

**Staff provident fund - subsidiaries**

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

**4.15 Financial instruments**

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

**Derivative financial instruments**

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

**Offsetting**

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

**4.16 Provisions, contingent assets and contingent liabilities**

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

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

**4.17 Commitments**

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

**4.18 Revenue recognition**

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

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

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

**4.19 Earnings per share**

The Group 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.

**4.20 Foreign currency translation**

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

**4.21 Proposed dividends and transfers between reserves**

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

**4.22 Segment reporting**

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

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

**4.22.1 Business segments**

**Corporate finance**

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

**Trading and sales**

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

**Commercial banking**

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

**4.22.2 Geographical segments**

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



## 5 CASH AND BALANCES WITH TREASURY BANKS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| With State Bank of Pakistan in: | | | |
| Local currency current account | 5.1 | **336,649** | 122,856 |
| With National Bank of Pakistan in: | | | |
| Local currency deposit account | 5.2 | **86** | – |
| | | **336,735** | 122,856 |

**5.1** This includes Rs. 121.465 million (2021: Rs. 19.547 million) held as minimum cash reserve required to be maintained with the SBP in accordance with the requirements issued from time to time.

**5.2** These carry mark-up at the rate of 5.5% per annum (2021: Nil).

## 6 BALANCES WITH OTHER BANKS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| In Pakistan | | | |
| - In deposit accounts | 6.1 | **492,689** | 285,006 |
| - In current account | | **7,198** | 6,704 |
| | | **499,887** | 291,710 |

**6.1** These carry mark-up at rates ranging from 4.40% to 14.51% per annum (2021: 2.33% to 9.00% per annum).

## 7 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Investments against repurchase agreements | 7.1 | **6,588,721** | 78,487 |
| Term deposits receipts | 7.1 | **–** | 2,000,000 |
| | | **6,588,721** | 2,078,487 |

**7.1** These carry mark-up at rates ranging from 15.50% to 16.20% (2021: 11.75% to 14%) and are due to mature latest by January 16, 2023 (2021: January 6, 2022).

The Modaraba has entered into an agreement with a shareholder of a company (investee company) for the purchase of 2,518,045 shares of the investee company. Concurrently, the Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares after a period of eight months from the date of purchase at an agreed price. The underlying shares have been transferred in the name of the Modaraba. The outstanding amount as at December 31, 2022 aggregated to Rs 28.754 million (2021: 78.487 million).

### 7.2 Particulars of lendings

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| In local currency | **6,588,721** | 2,078,487 |
| In foreign currencies | **–** | – |
| | **6,588,721** | 2,078,487 |

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

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Held by the Group** | **Further given as collateral** | **Total** | Held by the Group | Further given as collateral | Total |
| Pakistan Investment Bonds | **2,489,398** | **–** | **2,489,398** | – | – | – |
| Market Treasury Bills | **4,070,569** | **(3,883,572)** | **186,997** | – | – | – |
| Total | **6,559,967** | **(3,883,572)** | **2,676,395** | – | – | – |

## 8. INVESTMENTS

### 8.1 Investments by type:

(Rupees in '000)

| | | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | **Cost / amortised cost** | **Provision for diminution** | **Surplus / (deficit)** | **Carrying value** | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| **Held-for-trading securities** | | | | | | | | | |
| Ordinary shares | | **–** | **–** | **–** | **–** | 2,501 | – | 4 | 2,505 |
| | | **–** | **–** | **–** | **–** | 2,501 | – | 4 | 2,505 |
| **Available-for-sale securities** | | | | | | | | | |
| Federal government securities | 8.3 | **40,669,231** | **–** | **(1,695,365)** | **38,973,866** | 22,597,778 | – | (1,188,220) | 21,409,558 |
| Ordinary shares | | **1,798,875** | **(26,315)** | **(431,770)** | **1,340,790** | 1,110,619 | (27,891) | (263,316) | 819,412 |
| Non-government debt securities | 8.1.1 | **2,748,404** | **(263,332)** | **(7,716)** | **2,477,356** | 2,400,114 | (266,221) | 7,960 | 2,141,853 |
| Modaraba Certificates | | **39,277** | **–** | **(15,031)** | **24,246** | 39,277 | – | (10,232) | 29,045 |
| | | **45,255,787** | **(289,647)** | **(2,149,882)** | **42,816,258** | 26,147,788 | (294,112) | (1,453,808) | 24,399,868 |
| **Held-to-maturity securities** | | | | | | | | | |
| Commercial paper | | **–** | **–** | **–** | **–** | 49,858 | – | – | 49,858 |
| | | **–** | **–** | **–** | **–** | 49,858 | – | – | 49,858 |
| **Total investments** | | **45,255,787** | **(289,647)** | **(2,149,882)** | **42,816,258** | **26,200,147** | **(294,112)** | **(1,453,804)** | **24,452,231** |

**8.1.1** This includes privately placed Corporate Sukuks and Term Finance Certificates (TFCs) amounting to Rs. 1,278.15 million which are carried at cost as their market value is not readily available.

### 8.2 Investments by segments:

(Rupees in '000)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Cost / amortised cost** | **Provision for diminution** | **Surplus / (deficit)** | **Carrying value** | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| **Federal government securities** | | | | | | | | |
| Market Treasury Bills | **–** | **–** | **–** | **–** | 9,742,610 | – | (117,594) | 9,625,016 |
| - Pakistan Investment Bonds - Fixed Rate | **8,314,870** | **–** | **(1,704,313)** | **6,610,557** | 8,365,115 | – | (1,074,449) | 7,290,666 |
| - Pakistan Investment Bonds - Floating Rate | **32,354,361** | **–** | **8,948** | **32,363,309** | 4,490,053 | – | 3,823 | 4,493,876 |
| | **40,669,231** | **–** | **(1,695,365)** | **38,973,866** | 22,597,778 | – | (1,188,220) | 21,409,558 |
| **Ordinary shares** | | | | | | | | |
| Listed companies | **1,777,544** | **(4,984)** | **(431,770)** | **1,340,790** | 1,091,789 | (6,560) | (263,312) | 821,917 |
| Unlisted companies | **21,331** | **(21,331)** | **–** | **–** | 21,331 | (21,331) | – | – |
| | **1,798,875** | **(26,315)** | **(431,770)** | **1,340,790** | 1,113,120 | (27,891) | (263,312) | 821,917 |
| **Non-government debt securities** | | | | | | | | |
| Listed | **1,148,841** | **(14,361)** | **(7,716)** | **1,126,764** | 1,274,946 | (15,841) | 7,960 | 1,267,065 |
| Unlisted | **1,599,563** | **(248,971)** | **–** | **1,350,592** | 1,125,168 | (250,380) | – | 874,788 |
| | **2,748,404** | **(263,332)** | **(7,716)** | **2,477,356** | 2,400,114 | (266,221) | 7,960 | 2,141,853 |
| **Modaraba Certificates** | **39,277** | **–** | **(15,031)** | **24,246** | 39,277 | – | (10,232) | 29,045 |
| **Commercial paper** | **–** | **–** | **–** | **–** | 49,858 | – | – | 49,858 |
| | **–** | **–** | **–** | **–** | 49,858 | – | – | 49,858 |
| **Total investments** | **45,255,787** | **(289,647)** | **(2,149,882)** | **42,816,258** | 26,200,147 | (294,112) | (1,453,804) | 24,452,231 |

### 8.2.1 Investments given as collateral

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Cost / amortised cost** | **Surplus / (deficit)** | **Carrying value** | Cost / amortised cost | Surplus / (deficit) | Carrying value |
| Market Treasury Bills | **–** | **–** | **–** | 11,595,980 | (899,449) | 10,696,531 |
| Pakistan Investment Bonds | **34,512,294** | **(1,306,329)** | **33,205,965** | 8,940,956 | (107,852) | 8,833,104 |
| Term finance certificates / sukuks certificates | **759,760** | **(7,715)** | **752,045** | 759,788 | – | 759,788 |
| Ordinary shares | **118,576** | **(31,420)** | **87,156** | 161,026 | (42,402) | 118,624 |
| | **35,390,630** | **(1,345,464)** | **34,045,166** | 21,457,750 | (1,049,703) | 20,408,047 |

**8.3** Market Treasury Bills carry effective yield of Nil (2021: 7.66% to 7.67%) per annum and will mature on nil. (2021: 8 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% to 16.97% (2021: 7% to 13%) per annum on a semi-annual basis and will mature within 17 years (2021: 18 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

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **8.4.1** Opening balance | **294,112** | 346,947 |
| **Charge / reversals** | | |
| Charge for the year | **14,972** | 1,998 |
| Reversals for the year | **(19,437)** | (54,833) |
| | **(4,465)** | (52,835) |
| Closing balance | **289,647** | 294,112 |

#### 8.4.2 Particulars of provision against debt securities

(Rupees in '000)

| Category of classification | 2022 | | 2021 | |
|---|---|---|---|---|
| | Non-performing investments | Provision | Non-performing investments | Provision |
| **Domestic** | | | | |
| Loss | **263,332** | **263,332** | 266,221 | 266,221 |

#### 8.5 Quality of available-for-sale securities

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

(Rupees in '000)

| | 2022 | 2021 |
|---|---|---|
| v | Cost | |
| **Federal government securities - government guaranteed** | | |
| Market Treasury Bills | **–** | 9,742,610 |
| Pakistan Investment Bonds | **40,669,231** | 12,855,168 |
| | **40,669,231** | 22,597,778 |
| **Ordinary shares** | | |
| ***Listed companies*** | | |
| Oil and gas marketing / exploration companies | **148,834** | 135,295 |
| Power generation and distribution | **742,546** | 435,440 |
| Cement | **607,437** | 281,242 |
| Engineering | **172,031** | 51,484 |
| Food and personal care products | **–** | 42,623 |
| Textile composite | **106,696** | 72,863 |
| Technology and communication | **–** | 37,097 |
| Refinery | **–** | 35,745 |
| | **1,777,544** | 1,091,789 |

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Breakup value | Cost | Breakup value |
| ***Unlisted companies*** | | | | |
| Pakistan Mercantile Exchange Limited* | **21,331** | **2,789** | 21,331 | 2,789 |

* This investment has been fully provided.

(Rupees in '000)

| | 2022 | 2021 |
|---|---|---|
| | Cost | |
| **Non-government debt securities** | | |
| ***Listed*** | | |
| - AAA | **186,105** | 659,105 |
| - AA+, AA, AA- | **948,375** | 500,000 |
| - A+, A, A- | **–** | 100,000 |
| - CCC and below | **14,361** | 15,841 |
| | **1,148,841** | 1,274,946 |
| ***Unlisted*** | | |
| - AAA | **100,339** | – |
| - AA+, AA, AA- | **1,099,840** | 834,860 |
| - A+, A, A- | **150,412** | 39,928 |
| - CCC and below | **143,472** | 137,684 |
| - Unrated | **105,500** | 112,696 |
| | **1,599,563** | 1,125,168 |
| **Units of mutual funds - listed** | | |
| Unrated | **39,277** | 39,277 |
| **Equity securities** | | |
| ***Listed*** | | |
| **Oil and gas marketing companies** | | |
| Oil and Gas Development Company Limited | **46,542** | 57,293 |
| Sui Northern Gas Pipelines Limited | **62,928** | 53,323 |
| Sui Southern Gas Company Limited | **39,364** | 24,679 |
| **Power generation and distribution** | | |
| The Hub Power Company Limited | **184,294** | 38,780 |
| K-Electric Limited | **11,734** | 24,562 |
| Kot Addu Power Company Limited | **240,486** | 136,936 |
| Nishat Power Limited | **306,032** | 235,162 |
| **Cement** | | |
| D.G. Khan Cement Company Limited | **102,691** | 39,412 |
| Lucky Cement Limited | **169,505** | 101,094 |
| Maple Leaf Cement Factory Limited | **178,119** | 83,684 |
| Power Cement Limited | **157,122** | 57,052 |
| **Engineering** | | |
| International Industries Limited | **172,031** | 51,484 |
| **Food and personal care products** | | |
| Treet Corporation Limited | **–** | 42,623 |
| **Textile composite** | | |
| Nishat Mills Limited | **106,696** | 72,863 |
| **Technology and communication** | | |
| NetSol Technologies Limited | **–** | 37,097 |
| **Refinery** | | |
| Cnergyico PK Limited (formerly: Byco Petroleum Pakistan Limited) | **–** | 35,745 |
| | **1,777,544** | 1,091,789 |

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

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| | Cost | |
| ***Non-government debt securities*** | | |
| **Unlisted and unrated** | | |
| Commercial paper | – | 49,858 |

## 9 ADVANCES

| | Note | Performing | | Non-performing | | Total | |
|---|---|---|---|---|---|---|---|
| | | | | (Rupees in '000) | | | |
| | | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Loans, cash credits, running finances, etc. | 9.1 | **25,725,502** | 21,148,462 | **904,791** | 1,018,878 | **26,630,293** | 22,167,340 |
| Islamic financing and related assets | 9.2 | **986,393** | 601,333 | **–** | – | **986,393** | 601,333 |
| Advances - gross | | **26,711,895** | 21,749,795 | **904,791** | 1,018,878 | **27,616,686** | 22,768,673 |
| **Provision against advances** | 9.5 | | | | | | |
| - Specific | | **–** | – | **513,877** | 497,025 | **513,877** | 497,025 |
| - General | | 28,313 | 79,278 | **–** | – | **28,313** | 79,278 |
| | | 28,313 | 79,278 | **513,877** | 497,025 | **542,190** | 576,303 |
| **Advances - net of provision** | | **26,683,582** | 21,670,517 | **390,914** | 521,853 | **27,074,496** | 22,192,370 |

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

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | (Rupees in '000) | | | | |
| | **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 | **1,185,877** | **1,405,203** | **–** | **2,591,080** | 762,411 | 1,015,448 | – | 1,777,859 |
| Residual value | **167,274** | **721,610** | **–** | **888,884** | 266,038 | 397,366 | – | 663,404 |
| Minimum lease payments | **1,353,151** | **2,126,813** | **–** | **3,479,964** | 1,028,449 | 1,412,814 | – | 2,441,263 |
| Financial charges for future periods | **(325,647)** | **(218,089)** | **–** | **(543,736)** | (157,712) | (116,854) | – | (274,566) |
| Present value of minimum lease payments | **1,027,504** | **1,908,724** | **–** | **2,936,228** | 870,737 | 1,295,960 | – | 2,166,697 |

**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 30% (2021: 10% to 25%) of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 9.43% to 24% per annum (2021: 9.68% to 16.47% 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:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | (Rupees in '000) | | | | |
| | **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) | 80,800 | 266,186 | – | 346,986 | 202,800 | 115,200 | – | 318,000 |
| - Diminishing Musharika finance (note 9.2.2) | 89,788 | 316,575 | – | 406,363 | 123,333 | 160,000 | – | 283,333 |
| | 170,588 | 582,761 | – | 753,349 | 326,133 | 275,200 | – | 601,333 |
| **Profit repayments in respect of:** | | | | | | | | |
| - Musharika finance (note 9.2.1) | **12,559** | **–** | **–** | **12,559** | 30,382 | 16,629 | – | 47,011 |
| - Diminishing Musharika finance (note 9.2.2) | **52,052** | **–** | **–** | **52,052** | 46,816 | 125,520 | – | 172,336 |
| | **64,611** | **–** | **–** | **64,611** | 77,198 | 142,149 | – | 219,347 |
| | **235,199** | **582,761** | **–** | **817,960** | 403,332 | 417,349 | – | 820,680 |

**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 31.2% to 85% (2021: 10% to 90% ) and 15% to 68.8% (2021: 10% to 90%) respectively. The customers have either transferred the titles of the assets in the name of the Group or the assets are held in trust by Agent, being related party of the Group, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Group to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 552 million (2021: Rs. 552 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.

These facilities have various maturities up to April 21, 2027 carrying profit ranging from 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3% (2021: 3 months KIBOR plus 2.25% to 3 months KIBOR plus 3.5%).

**9.2.2** Includes an amount of Rs 243.33 million which Awwal Modaraba has provided against Diminishing Musharika Finance facilities to its corporate customers for various purposes. The facilities are secured against various collaterals which mainly include transfer of personal properties of sponsors and/or their associates. Further this facility is secured with first pari passu hypothecation charge over the present and future fixed assets, including plant and machinery and land and building, present and future current assets of the housing project, lien on debt collection accounts of the customer and personal guarantees of the Sponsors. These facilities include an amount of Rs 200 million in respect of which the customer has defaulted in repayments, therefore, Awwal Modaraba initiated legal proceeding against the customer in the Sindh High Court under Financial Institution (Recovery of Finances) Ordinance, 2001.

Also include an amount of Rs. 186.07 million against facilities extended to various customers for vehicle financing arrangements by Awwal Modaraba. All arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

These facilities have maturity dates upto November 28, 2026 and carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% as per agreed terms.

**9.3 Particulars of advances (gross)**

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| In local currency | **27,616,686** | 22,768,673 |
| In foreign currencies | **–** | – |
| | **27,616,686** | 22,768,673 |

**9.4** Advances include Rs. 904.791 million (2021: Rs. 1,018.878 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

| Category of classification | Note | 2022 Non Performing Loans | 2022 Provision | 2021 Non Performing Loans | 2021 Provision |
|---|---|---|---|---|---|
| **Domestic** | | | | | |
| Other Assets Especially Mentioned | 9.4.1 | **7,175** | **718** | 1,500 | 150 |
| Substandard | | **10,238** | **9,105** | 47,356 | 11,839 |
| Doubtful | | **31,666** | **12,418** | 2,141 | 1,070 |
| Loss | | **855,712** | **491,636** | 967,881 | 483,966 |
| Total | | **904,791** | **513,877** | 1,018,878 | 497,025 |

**9.4.1** The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 7.175 million (2021: Rs. 1.5 million).

### 9.5 Particulars of provision against advances

(Rupees in '000)

| | Note | 2022 Specific | 2022 General | 2022 Total | 2021 Specific | 2021 General | 2021 Total |
|---|---|---|---|---|---|---|---|
| Opening balance | | **497,025** | **79,278** | **576,303** | 423,442 | 18,080 | 441,522 |
| Charge for the year | | **114,382** | **11,522** | **125,904** | 84,982 | 61,521 | 146,503 |
| Reversals during the year | | **(110,075)** | **(62,487)** | **(172,562)** | (11,399) | (323) | (11,722) |
| | | **4,307** | **(50,965)** | **(46,658)** | 73,583 | 61,198 | 134,781 |
| Provision due to conversion of investments | 9.5.3 | **12,545** | **–** | **12,545** | – | – | – |
| Amounts written off | | **–** | **–** | **–** | – | – | – |
| Closing balance | | **513,877** | **28,313** | **542,190** | 497,025 | 79,278 | 576,303 |

### 9.5.1 Particulars of provision against advances

(Rupees in '000)

| | 2022 Specific | 2022 General | 2022 Total | 2021 Specific | 2021 General | 2021 Total |
|---|---|---|---|---|---|---|
| In local currency | **513,877** | **28,313** | **542,190** | 497,025 | 79,278 | 576,303 |
| In foreign currencies | **–** | **–** | **–** | – | – | – |
| | **513,877** | **28,313** | **542,190** | 497,025 | 79,278 | 576,303 |

**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. 364.074 million (2021: Rs. 483.915 million). The FSV benefit availed - net of tax amounting to Rs. 243.929 million (2021: 343.580 million) is not available for the distribution as either cash or stock dividend to the shareholders.

**9.5.3** This provision has been booked against the term loan recorded in settlement / restructuring of Company's investment in Privately Placed Term Finance Certificates of Azgard Nine Limited as per the terms of the Honorable Lahore High Court Approved Scheme of Arrangement ("the Approved Scheme"). This term loan shall be settled from proceeds of ANL Muzaffargarh Unit as per the Approved Scheme.

**9.6** **Details of loans written-off of Rs.500,000 and above**
During the year ended December 31, 2022, write-offs of loans within or above Rs. 500,000 amounted to Rs. 28.073 million (2021: Rs. Nil).



## 10 FIXED ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Property and equipment | 10.1 | **65,440** | 153,954 |

### 10.1 Property and equipment

(Rupees in '000)

| 2022 | Note | Right-of-use-asset | Leasehold improvements | Furniture and fixtures | Electrical, office and computer equipment | Vehicles | Mobile phones | Total |
|---|---|---|---|---|---|---|---|---|
| **At January 1, 2022** | | | | | | | | |
| Cost | | **160,439** | **51,656** | **24,055** | **50,131** | **45,459** | **519** | **332,259** |
| Accumulated depreciation | | **(110,124)** | **(49,359)** | **(22,152)** | **(40,992)** | **(34,840)** | **(471)** | **(257,938)** |
| Net book value | | **50,315** | **2,297** | **1,903** | **9,139** | **10,619** | **48** | **74,321** |
| **Year ended December 31, 2022** | | | | | | | | |
| Opening net book value | | **50,315** | **2,297** | **1,903** | **9,139** | **10,619** | **48** | **74,321** |
| Additions | | **–** | **18** | **220** | **3,131** | **6,013** | **–** | **9,382** |
| Lease modification | | **27,759** | **–** | **–** | **–** | **–** | **–** | **27,759** |
| Disposals | | **–** | **–** | **–** | **(7)** | **(592)** | **–** | **(599)** |
| Depreciation charge for the year | | **(31,145)** | **(1,686)** | **(1,433)** | **(4,580)** | **(6,555)** | **(24)** | **(45,423)** |
| Closing net book value | 10.1.2 | **46,929** | **629** | **690** | **7,683** | **9,485** | **24** | **65,440** |
| **At December 31, 2022** | | | | | | | | |
| Cost | | **188,198** | **51,674** | **24,275** | **53,255** | **50,880** | **519** | **368,801** |
| Accumulated depreciation | | **(141,269)** | **(51,045)** | **(23,585)** | **(45,572)** | **(41,395)** | **(495)** | **(303,361)** |
| Net book value | 10.1.2 | **46,929** | **629** | **690** | **7,683** | **9,485** | **24** | **65,440** |
| **Rate of depreciation** | | **33.33% - 50%** | **20%** | **20%** | **20% - 50%** | **25%** | **50%** | |

(Rupees in '000)

| 2021 | Note | Right-of-use-asset | Leasehold improvements | Furniture and fixtures | Electrical, office and computer equipment | Vehicles | Mobile phones | Total |
|---|---|---|---|---|---|---|---|---|
| **At January 1, 2021** | | | | | | | | |
| Cost | | 189,014 | 51,556 | 23,896 | 44,014 | 45,481 | 470 | 354,431 |
| Accumulated depreciation | | (66,980) | (47,595) | (20,646) | (35,955) | (28,831) | (470) | (200,477) |
| Net book value | | 122,034 | 3,961 | 3,250 | 8,059 | 16,650 | – | 153,954 |
| **Year ended December 31, 2021** | | | | | | | | |
| Opening net book value | | 122,034 | 3,961 | 3,250 | 8,059 | 16,650 | – | 153,954 |
| Additions | | – | 100 | 159 | 6,232 | – | 49 | 6,540 |
| Lease modification | | (28,575) | – | – | – | – | – | (28,575) |
| Disposals | | – | – | – | (115) | (22) | – | (137) |
| Depreciation charge for the year | | (43,144) | (1,764) | (1,506) | (5,037) | (6,009) | (1) | (57,461) |
| Closing net book value | 10.1.2 | 50,315 | 2,297 | 1,903 | 9,139 | 10,619 | 48 | 74,321 |
| **At December 31, 2021** | | | | | | | | |
| Cost | | 160,439 | 51,656 | 24,055 | 50,131 | 45,459 | 519 | 332,259 |
| Accumulated depreciation | | (110,124) | (49,359) | (22,152) | (40,992) | (34,840) | (471) | (257,938) |
| Net book value | 10.1.2 | 50,315 | 2,297 | 1,903 | 9,139 | 10,619 | 48 | 74,321 |
| Rates of depreciation | | 19.22% - 59.38% | 20% | 20% | 20% - 50% | 25% | 50% | |

### 10.1.1 Details of disposal made to related parties

(Rupees in '000)

| Particulars of assets | Cost | Book value | Sale price | Mode of disposal | Particular of purchaser |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Electrical, office and computer equipment** | | | | | |
| Laptop | 303 | – | 0.10 | Sale | Ayesha Aziz (Managing Director) |
| Laptop | 58 | – | 0.10 | Sale | Rais Sheikh (Chief Information Officer) |
| | **361** | **–** | **0.20** | | |

(Rupees in '000)

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

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Leasehold improvements | | **43,097** | 43,044 |
| Furniture and fixtures | | **14,509** | 13,539 |
| Electrical, office and computer equipment | | **23,978** | 22,090 |
| Vehicles | | **1,361** | 4,429 |
| | | **82,945** | 83,102 |

## 11 INTANGIBLE ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| Intangible assets | 11.1 | **3,659** | 721 |
| Capital work-in-progress | 11.2 | **–** | 2,354 |
| | | **3,659** | 3,075 |

### 11.1 Intangible assets

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | Computer software | |
| | | (Rupees in '000) | |
| **At January 1** | | | |
| Cost | | **22,293** | 21,499 |
| Accumulated amortisation | | **(21,572)** | (18,011) |
| Net book value | | **721** | 3,488 |
| **Year ended December 31** | | | |
| Opening net book value | | **721** | 3,488 |
| Additions | | **3,510** | 794 |
| Amortisation charge | | **(572)** | (3,561) |
| Closing net book value | | **3,659** | 721 |
| **At December 31** | | | |
| Cost | 11.1.1 | **25,803** | 22,293 |
| Accumulated amortisation | | **(22,144)** | (21,572) |
| Net book value | | **3,659** | 721 |
| Rate of amortisation (percentage) | | **33.33%** | 33.33% |
| Useful life (in years) | | **3** | 3 |

**11.1.1** The cost of fully amortised assets still in use amounts to Rs. 19.133 million (2021: Rs. 18.503 million).

### 11.2 Capital work-in-progress

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Software | – | 2,354 |

## 12 DEFERRED TAX ASSETS

(Rupees in '000)

| | 2022 | | | |
|---|---|---|---|---|
| | At January 1, 2022 | Recognised in consolidated profit and loss account | Recognised in OCI | At December 31, 2022 |
| **Deductible temporary differences on** | | | | |
| - Provision for diminution in the value of investments | **82,569** | **12,192** | **–** | **94,761** |
| - Provision against advances, other assets, etc. | **167,971** | **9,745** | **–** | **177,716** |
| - Deficit on revaluation of investments | **377,197** | **–** | **256,062** | **633,259** |
| - Amortisation of discount on investments | **(165,809)** | **186,903** | **–** | **21,094** |
| - Accelerated tax depreciation | **(144)** | **4,125** | **–** | **3,981** |
| - Tax losses carried forward | **1,058** | **–** | **–** | **1,058** |
| - Preliminary expenses | **–** | **–** | **–** | **–** |
| - Lease liability against right-of-use asset | **2,636** | **7,564** | **–** | **10,200** |
| - Carry forward of alternate corporate tax | **49,910** | **(49,910)** | **–** | **–** |
| - Unrealized loss on equity investments | **–** | **170** | **–** | **170** |
| - Provision for bonus | **16,807** | **2,663** | **–** | **19,470** |
| | **532,195** | **173,452** | **256,062** | **961,709** |
| **Taxable temporary differences on:** | | | | |
| - Post retirement employee benefits | **(1,921)** | **–** | **1,652** | **(269)** |
| - Net investment in finance lease | **32,180** | **(94,793)** | **–** | **(62,613)** |
| - Right-of-use assets | **(12,005)** | **(1,997)** | **–** | **(14,002)** |
| | **18,254** | **(96,790)** | **1,652** | **(76,884)** |
| | **550,449** | **76,662** | **257,714** | **884,825** |

(Rupees in '000)

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



## 13 OTHER ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Income / mark-up accrued in local currency | | **1,458,182** | 656,404 |
| Advances, deposits, advance rent and other prepayments | | **25,392** | 24,141 |
| Advance taxation (payments less provisions) | | **1,164,398** | 806,925 |
| Advance against subscription of term finance certificates | | **–** | 70,500 |
| Receivable against sale of shares | | **–** | 56,317 |
| Receivable against advisory fee | | **27,505** | 34,183 |
| Receivable from related parties | | **3,272** | 7,746 |
| Receivable from defined benefit plan - related party | 34 | **4,307** | 8,126 |
| | | **2,683,056** | 1,664,342 |
| Less: Provision held against other assets | 13.1 | **(5,222)** | (2,611) |
| | | **2,677,834** | 1,661,731 |

### 13.1 Provision held against other assets

| | | | |
|---|---|---|---|
| Income / mark-up accrued in local currency | | **5,222** | 2,611 |

### 13.1.1 Movement in provision held against other assets

| | | | |
|---|---|---|---|
| Opening balance | | **2,611** | – |
| Charge for the year | | **2,611** | 2,611 |
| Reversals | | **–** | – |
| Amount Written off | | **–** | – |
| Closing balance | | **5,222** | 2,611 |

## 14 ASSETS CLASSIFIED AS HELD-FOR-SALE

| | | | |
|---|---|---|---|
| ***Land, building and machinery acquired from:*** | | | |
| Sufi Steel Industries (Private) Limited | | **186,895** | 387,745 |
| Lion Steel Industries (Private) Limited | | **168,904** | 129,023 |
| **Total assets classified as held-for-sale** | 14.1 & 14.2 | **355,799** | 516,768 |

**14.1** These represent land, building and machinery which have been classified as 'non-current assets as held for sale' as at December 31, 2021. The Company acquired these assets by settling total outstanding principal and mark-up of Rs 494 million and Rs 62 million respectively. It is expected that the process of sale of these assets will be completed in the near future.

### 14.2 Movement of assets classified as held for sale:

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Opening | | **516,768** | 580,596 |
| Additions | | **39,881** | 42,912 |
| Disposals | 14.3 | **(200,850)** | (106,740) |
| Closing | | **355,799** | 516,768 |

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Disposal proceed | | **200,850** | 108,961 |
| Less: cost | | **200,850** | 106,740 |
| | | **–** | 2,221 |

## 15 BORROWINGS

| | Note | 2022 | 2021 |
|---|---|---|---|
| ***Secured*** | | | |
| Borrowings from State Bank of Pakistan under: | | | |
| - Long-Term Finance Facility (LTFF) scheme | 15.2 | **4,085,463** | 4,776,169 |
| - Power Plants Using Renewable Energy (PPRE) scheme | 15.3 | **170,662** | 65,567 |
| - Temporary Economic Refinance Facility (TERF) | 15.4 | **789,398** | 742,405 |
| - Finance for Storage of Agriculture Produce (FSAP) scheme | 15.5 | **89,302** | 148,887 |
| - Credit Guarantee (CGS) Scheme | 15.6 | **119,462** | 53,119 |
| - Special Persons (SP) Scheme | 15.7 | **3,710** | 3,850 |
| - Working Capital (WCF) Scheme | 15.8 | **750,046** | 353,834 |
| - COVID - 19 Scheme | 15.9 | **6,000** | 8,000 |
| - Balancing, Modernization & Replacement (BMR) scheme | 15.10 | **363,649** | 97,991 |
| | | **6,377,692** | 6,249,822 |
| Repurchase agreement borrowings | 15.11 | **13,876,732** | 19,495,978 |
| Borrowings from banks | 15.12 | **36,795,834** | 10,262,441 |
| **Total secured** | | **57,050,258** | 36,008,241 |
| ***Unsecured*** | | | |
| Letters of placement | 15.13 | **11,836,644** | 4,237,583 |
| | | **68,886,902** | 40,245,824 |

### 15.1 Particulars of borrowings with respect to currencies

| | | |
|---|---|---|
| In local currency | **68,886,902** | 40,245,824 |
| In foreign currencies | **–** | – |
| | **68,886,902** | 40,245,824 |

**15.2** The Company has entered into agreements for financing with the SBP for Long-Term Financing under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2% to 7% per annum (2021: 2% to 6% per annum). These are secured against demand promissory notes and are repayable within 9 years (2021: 9 years).

**15.3** These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at rates ranging from 2% to 5% per annum (2021: 2% to 5% per annum) and are due to mature latest by June 30, 2029. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.4** These represent borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1% per annum (2021: 1% per annum) payable on quarterly basis, with maturities upto May, 2032 (2021: December, 2031). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.5** These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of 2.5% per annum (2021: 3% to 4% per annum) and are due to be matured by October 31, 2028.

**15.6** These represent borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (2021: 0% per annum) payable on quarterly basis, with maturities upto November, 2027 (2021: November, 2026). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.7** These represent financing facilities to special persons to meet credit needs for setting up of new business enterprises or for expansion of existing ones and claim refinance from State Bank of Pakistan up to 100% of finance extended by them. The spread is capped at 5% per annum (2021: 5% per annum) by SBP whereas SBP's refinance rate for this facility is 0% per annum (2021: 0% per annum) with maturities upto September 2027. In case of default of the counterparty, upto 60% of principal is covered by SBP. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.8** These represent borrowings from the SBP under scheme for working capital facilities. The mark-up rate applicable on these facilities is 2% per annum (2021: 2% per annum) payable on quarterly basis, with maturities upto December 2023. 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.

**15.9** In accordance with the refinance facility for combating COVID-19, the Company has entered into agreements for financing with the SBP for extending medical equipment finances to the customers. The average profit rate on this facility is 0% (2021: Nil) with maturities upto October 2025. As per the agreements, the Company has granted the SBP the right to recover the outstanding amounts from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP.

**15.10** These represent borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% to 2% per annum (2021: 1% to 2% per annum) payable on quarterly basis, with maturities upto April 2028 (2021: December, 2026). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

**15.11** These represent borrowings from various financial institutions at mark-up rates ranging from 16.09% to 16.10% per annum (2021: 10.01% to 10.75% per annum). Pakistan Investment Bonds and Market Treasury Bills having a face value of Rs. 10,000 million (2021: 11,400 million) and Rs. 4,000 million (2021: Rs. 9,200 million) have been given as collateral against these borrowings respectively.

**15.12** These borrowings carry mark-up at rates ranging from 15.92% to 17.29% per annum (2021: 7.79% to 11.65% per annum) and are repayable within 5 years (2021: 3 years). These are secured against hypothecation of receivables, PIBs having a face value of Rs. 24.98 billion and floating charge over term finance certificates having a face value of Rs. 750 million (2021: 760 million).

### 15.13 Particulars of borrowings

| | 2022 Minimum (%) | 2022 Maximum (%) | 2022 Tenor |
|---|---|---|---|
| Letters of placement: | | | |
| - Staff retirement funds | – | – | – |
| - Other related parties | – | – | – |
| - Others | **7.10** | **16.50** | **5 months** |

| | 2021 Minimum (%) | 2021 Maximum (%) | 2021 Tenor |
|---|---|---|---|
| Letters of placement: | | | |
| - Staff retirement funds | 9.00 | 14.00 | 1 year |
| - Other related parties | 7.1 | 7.1 | 1 month |
| - Others | 8.25 | 9.6 | 3 months |

## 16 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

| | Note | 2022 In local currency | 2022 In foreign currencies | 2022 Total | 2021 In local currency | 2021 In foreign currencies | 2021 Total |
|---|---|---|---|---|---|---|---|
| **Customers** | | | | | | | |
| - Certificate of investments (COIs) | 16.1 & 16.2 | **54,768** | **–** | **54,768** | 50,000 | – | 50,000 |

**16.1** These Certificate of Investments (COIs) carry mark-up rate of 15% per annum (2021: 11.25% per annum) with maturity on December 22, 2023 (2021: December 23, 2022)

### 16.2 Composition of deposits

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| - Public sector entities | **–** | – |
| - Private sector | **54,768** | 50,000 |
| | **54,768** | 50,000 |

## 17 OTHER LIABILITIES

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Mark-up / return / interest payable in local currency | | **803,153** | 200,945 |
| Unearned commission and income on bills discounted | | **28,998** | 26,283 |
| Accrued expenses | | **101,393** | 106,364 |
| Brokerage / commission payable | | **1,584** | 1,266 |
| Payable against purchase of shares | | **120,362** | 89,311 |
| Lease liability against right-of-use assets | | **35,718** | 44,361 |
| Security deposits against advances | | **904,503** | 663,403 |
| Provision for Worker's Welfare Fund | | **164,985** | 140,581 |
| Sindh sales tax payable on modaraba management fee | 17.1 | **10,833** | 9,835 |
| Taxation payable | | **16,648** | 19,293 |
| Unclaimed dividend | | **3,506** | 186 |
| Advance from customers | | **–** | 13,293 |
| Payable to related party | | **2,017** | 2,226 |
| Others | | **53,174** | 12,847 |
| | | **2,246,874** | 1,330,194 |

**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

| 2022 | 2021 | | 2022 | 2021 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees in '000) | |
| **600,000,000** | 600,000,000 | Ordinary shares of Rs.10 each | **6,000,000** | 6,000,000 |

### 18.2 Issued, subscribed and paid-up capital

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

**18.3** As at December 31, 2022, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2021: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2021: 300,000,000 shares) are held by the Brunei Investment Agency.

## 19 DEFICIT ON REVALUATION OF ASSETS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Deficit on revaluation of | | | |
| - Available-for-sale securities | 8.2 | **(2,149,882)** | (1,453,808) |
| Deferred tax on deficit on revaluation of: | | | |
| - Available-for-sale securities | | **633,259** | 377,197 |
| | | **(1,516,623)** | (1,076,611) |

**19.1 Movement in revaluation of assets**

| | 2022 | 2021 |
|---|---|---|
| Deficit on revaluation as at January 01 | **(1,453,808)** | (551,319) |
| Revaluation deficit recognised during the year | **(696,074)** | (902,489) |
| Deficit on revaluation as at December 31 | **(2,149,882)** | (1,453,808) |
| Less: related deferred tax asset on | | |
| - Revaluation as at January 01 | **377,197** | 158,399 |
| - Revaluation recognised during the year | **256,062** | 218,798 |
| | **633,259** | 377,197 |
| Deficit on revaluation of assets - net of tax | **(1,516,623)** | (1,076,611) |

## 20 CONTINGENCIES AND COMMITMENTS

| | Note | 2022 | 2021 |
|---|---|---|---|
| - Guarantees | 20.1 | **1,330,000** | 1,098,728 |
| - Commitments | 20.2 | **2,609,492** | 1,111,764 |
| | | **3,939,492** | 2,210,492 |

**20.1 Guarantees**

| | | 2022 | 2021 |
|---|---|---|---|
| Financial guarantees | | **1,330,000** | 1,098,728 |

**20.2 Commitments**

| | Note | 2022 | 2021 |
|---|---|---|---|
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | **4,103** | 374,020 |
| Commitments in respect of: | | | |
| - forward lendings | 20.2.1 | **2,485,027** | 694,630 |
| - forward shares | 20.2.2 | **120,362** | 43,114 |
| | | **2,609,492** | 1,111,764 |

**20.2.1 Commitments in respect of forward lendings**

| | 2022 | 2021 |
|---|---|---|
| Undrawn formal standby facilities, credit lines and other commitments to lend | **2,485,027** | 694,630 |

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.

**20.2.2 Commitments in respect of forward shares transactions**

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Purchase | **120,362** | – |
| Sale | **–** | 43,114 |
| | **120,362** | 43,114 |

20.3 Other contingent liabilities

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

20.3.2 The returns of income of the Holding Company from tax years 2008 to 2022 had been filed with the tax authorities. From tax year 2008 upto tax year 2020, these returns have been revised and additional tax demands have been raised of which Rs. 782.07 million are outstanding as at December 31, 2022. 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.

## 21 MARK-UP / RETURN / INTEREST EARNED

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| On: | | |
| a) Loans and advances | **2,258,228** | 1,359,268 |
| b) Investments | **4,818,752** | 2,132,078 |
| c) Lendings to financial institutions | **142,983** | 29,009 |
| d) Balances with banks | **37,416** | 4,315 |
| | **7,257,379** | 3,524,670 |

## 22 MARK-UP / RETURN / INTEREST EXPENSED

| | 2022 | 2021 |
|---|---|---|
| Deposits | **5,922** | 16,860 |
| Interest expense on lease liability against right-of-use assets | **3,585** | 8,193 |
| Borrowings | **6,129,991** | 2,435,515 |
| | **6,139,498** | 2,460,568 |

## 23 FEE AND COMMISSION INCOME

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Advisory / arrangement fee | | **4,116** | 18,272 |
| Processing fee income | | **17,920** | 11,506 |
| Participation fee | | **22,538** | 2,250 |
| Commitment fee | | **10,843** | 8,468 |
| Trustee fee | | **56,902** | 55,037 |
| Front end fee | | **4,860** | – |
| | | **117,179** | 95,533 |

## 24 GAIN ON SECURITIES

| | Note | 2022 | 2021 |
|---|---|---|---|
| Realised | 24.1 | **(43,056)** | 124,415 |
| Unrealised - held for trading | | **(4)** | 1,030 |
| | | **(43,060)** | 125,445 |

### 24.1 Realised gain / (loss) on:

| | | 2022 | 2021 |
|---|---|---|---|
| Federal government securities | | **7,896** | 58,817 |
| Shares | | **(49,560)** | 49,156 |
| Non-government debt securities | | **(1,350)** | 353 |
| Commercial paper | | **(42)** | 6 |
| Mutual funds | | **–** | 16,083 |
| | | **(43,056)** | 124,415 |

## 25 OTHER INCOME

| | | 2022 | 2021 |
|---|---|---|---|
| Rent on property | | **–** | 705 |
| Gain / (loss) on sale of non current asset held for sale | | **–** | 2,221 |
| (Loss) / gain on modification of lease liability | | **–** | (317) |
| Gain on sale of fixed assets - net | | **3,344** | 285 |
| Others | | **1,323** | 1,202 |
| | | **4,667** | 4,096 |

## 26 OPERATING EXPENSES

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Total compensation expense** | 26.1 | **316,070** | 327,828 |
| **Property expense** | | | |
| Rent and taxes | | **–** | 885 |
| Insurance | | **7,372** | 6,836 |
| Security | | **5,699** | 5,298 |
| Utilities cost | | **2,857** | 2,122 |
| Repairs and maintenance (including janitorial charges) | | **11,917** | 7,571 |
| Depreciation | 10.1 | **32,835** | 44,909 |
| | | **60,680** | 67,621 |
| **Information technology expenses** | | | |
| Software maintenance | | **4,340** | 2,826 |
| Hardware maintenance | | **1,156** | 713 |
| Depreciation | 10.1 | **3,708** | 3,817 |
| Amortisation | 11.1 | **572** | 3,561 |
| | | **9,776** | 10,917 |
| **Other operating expenses** | | | |
| Directors' fees and allowances | | **8,183** | 8,682 |
| Fees and subscription | | **5,524** | 4,259 |
| Legal and professional charges | | **29,108** | 30,052 |
| Travelling and conveyance | | **37,775** | 30,994 |
| Brokerage commission | | **9,818** | 13,078 |
| Depreciation | 10.1 | **8,879** | 8,735 |
| Training and development | | **1,094** | 1,548 |
| Postage and courier charges | | **420** | 758 |
| Communication | | **5,350** | 4,826 |
| Stationery and printing | | **1,776** | 1,878 |
| Marketing, advertisement and publicity | | **400** | 334 |
| Donations | 26.3 | **5,000** | 3,500 |
| Auditors' remuneration | 26.4 | **4,773** | 2,856 |
| Expenses incurred in relation to assets held for sale | | **16,600** | – |
| Service charges for lease rental recoveries | | **1,539** | – |
| Others | | **6,648** | 3,808 |
| Provision for Sindh sales tax on management company's remuneration | 17.1 | **587** | 614 |
| | | **143,474** | 115,922 |
| | | **530,000** | 522,288 |

### 26.1 Managerial Remuneration

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Fixed | | **142,717** | 180,040 |
| **Contractual Staff** | | | |
| Contractual staff: In-house | | **32,873** | 17,382 |
| Salaried outsourced staff | | **8,524** | 7,078 |
| | | **41,397** | 24,460 |
| **Other benefits** | | | |
| Cash bonus / awards | | **69,694** | 68,721 |
| Charge for defined benefit plan | | **7,352** | 8,307 |
| Contribution to defined contribution plan | | **9,771** | 11,704 |
| Medical | | **6,892** | 7,273 |
| Fuel reimbursement | | **21,959** | 11,185 |
| Leave fare assistance | | **11,590** | 12,981 |
| Leave encashment | | **1,576** | – |
| Others | | **3,122** | 3,157 |
| | | **131,956** | 123,328 |
| **Total compensation expense** | | **316,070** | 327,828 |

**26.2** The Group does not have any material outsourcing arrangements.

### 26.3 Details of donations

| | 2022 | 2021 |
|---|---|---|
| Donations individually exceeding Rs 500,000 | | |
| Indus Hospital and Health Network | **5,000** | – |
| Institute of Business Administration | **–** | 2,000 |
| Friends of Burn Centre Patients Welfare Society | **–** | 1,500 |
| Donations individually not exceeding Rs 500,000 | **–** | – |
| | **5,000** | 3,500 |

### 26.4 Auditors' remuneration

| | 2022 | 2021 |
|---|---|---|
| Audit fee for annual financial statements | **2,128** | 1,518 |
| Half yearly review fee | **792** | 563 |
| Special certifications and sundry advisory services | **1,216** | 473 |
| Out-of-pocket expenses | **637** | 302 |
| | **4,773** | 2,856 |

## 27 OTHER CHARGES

| | Note | 2022 | 2021 |
|---|---|---|---|
| Penalties imposed by the State Bank of Pakistan | 27.1 | **–** | 10,947 |

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



## 28 PROVISION FOR WORKERS' WELFARE FUND

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Provision for Workers' Welfare Fund | 28.1 | **18,806** | 15,035 |

**28.1** As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter relating to payment of SWWF is pending before the Sindh High Court and an interim stay order has been granted to the Group. However, as a matter of abundant caution, the management has maintained a provision for SWWF in the consolidated financial statements amounting to Rs 164.985 million which includes a provision of Rs 18.806 million for the current year.

## 29 PROVISIONS AND WRITE OFFS - NET

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Reversal of provision against investments - net | 8.4.1 | **(4,465)** | (52,835) |
| (Reversal of provision) / provisions against loans and advances | 9.5 | **(46,658)** | 134,781 |
| Provisions against income / mark-up accrued in local currency | 13.1.1 | **2,611** | 2,611 |
| Write-off | | **28,073** | – |
| | | **(20,439)** | 84,557 |

## 30 TAXATION

| | Note | 2022 | 2021 |
|---|---|---|---|
| Current | 30.1 | **351,138** | 202,224 |
| Prior years | | **24,028** | 50,963 |
| Deferred | | **(76,668)** | 5,823 |
| | | **298,498** | 259,010 |

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

### 30.2 Relationship between tax expense and accounting profit

| | 2022 | 2021 |
|---|---|---|
| Accounting profit before tax | **839,485** | 707,486 |
| Tax rate | **33%** | 29% |
| Tax on accounting profit | **277,030** | 205,171 |
| **Tax effect of:** | | |
| Income chargeable to tax at special rate | **(69,276)** | 4,764 |
| Income exempt from tax | **–** | – |
| Permanent differences | **831** | 3,175 |
| Prior year charge | **24,028** | 50,963 |
| Super tax | **41,518** | – |
| Reversal of deferred tax asset | **49,910** | – |
| Others | **(25,543)** | (5,063) |
| | **298,498** | 259,010 |

## 31 EARNINGS PER SHARE - BASIC AND DILUTED

### 31.1 Basic earnings per share

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year after taxation attributable to equity holders of the Holding Company | 540,838 | 448,424 |
| | Number of shares | |
| Weighted average number of ordinary shares (in '000) | 600,000 | 600,000 |
| | Rupees | |
| Basic earnings per share | 0.90 | 0.75 |

### 31.2 Diluted earnings per share

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

## 32 CASH AND CASH EQUIVALENTS

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash and balance with treasury banks | 5 | 336,735 | 122,856 |
| Balance with other banks | 6 | 499,887 | 291,710 |
| Term deposits receipts | 7 | – | 2,000,000 |
| | | 836,622 | 2,414,566 |

## 33 STAFF STRENGTH

| | | |
|---|---|---|
| Permanent | 82 | 71 |
| On contract | 23 | 22 |
| Outsourced | 26 | 20 |
| Own staff strength at the end of the year | 131 | 113 |

33.1 This includes 26 (2021:20) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

## 34 DEFINED BENEFIT PLAN

### 34.1 General description

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



### 34.2 Number of employees under the defined benefit plan

| | 2022 | 2021 |
|---|---|---|
| | (Number) | |
| The number of employees covered under the defined benefit plan as at December 31 | 74 | 76 |

### 34.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

| | 2022 | 2021 |
|---|---|---|
| | (Per annum) | |
| Discount rate | 14.50% | 11.75% |
| Expected rate of salary increase | 13.5% - 14.5% | 10.75% - 11.75% |

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Present value of obligation | 34.6 | 75,464 | 71,677 |
| Fair value of plan assets | 34.7 | (78,652) | (72,950) |
| Receivable | | (3,188) | (1,273) |
| **34.5 Movement in defined benefit obligations** | | | |
| Obligations at the beginning of the year | | (8,126) | (10,609) |
| Current service cost | 34.8.1 | 6,586 | 6,801 |
| Actual contributions | | 11,050 | (3,424) |
| Benefits paid to outgoing members | | (7,248) | (2,748) |
| Re-measurement loss / (gain) recognised in OCI | | (5,450) | 1,854 |
| Obligation at the end of the year | | (3,188) | (8,126) |
| **34.6 Movement in payable under defined benefit scheme** | | | |
| Opening balance | | 71,677 | 77,003 |
| Charge for the year | | 7,353 | 8,307 |
| Interest cost on defined benefit obligation | | 6,968 | 5,538 |
| Re-measurement loss / (gain) recognised in OCI during the year | 34.8.2 | 2,903 | 1,685 |
| Benefits paid to outgoing members | | (13,437) | (20,856) |
| Closing balance | | 75,464 | 71,677 |
| **34.7 Movement in fair value of plan assets** | | | |
| Fair value at the beginning of the year | | 72,950 | 87,612 |
| Interest income on plan assets | | 7,735 | 7,044 |
| Contributions - net | | 6,703 | 3,424 |
| Actual benefits paid from the fund during the year | | (6,189) | (18,108) |
| Re-measurement (loss) / gain | 34.8.2 | (2,547) | (169) |
| Fair value at the end of the year | | 78,652 | 72,950 |

**34.8 Charge for defined benefit plan**

**34.8.1 Cost recognised in consolidated profit and loss account**

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Current service cost | **7,353** | 8,307 |
| Net interest income on defined benefit asset / liability | **(767)** | (1,506) |
| | **6,586** | 6,801 |

**34.8.2 Re-measurements recognised in OCI during the year**

| | 2022 | 2021 |
|---|---|---|
| Loss / (gain) on obligation | | |
| - financial assumptions | **450** | 170 |
| - experience adjustments | **2,453** | 1,515 |
| | **2,903** | 1,685 |
| Return on plan assets over interest income | **2,547** | 169 |
| Total re-measurements gain recognised in OCI | **5,450** | 1,854 |

**34.9 Components of plan assets**

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents - net | **34,215** | 34,215 |
| Government securities | **44,437** | 45,588 |
| Mutual funds | **–** | – |
| | **78,652** | 79,803 |

**34.9.1 Description of risks**
The defined benefit plan exposes the Group to the following risks:

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

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

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

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

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

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| 1% increase in discount rate | **17,114** | 11,073 |
| 1% decrease in discount rate | **(18,324)** | (10,338) |
| 1 % increase in expected rate of salary increase | **18,378** | 10,381 |
| 1 % decrease in expected rate of salary increase | **7,504** | (11,169) |



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

| | (Rupees in '000) |
|---|---|
| **34.11 Expected contributions to be paid to the fund in the next financial year** | 8,323 |

**34.12** The expected charge for the next financial year commencing January 1, 2023 works out to Rs 8.323 million (2021: Rs 6.451 million).

**34.13 Maturity profile**
The weighted average duration of the obligation is 7.2 years (2021: 7.47 years).

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

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

## 35 DEFINED CONTRIBUTION PLANS

**35.1** The Holding Company, Awwal Modaraba, PLL and AMML operates provident fund schemes for all their permanent employees. Equal monthly contributions at the rate of 10% per annum (2021: 10% per annum) of basic salaries are made both by the Holding Company, Awwal modaraba, PLL and AMML and employees. Contributions made to the provident fund during the year are as follows:

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Contribution made by the Holding Company, Awwal modaraba, PLL and AMML | **11,250** | 11,704 |
| Contribution made by employees | **11,250** | 11,704 |
| | **22,500** | 23,408 |

**35.2** Details in respect of defined contribution plans of the subsidiaries are provided in note 4.14.2.

## 36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 36.1 Total Compensation Expense

(Rupees in '000)

| Items | 2022 Directors: Chairman | 2022 Directors: Executives (other than CEO) | 2022 Directors: Non-Executive | 2022 President / CEO | 2022 Key Management Personnel | 2022 Other Material Risk Takers / Controllers |
|---|---|---|---|---|---|---|
| **Fees and Allowances etc.** | 1,200 | – | 2,400 | – | – | – |
| **Managerial Remuneration** | | | | | | |
| i) Fixed | – | – | – | 24,920 | 81,260 | 99,606 |
| ii) Total Variable | – | – | – | – | – | – |
| of which | | | | | | |
| a) Cash Bonus / Awards | – | – | – | 17,982 | 19,630 | 39,397 |
| b) Bonus & Awards in Shares | – | – | – | – | – | – |
| Charge for defined benefit plan | – | – | – | 2,187 | 870 | 4,065 |
| Contribution to defined contribution plan | – | – | – | 1,719 | 4,049 | 4,808 |
| Rent & house maintenance | – | – | – | – | – | – |
| Utilities | – | – | – | – | – | – |
| Medical | – | – | – | 908 | 1,789 | 3,331 |
| Conveyance | – | – | – | – | – | – |
| **Others** | | | | | | |
| - LFA | – | – | – | – | 1,191 | 2,349 |
| - TDA | – | – | – | 520 | 127 | 654 |
| - Fuel | – | – | – | 413 | 4,533 | 7,264 |
| - Leave encashment | – | – | – | 1,576 | – | 1,576 |
| - Mobile reimbursement | – | – | – | 95 | 201 | 403 |
| - others | – | – | – | 630 | 1,864 | 1,334 |
| Total | 1,200 | – | 2,400 | 50,950 | 115,514 | 164,787 |
| Number of persons | 1 | – | 2 | 1 | 15 | 22 |

(Rupees in '000)

| Items | 2021 Directors: Chairman | 2021 Directors: Executives (other than CEO) | 2021 Directors: Non-Executive | 2021 President / CEO | 2021 Key Management Personnel | 2021 Other Material Risk Takers / Controllers |
|---|---|---|---|---|---|---|
| **Fees and Allowances etc.** | 1,600 | – | 3,200 | – | – | – |
| **Managerial Remuneration** | | | | | | |
| i) Fixed | – | – | – | 23,976 | 95,029 | 91,727 |
| ii) Total Variable | – | – | – | – | – | – |
| of which | | | | | | |
| a) Cash Bonus / Awards | – | – | – | 16,798 | 29,848 | 33,863 |
| b) Bonus & Awards in Shares | – | – | – | – | – | – |
| Charge for defined benefit plan | – | – | – | – | 799 | – |
| Contribution to defined contribution plan | – | – | – | 1,654 | 4,918 | 4,295 |
| Rent & house maintenance | – | – | – | – | 794 | 138 |
| Utilities | – | – | – | – | – | – |
| Medical | – | – | – | 2,267 | 1,885 | 4,209 |
| Conveyance | – | – | – | – | 46 | 86 |
| **Others** | | | | | | |
| - LFA | – | – | – | 3,761 | 6,461 | 7,949 |
| - TDA | – | – | – | 32 | 75 | 108 |
| - Fuel | – | – | – | 475 | 5,087 | 4,802 |
| - Leave encashment | – | – | – | – | – | – |
| - Mobile reimbursement | – | – | – | 43 | 401 | 364 |
| - others | – | – | – | 728 | 680 | 1,527 |
| Total | 1,600 | – | 3,200 | 49,734 | 146,023 | 149,068 |
| Number of persons | 1 | – | 3 | 1 | 18 | 8 |

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

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

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

(Rupees in '000)

| Sr. No. | Name of Director | 2022 Meeting Fees and Allowances Paid: For Board Meetings | For Board Committees: Audit Committee | For Board Committees: HR&RC Committee | For Board Committees: Credit and Risk Management Committee | Total Amount Paid |
|---|---|---|---|---|---|---|
| 1 | Mr. Sofian Mohammad Jani | 1,200 | – | – | – | 1,200 |
| 2 | Mr. Arif Ahmed Khan | 1,200 | – | – | – | 1,200 |
| 3 | Dk Noorul Hayati Julaihi | 1,200 | – | – | – | 1,200 |
| | **Total Amount Paid** | 3,600 | – | – | – | 3,600 |

(Rupees in '000)

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

## 37 FAIR VALUE MEASUREMENT

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

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

### 37.1 Fair value of financial assets

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

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

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

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

### Valuation techniques and inputs used in determination of fair values

| Item | Valuation techniques and input used |
|---|---|
| Fully paid-up ordinary shares | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange. |
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (FMA report). |
| Term finance / 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)

| On balance sheet financial instruments | 2022 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal government securities | – | 38,973,866 | – | 38,973,866 |
| Ordinary shares | 1,340,790 | – | – | 1,340,790 |
| Non-government debt securities | – | 2,477,356 | – | 2,477,356 |
| Units of mutual funds | – | 24,246 | – | 24,246 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Commitments | | | | |
| Forward shares | 120,362 | – | – | 120,362 |

(Rupees in '000)

| On balance sheet financial instruments | 2021 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal government securities | – | 21,409,558 | – | 21,409,558 |
| Ordinary shares | 821,917 | – | – | 821,917 |
| Non-government debt securities | – | 2,141,853 | – | 2,141,853 |
| Units of mutual funds | – | 29,045 | – | 29,045 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Commitments | | | | |
| Forward shares | 43,114 | – | – | 43,114 |



## 38 SEGMENT INFORMATION

### 38.1 Segment details with respect to business activities

(Rupees in '000)

| | 2022 Corporate finance | Trading and sales | Commercial banking | Total |
|---|---|---|---|---|
| **Consolidated Profit & Loss Account** | | | | |
| Net mark-up / return / profit | – | 608,598 | 509,283 | 1,117,881 |
| Non mark-up / return / interest income | 123,712 | 118,141 | 8,118 | 249,971 |
| Total income | 123,712 | 726,739 | 517,401 | 1,367,852 |
| Total expenses | 40,334 | 366,981 | 141,491 | 548,806 |
| Provisions | – | 7,067 | (27,506) | (20,439) |
| **Profit before tax** | 83,378 | 352,691 | 403,416 | 839,485 |
| **Consolidated Statement of Financial Position** | | | | |
| Cash and bank balances | 40,616 | 410,085 | 385,921 | 836,622 |
| Investments | – | 42,062,908 | 753,350 | 42,816,258 |
| Lendings to financial institutions | – | 6,588,721 | – | 6,588,721 |
| Advances - performing | – | 2,049,452 | 24,634,130 | 26,683,582 |
| - non-performing | – | 11,249 | 379,665 | 390,914 |
| Others | 5,534 | 3,148,019 | 834,004 | 3,987,557 |
| **Total assets** | 46,150 | 54,270,434 | 26,987,070 | 81,303,654 |
| Borrowings | – | 56,403,229 | 12,483,673 | 68,886,902 |
| Deposits and other accounts | – | 45,215 | 9,553 | 54,768 |
| Others | – | 1,287,395 | 959,479 | 2,246,874 |
| **Total liabilities** | – | 57,735,839 | 13,452,705 | 71,188,544 |
| Equity | 46,150 | (3,465,405) | 13,534,365 | 10,115,110 |
| **Total equity and liabilities** | 46,150 | 54,270,434 | 26,987,070 | 81,303,654 |
| **Contingencies and commitments** | – | – | 3,939,492 | 3,939,492 |

(Rupees in '000)

| | 2021 Corporate finance | Trading and sales | Commercial banking | Total |
|---|---|---|---|---|
| **Consolidated Profit and Loss Account** | | | | |
| Net mark-up / return / profit | – | 597,005 | 467,097 | 1,064,102 |
| Non mark-up / return / interest income | 72,065 | 180,679 | 23,467 | 276,211 |
| Total income | 72,065 | 777,684 | 490,564 | 1,340,313 |
| Total expenses | 26,091 | 347,215 | 174,964 | 548,270 |
| Provisions | – | (44,561) | 129,118 | 84,557 |
| **Profit before tax** | 45,974 | 475,030 | 186,482 | 707,486 |
| **Consolidated Statement of Financial Position** | | | | |
| Cash and bank balances | 11,197 | 136,968 | 266,401 | 414,566 |
| Investments | – | 24,272,311 | 179,920 | 24,452,231 |
| Lendings to financial institutions | – | 2,000,000 | 78,487 | 2,078,487 |
| Advances - performing | – | 903,709 | 20,766,808 | 21,670,517 |
| Advances - non-performing | – | 17,397 | 504,456 | 521,853 |
| Others | 3,409 | 2,044,752 | 758,183 | 2,806,344 |
| **Total assets** | 14,606 | 29,375,137 | 22,554,255 | 51,943,998 |
| Borrowings | – | 24,177,900 | 16,067,924 | 40,245,824 |
| Deposits and other accounts | – | 30,009 | 19,991 | 50,000 |
| Others | – | 702,451 | 627,743 | 1,330,194 |
| Total liabilities | – | 24,910,360 | 16,715,658 | 41,626,018 |
| Equity | 14,606 | 4,464,777 | 5,838,597 | 10,317,980 |
| **Total equity and liabilities** | 14,606 | 29,375,137 | 22,554,255 | 51,943,998 |
| Contingencies and commitments | – | 737,744 | 1,472,748 | 2,210,492 |

### 38.2 Segment details with respect to geographical location

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

## 39 TRUST ACTIVITIES

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

Presently, the Holding Company is acting as Trustee and/or Investment Agent to 52 (fifty-two) debt securities issues of entities, including Agha Steel Industries Limited, Agritech Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank Islami Pakistan Limited, Crescent Steel & Allied Product Limited, Dubai Islamic Bank Pakistan Limited, Habib Bank Limited, Hub Power Company Limited, Hub Power Holding Pvt. Limited, Jahangir Siddiqui & Co. Limited, JS Bank Limited, K-Electric Limited, Khushhali Microfinance Bank Limited, Neelum Jhelum Hydro Power Co. Limited, Pakistan Intermodals Limited, Pakistan Services Limited, Silk Bank Limited, Sindh Nooriabad Power Co. Limited (Phase-I & II), Soneri Bank Limited, Summit Bank Limited, Telecard Limited, The Bank of Punjab, U Microfinance Bank Limited, and WAPDA (Dasu Hydro Power Project). The combined value of debt securities as at December 31, 2022 amounted to Rs. 404,841 million (2021: Rs. 386,557 million).

## 40 RELATED PARTY TRANSACTIONS

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

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 34 and 35 to these consolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to chief executive, directors and executives is disclosed in note 36 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Directors | Key management personnel | Other related parties | Directors | Key management personnel | Other related parties |
| **Lendings** | | | | | | |
| Opening balance | – | – | – | – | – | – |
| Addition during the year | – | – | 58,000 | – | – | 109,511 |
| Repaid during the year | – | – | (32,000) | – | – | (109,511) |
| Transfer in / (out) - net | – | – | – | – | – | – |
| Closing balance | – | – | 26,000 | – | – | – |
| **Investments** | | | | | | |
| Opening balance | – | – | – | – | – | – |
| Investment made during the year | – | – | – | – | – | 39,277 |
| Investment redeemed / disposed off during the year | – | – | – | – | – | – |
| Transfer to available-for-sale securities on recharacterisation of investment | – | – | – | – | – | – |
| Closing balance | – | – | – | – | – | 39,277 |
| **Advances** | | | | | | |
| Opening balance | – | 89,209 | 150,000 | – | 92,939 | – |
| Addition during the year | – | 46,337 | – | – | 24,307 | 300,000 |
| Repaid during the year | – | (10,432) | – | – | (67,600) | (150,000) |
| Transfer in / (out) - net | – | (52,909) | 28,207 | – | 40,631 | – |
| Closing balance | – | 72,205 | 178,207 | – | 90,277 | 150,000 |
| **Other assets** | | | | | | |
| Interest / mark-up accrued | – | – | 423 | – | – | 52 |
| Receivable from defined benefit plan | – | – | 8,551 | – | – | 8,126 |
| Others | – | – | 810 | – | – | 23,082 |
| | – | – | 9,784 | – | – | 31,259 |
| **Borrowings** | | | | | | |
| Opening balance | – | – | 191,155 | – | – | 72,723 |
| Borrowings during the year | – | – | 28,443 | – | – | 1,240,360 |
| Settled during the year | – | – | (219,598) | – | – | (1,121,928) |
| Closing balance | – | – | – | – | – | 191,155 |
| **Other Liabilities** | | | | | | |
| Interest / mark-up payable | – | – | – | – | – | 2,214 |
| Other liabilities | – | – | – | – | – | 749 |
| | – | – | – | – | – | 2,963 |
| **Income** | | | | | | |
| Mark-up / return / interest earned | – | 2,542 | 25,417 | – | 5,748 | 15,616 |
| **Expense** | | | | | | |
| Mark-up / return / interest paid | – | – | 9,437 | – | – | 15,815 |
| Operating expenses | 3,600 | 153,808 | – | 3,200 | 114,164 | – |
| Reimbursement of expenses | – | 12,656 | – | – | 6,204 | 7,086 |
| Expenses charged | – | – | 9,806 | – | – | 8,772 |

## 41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Minimum Capital Requirement (MCR):** | | |
| Paid-up capital (net of losses) | **6,000,000** | 6,000,000 |
| **Capital Adequacy Ratio (CAR):** | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | **8,833,214** | 9,368,301 |
| Eligible Additional Tier 1 (ADT 1) Capital | **–** | – |
| Total Eligible Tier 1 Capital | **8,833,214** | 9,368,301 |
| Eligible Tier 2 Capital | **–** | – |
| Total Eligible Capital (Tier 1 + Tier 2) | **8,833,214** | 9,368,301 |
| **Risk Weighted Assets (RWAs):** | | |
| Credit Risk | **26,568,800** | 21,473,594 |
| Market Risk | **5,650,384** | 5,052,444 |
| Operational Risk | **2,367,219** | 2,290,118 |
| Total | **34,586,403** | 28,816,156 |
| Common Equity Tier 1 Capital Adequacy ratio | **25.54%** | 32.51% |
| Tier 1 Capital Adequacy Ratio | **25.54%** | 32.51% |
| Total Capital Adequacy Ratio | **25.54%** | 32.51% |

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 25.54% of its risk weighted exposure as at December 31, 2021.

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

| | 2022 | 2021 |
|---|---|---|
| Notional minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | **6.00%** | 6.00% |
| Tier 1 minimum ratio | **7.50%** | 7.50% |
| Total capital minimum ratio | **11.50%** | 11.50% |



| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Leverage Ratio (LR):** | | |
| Eligible Tier-1 Capital | **8,833,214** | 9,368,301 |
| Total Exposures | **81,027,763** | 53,072,617 |
| Leverage Ratio - percentage | **10.90%** | 17.65% |
| **Liquidity Coverage Ratio (LCR):** | | |
| Total High Quality Liquid Assets | **7,989,493** | 11,216,690 |
| Total Net Cash Outflow | **7,107,724** | 11,713,912 |
| Liquidity Coverage Ratio - percentage | **112.41%** | 95.76% |
| **Net Stable Funding Ratio (NSFR):** | | |
| Total Available Stable Funding | **27,729,097** | 21,834,760 |
| Total Required Stable Funding | **23,794,119** | 19,904,685 |
| Net Stable Funding Ratio - percentage | **116.54%** | 109.70% |

**41.1** The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2021/03/BaselIII2020Disclosure-Consolidated.pdf

## 42 RISK MANAGEMENT

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

**Categories of risk**

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

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

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

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

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

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

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

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

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

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

The Group manages 3 principal sources of credit risk:

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

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

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



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

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

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

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

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

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

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

**42.1.1 Lendings to financial institutions**

(Rupees in '000)

| | Gross lendings | | Non-performing lendings | | Provision held | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | – | – | – | – | – | – |
| Private | 6,588,721 | 2,078,487 | – | – | – | – |
| | 6,588,721 | 2,078,487 | – | – | – | – |

### 42.1.2 Investment in debt securities

(Rupees in '000)

| | Gross investments | | Non-performing investments | | Provision held | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Credit risk by industry sector** | | | | | | |
| Agriculture, Forestry, Hunting and Fishing | **56,910** | 58,320 | **56,910** | 58,320 | **56,910** | 58,320 |
| Textile | **42,920** | 42,920 | **42,920** | 42,920 | **42,920** | 42,920 |
| Electronics and electrical appliances | **105,500** | 155,358 | **105,500** | 105,500 | **105,500** | 105,500 |
| Construction | **43,641** | 43,641 | **43,641** | 43,641 | **43,641** | 43,641 |
| Transport, Storage and Communication | **14,361** | 15,840 | **14,361** | 15,840 | **14,361** | 15,840 |
| Financial institution | **2,474,246** | 1,960,893 | **–** | – | **–** | – |
| | **2,737,578** | 2,276,972 | **263,332** | 266,221 | **263,332** | 266,221 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | **–** | – | **–** | – | **–** | – |
| Private | **2,737,578** | 2,276,972 | **263,332** | 266,221 | **263,332** | 266,221 |
| | **2,737,578** | 2,276,972 | **263,332** | 266,221 | **263,332** | 266,221 |

### 42.1.3 Advances

(Rupees in '000)

| | Gross advances | | Non-performing advances | | Provision held | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Credit risk by industry sector** | | | | | | |
| Agriculture, forestry, hunting And fishing | **680,139** | 156,685 | **–** | – | **–** | – |
| Textile | **4,683,201** | 4,337,641 | **28,901** | 21,485 | **28,227** | 16,664 |
| Chemical and pharmaceuticals | **3,896,016** | 3,438,263 | **4,030** | – | **4,027** | – |
| Cement | **1,050,000** | 1,000,000 | **–** | – | **–** | – |
| Sugar | **1,375,448** | 715,681 | **21,998** | 21,998 | **–** | 4,821 |
| Automobile and transportation equipment | **433,052** | 284,348 | **3,180** | 1,143 | **3,183** | 1,143 |
| Electronics and electrical appliances | **1,045,197** | 1,447,892 | **–** | 411,937 | **–** | 13,804 |
| Construction | **1,054,495** | 864,606 | **4,975** | – | **2,245** | – |
| Power (Electricity), gas, water, sanitary | **4,882,068** | 3,836,083 | **–** | 138,073 | **–** | 92,278 |
| Wholesale and retail trade | **431,791** | 141,172 | **58,883** | 71,421 | **58,881** | 59,700 |
| Transport, storage And communication | **724,803** | 521,223 | **–** | – | **–** | – |
| Financial | **158,807** | 94,970 | **3,950** | 6,083 | **1,975** | 3,811 |
| Services | **–** | 159,426 | **–** | – | **–** | – |
| Individuals | **1,755,927** | 1,073,848 | **830** | 591 | **826** | 591 |
| Packaging | **713,667** | 13,536 | **411,938** | 10,791 | **111,428** | 2,698 |
| Engineering | **2,559,708** | 1,830,724 | **332,950** | 312,227 | **309,795** | 290,736 |
| Food and beverages | **992,653** | 2,291,929 | **7,760** | 6,270 | **7,013** | 6,270 |
| Steel and engineering | **38,092** | 35,000 | **–** | – | **–** | – |
| Information Technology | **4,000** | 25,021 | **–** | – | **–** | – |
| Others | **1,137,622** | 500,625 | **25,396** | 16,859 | **14,590** | 4,509 |
| | **27,616,686** | 22,768,673 | **904,791** | 1,018,878 | **542,190** | 497,025 |
| **Credit risk by public / private sector** | | | | | | |
| Public / Government | **–** | 20,656 | **–** | – | **–** | – |
| Private | **27,616,686** | 22,748,017 | **904,791** | 1,018,878 | **542,190** | 497,025 |
| | **27,616,686** | 22,768,673 | **904,791** | 1,018,878 | **542,190** | 497,025 |

### 42.1.4 Contingencies and Commitments

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| **Credit risk by industry sector** | | |
| Agriculture, forestry, hunting And fishing | **47,000** | – |
| Textile | **219,505** | 449,120 |
| Chemical and pharmaceuticals | **245,778** | 47,524 |
| Construction | **43,674** | 98,728 |
| Power (Electricity), gas, water, sanitary | **2,716,632** | 1,304,000 |
| Transport, storage and communication | **81,014** | – |
| Financial | **20,887,144** | 19,675,492 |
| Services | **19,840** | 18,000 |
| Packaging | **10,000** | 107,466 |
| Engineering | **84,500** | 9,745 |
| Food and beverages | **–** | 29,797 |
| Steel and engineering | **150,000** | 2,500 |
| Others | **625,152** | 43,114 |
| | **25,130,239** | 21,785,486 |
| **Credit risk by public / private sector** | | |
| Public / Government | **19,262,635** | 18,614,537 |
| Private | **5,867,604** | 3,170,949 |
| | **25,130,239** | 21,785,486 |

### 42.1.5 Concentration of advances

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

| | 2022 | 2021 |
|---|---|---|
| | (Rupees in '000) | |
| Funded | **7,267,938** | 7,598,140 |
| Non Funded | **3,116,632** | 1,318,276 |
| Total Exposure | **10,384,570** | 8,916,416 |

The sanctioned limits against these top 10 exposures aggregated to Rs.11,368 million (2021: Rs.9,670 million).

### 42.1.6 Advances - Province / Region-wise Disbursement and Utilisation

(Rupees in '000)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | | Utilisation | | | |
| | Disbursements | Punjab | Sindh | Balochistan | KPK |
| **Province / Region** | | | | | |
| Punjab | **8,898,656** | **8,898,656** | **–** | **–** | **–** |
| Sindh | **10,941,669** | **–** | **10,941,669** | **–** | **–** |
| KPK including FATA | **129,333** | **–** | **–** | **–** | **129,333** |
| Balochistan | **28,000** | **–** | **–** | **28,000** | **–** |
| Islamabad | **–** | **–** | **–** | **–** | **–** |
| AJK including Gilgit-Baltistan | **–** | **–** | **–** | **–** | **–** |
| **Total** | **19,997,658** | **8,898,656** | **10,941,669** | **28,000** | **129,333** |

(Rupees in '000)

| | 2021 | | | | |
|---|---|---|---|---|---|
| | | Utilisation | | | |
| | Disbursements | Punjab | Sindh | Balochistan | KPK |
| **Province / Region** | | | | | |
| Punjab | 5,468,899 | 5,468,899 | – | – | – |
| Sindh | 8,403,031 | – | 8,403,031 | – | – |
| KPK including FATA | 10,000 | – | – | – | 10,000 |
| Balochistan | 1,800,000 | – | – | 1,800,000 | – |
| Islamabad | – | – | – | – | – |
| AJK including Gilgit-Baltistan | – | – | – | – | – |
| Total | 15,681,930 | 5,468,899 | 8,403,031 | 1,800,000 | 10,000 |

### 42.2 Market risk

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

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

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

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



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

(Rupees in '000)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Banking book | Trading book | Total | Banking book | Trading book | Total |
| Cash and balances with treasury banks | **336,735** | **–** | **336,735** | 122,856 | – | 122,856 |
| Balances with other banks | **499,887** | **–** | **499,887** | 291,710 | – | 291,710 |
| Lendings to financial and other institutions | **6,588,721** | **–** | **6,588,721** | 2,078,487 | – | 2,078,487 |
| Investments | **2,477,356** | **40,338,902** | **42,816,258** | 2,194,216 | 22,258,015 | 24,452,231 |
| Advances | **27,074,496** | **–** | **27,074,496** | 22,192,370 | – | 22,192,370 |
| Fixed assets | **65,440** | **–** | **65,440** | 74,321 | – | 74,321 |
| Intangible assets | **3,659** | **–** | **3,659** | 3,075 | – | 3,075 |
| Deferred tax assets | **884,825** | **–** | **884,825** | 550,449 | – | 550,449 |
| Other assets | **2,677,834** | **–** | **2,677,834** | 1,661,731 | – | 1,661,731 |
| Assets classified as held-for-sale | **355,799** | **–** | **355,799** | 516,768 | – | 516,768 |
| | **40,964,752** | **40,338,902** | **81,303,654** | 29,685,983 | 22,258,015 | 51,943,998 |

### 42.2.2 Foreign exchange risk

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

(Rupees in '000)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign Currency Assets | Foreign Currency Liabilities | Off-balance sheet | Net foreign currency exposure | Foreign Currency Assets | Foreign Currency Liabilities | Off-balance sheet | Net foreign currency exposure |
| United States Dollar | **–** | **–** | **–** | **–** | – | – | – | – |
| | **–** | **–** | **–** | **–** | – | – | – | – |

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| Impact of 1% change in foreign exchange rates on | | | | |
| - Consolidated profit and loss account | **–** | **–** | – | – |

### 42.2.3 Equity position risk

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

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| Impact of 5% change in equity prices on | | | | |
| - Consolidated profit and loss account | **–** | **–** | – | (125) |
| - Other comprehensive income | **–** | **(67,040)** | – | (40,971) |

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

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

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

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

(Rupees in '000)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| Impact of 1% change in interest rates on | | | | |
| - Consolidated profit and loss account | (77,980) | – | (77,980) | – |
| - Other comprehensive income | – | (357,800) | – | (357,800) |

### 42.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

| | 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Effective yield/ interest rate % | Total | Exposed to yield/interest risk | | | | | | | | | Non-interest Bearing Financial Instruments |
| | | | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| ***Asset*** | | | | | | | | | | | | |
| Cash and balances with treasury banks | | 336,735 | 102 | – | – | – | – | – | – | – | – | 336,633 |
| Balances with other banks | 2.33% to 9% | 499,887 | 489,544 | – | 10,361 | (18) | – | – | – | – | – | – |
| Lending to financial institutions | 11.25% to 14% | 6,588,721 | 6,559,967 | 28,754 | – | – | – | – | – | – | – | – |
| Investments | 6.99% to 15.93% | 42,816,258 | 21,702,365 | 3,109,192 | 9,921,018 | 31,056 | 905,636 | – | 919,377 | 4,687,187 | 199,637 | 1,340,790 |
| Advances | 2.25% to 24.00% | 27,074,496 | 8,081,562 | 8,090,027 | 2,937,164 | 825,092 | 1,373,461 | 1,291,915 | 2,282,187 | 1,259,313 | 876,754 | 57,021 |
| Other assets | | 1,458,182 | – | – | – | – | – | – | – | – | – | 1,531,562 |
| | | 78,774,279 | 36,833,540 | 11,227,973 | 12,868,543 | 856,130 | 2,279,097 | 1,291,915 | 3,201,564 | 5,946,500 | 1,076,391 | 3,266,006 |
| ***Liabilities*** | | | | | | | | | | | | |
| Borrowings | 1.00% to 11.65% | 68,886,902 | 25,557,521 | 19,120,429 | 13,262,538 | 5,044,714 | 1,204,311 | 2,045,090 | 1,558,493 | 907,139 | 186,667 | – |
| Deposits and other accounts | 11.25% | 54,768 | – | – | – | 54,768 | – | – | – | – | – | – |
| Other liabilities | | 1,118,890 | – | – | – | – | – | – | – | – | – | 2,378,477 |
| | | 70,060,560 | 25,557,521 | 19,120,429 | 13,262,538 | 5,099,482 | 1,204,311 | 2,045,090 | 1,558,493 | 907,139 | 186,667 | 2,378,477 |
| **On-balance sheet gap** | | 8,713,719 | 11,276,019 | (7,892,456) | (393,995) | (4,243,352) | 1,074,786 | (753,175) | 1,643,071 | 5,039,361 | 889,724 | 887,529 |
| **Non financial net assets** | | 1,401,391 | | | | | | | | | | |
| **Total net assets** | | 10,115,110 | | | | | | | | | | |
| **Off-balance sheet financial instruments** | | | | | | | | | | | | |
| Documentary credits and short-term trade-related transactions | | 1,334,103 | 1,334,103 | – | – | – | – | – | – | – | – | – |
| Commitments in respect of: | | | | | | | | | | | | |
| - forward lendings | | 2,485,027 | 2,485,027 | – | – | – | – | – | – | – | – | – |
| - forward shares | | 120,362 | 120,362 | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet gap** | | 3,939,492 | 3,939,492 | – | – | – | – | – | – | – | – | – |
| **Total yield / interest risk sensitivity gap** | | | 15,215,511 | (7,892,456) | (393,995) | (4,243,352) | 1,074,786 | (753,175) | 1,643,071 | 5,039,361 | 889,724 | 887,529 |
| **Cumulative yield / interest risk sensitivity gap** | | | 15,215,511 | 7,323,055 | 6,929,060 | 2,685,708 | 3,760,494 | 3,007,319 | 4,650,390 | 9,689,751 | 10,579,475 | 11,467,004 |

(Rupees in '000)

| | 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Effective yield/ interest rate % | Total | Exposed to yield/interest risk | | | | | | | | | Non-interest Bearing Financial Instruments |
| | | | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| ***Asset*** | | | | | | | | | | | | |
| Cash and balances with treasury banks | | 122,857 | – | – | – | – | – | – | – | – | – | 122,857 |
| Balances with other banks | 2.33% to 9% | 291,710 | 284,997 | – | – | – | – | – | – | – | – | 6,713 |
| Lending to financial institutions | 11.25% to 14% | 2,078,487 | 2,000,000 | – | 78,487 | – | – | – | – | – | – | – |
| Investments | 6.99% to 15.93% | 24,452,231 | 769,853 | 4,995,776 | 10,365,045 | 110,623 | 101,420 | 958,923 | 1,002,887 | 5,076,046 | 249,981 | 821,677 |
| Advances | 2.25% to 24.00% | 22,192,370 | 9,267,970 | 4,448,003 | 1,270,569 | 1,092,062 | 1,091,015 | 1,042,992 | 2,469,162 | 1,226,743 | 233,674 | 50,180 |
| Other assets | | 783,221 | – | – | – | – | – | – | – | – | – | 783,221 |
| | | 49,920,876 | 12,322,820 | 9,443,779 | 11,714,101 | 1,202,685 | 1,192,435 | 2,001,915 | 3,472,049 | 6,302,789 | 483,655 | 1,784,648 |
| ***Liabilities*** | | | | | | | | | | | | |
| Borrowings | 1.00% to 11.65% | 40,245,824 | 22,384,030 | 7,982,272 | 3,406,387 | 965,094 | 1,421,162 | 1,328,818 | 1,495,946 | 1,262,115 | – | – |
| Deposits and other accounts | 11.25% | 50,000 | – | – | – | 50,000 | – | – | – | – | – | – |
| Other liabilities | | 455,280 | – | – | – | – | – | – | – | – | – | 455,280 |
| | | 40,751,104 | 22,384,030 | 7,982,272 | 3,406,387 | 1,015,094 | 1,421,162 | 1,328,818 | 1,495,946 | 1,262,115 | – | 455,280 |
| **On-balance sheet gap** | | 9,169,772 | (10,061,210) | 1,461,507 | 8,307,714 | 187,591 | (228,727) | 673,097 | 1,976,103 | 5,040,674 | 483,655 | 1,329,368 |
| **Non financial net assets** | | 1,148,208 | | | | | | | | | | |
| **Net assets** | | 10,317,980 | | | | | | | | | | |
| **Off–balance sheet financial instruments** | | | | | | | | | | | | |
| Documentary credits and short-term trade-related transactions | | 1,472,748 | 1,472,748 | – | – | – | – | – | – | – | – | – |
| Commitments in respect of: | | | | | | | | | | | | |
| - forward lendings | | 694,630 | 694,630 | – | – | – | – | – | – | – | – | – |
| - forward shares | | 43,114 | 43,114 | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet gap** | | 2,210,492 | 2,210,492 | – | – | – | – | – | – | – | – | – |
| **Total yield / interest risk sensitivity gap** | | | (7,850,718) | 1,461,507 | 8,307,714 | 187,591 | (228,727) | 673,097 | 1,976,103 | 5,040,674 | 483,655 | 1,329,368 |
| **Cumulative yield / interest risk sensitivity gap** | | | (7,850,718) | (6,389,211) | 1,918,503 | 2,106,094 | 1,877,367 | 2,550,464 | 4,526,567 | 9,567,241 | 10,050,896 | 11,380,264 |

## 42.3 Operational risk

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

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

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

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

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

## 42.4 Liquidity risk

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

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

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

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

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

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

(Rupees in '000)

| | 2022 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 336,735 | 201,735 | – | – | – | – | – | – | – | – | – | – | – | 135,000 |
| Balances with other banks | 499,887 | 123,122 | 30,000 | – | 267,516 | – | – | 10,361 | – | 68,888 | – | – | – | – |
| Lendings to financial and other institutions | 6,588,721 | – | 6,553,967 | – | 6,000 | – | – | 28,754 | – | – | – | – | – | – |
| Investments | 42,816,258 | – | – | – | 262,754 | 131,377 | 131,377 | 1,039,783 | 7,600,403 | 6,004,018 | 5,797,059 | 7,327,358 | 10,125,802 | 4,396,327 |
| Advances | 27,074,496 | 559,912 | 524,094 | 52,961 | 2,455,896 | 1,374,710 | 1,922,387 | 3,499,465 | 1,311,179 | 4,054,289 | 3,770,904 | 2,736,574 | 3,209,119 | 1,603,006 |
| Fixed assets | 65,440 | – | – | – | 90 | 172 | 1,245 | 9,242 | 8,933 | 9,841 | 28,141 | 2,757 | 5,019 | – |
| Intangible assets | 3,659 | – | – | – | 3,276 | 11 | 11 | 33 | 33 | 33 | 131 | 131 | – | – |
| Deferred tax assets | 884,825 | – | – | – | – | – | – | – | – | 884,825 | – | – | – | – |
| Other assets | 2,677,834 | 281,831 | 109,885 | 145,892 | 156,300 | 116,041 | 344,994 | 1,486,045 | 97 | (7,470) | (40,000) | – | 84,195 | 24 |
| Assets classified as held-for-sale | 355,799 | – | – | – | – | – | – | – | 355,799 | – | – | – | – | – |
| | 81,303,654 | 1,166,600 | 7,217,946 | 198,853 | 3,151,832 | 1,622,311 | 2,400,014 | 6,073,683 | 9,276,444 | 11,014,424 | 9,556,235 | 10,066,820 | 13,424,135 | 6,134,357 |
| **Liabilities** | | | | | | | | | | | | | | | |
| Borrowings | 68,886,902 | – | 7,485,234 | 6,023,652 | 12,057,404 | 12,536,668 | 3,924,564 | 8,756,668 | 845,232 | 2,697,505 | 5,975,044 | 4,867,623 | 2,904,077 | 813,231 |
| Deposits and other accounts | 54,768 | – | – | – | – | – | – | – | – | 54,768 | – | – | – | – |
| Other liabilities | 2,246,874 | 160,464 | 16,805 | 25,057 | 253,207 | 219,944 | 225,901 | 513,460 | 28,022 | 65,792 | 235,301 | 161,396 | 341,525 | – |
| | 71,188,544 | 160,464 | 7,502,039 | 6,048,709 | 12,310,611 | 12,756,612 | 4,150,465 | 9,270,128 | 873,254 | 2,818,065 | 6,210,345 | 5,029,019 | 3,245,602 | 813,231 |
| **Net assets** | 10,115,110 | 1,006,136 | (284,093) | (5,849,856) | (9,158,779) | (11,134,301) | (1,750,451) | (3,196,445) | 8,403,190 | 8,196,359 | 3,345,890 | 5,037,801 | 10,178,533 | 5,321,126 |
| Share capital | 6,000,000 | | | | | | | | | | | | | |
| Reserves | 2,120,621 | | | | | | | | | | | | | |
| Unappropriated profit | 3,508,752 | | | | | | | | | | | | | |
| Deficit on revaluation of assets | (1,516,623) | | | | | | | | | | | | | |
| Total equity attributable to the equity holders of the Holding Company | 10,112,750 | | | | | | | | | | | | | |
| Non-controlling interest | 2,360 | | | | | | | | | | | | | |
| | 10,115,110 | | | | | | | | | | | | | |



(Rupees in '000)

| | 2021 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 Day | Over 1 to 7 days | Over 7 to 14 days | Over 14 days to 1 Month | Over 1 to 2 Months | Over 2 to 3 Months | Over 3 to 6 Months | Over 6 to 9 Months | Over 9 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 Years | Over 5 Years |
| ***Assets*** | | | | | | | | | | | | | | | |
| Cash and balances with treasury banks | 122,856 | 103,204 | – | – | – | – | – | – | – | – | – | – | – | 19,652 |
| Balances with other banks | 291,710 | – | – | – | 291,710 | – | – | – | – | – | – | – | – | – |
| Lendings to financial and other institutions | 2,078,487 | – | – | – | 2,000,000 | – | – | 78,487 | – | – | – | – | – | – |
| Investments | 24,452,231 | – | – | – | 769,853 | 4,995,776 | – | 10,365,045 | 110,623 | – | 101,420 | 958,923 | 1,002,887 | 6,147,704 |
| Advances | 22,192,370 | – | – | – | 9,304,590 | – | 4,448,003 | 1,270,569 | 1,092,062 | – | 1,091,015 | 1,093,172 | 2,469,162 | 1,423,797 |
| Fixed assets | 74,321 | – | 59 | 2,863 | 1,807 | 4,638 | 6,807 | 5,308 | 5,364 | 5,364 | 24,092 | 13,955 | 4,064 | – |
| Intangible assets | 3,075 | – | – | – | 165 | – | – | 2,359 | – | – | – | 551 | – | – |
| Deferred tax assets | 550,449 | – | – | – | – | – | – | – | – | 550,449 | – | – | – | – |
| Other assets | 1,661,731 | 134,399 | 7,120 | 148,573 | 49,394 | 94,429 | 90,321 | 419,780 | 483,406 | 88,311 | 75,908 | – | 70,090 | – |
| Assets classified as held-for-sale | 516,768 | – | – | – | – | 86,111 | – | 387,745 | – | 42,912 | – | – | – | – |
| | 51,943,998 | 237,603 | 7,179 | 151,436 | 12,417,519 | 5,094,843 | 4,545,131 | 12,529,293 | 1,691,455 | 644,124 | 1,292,435 | 2,066,601 | 3,546,203 | 7,591,153 |
| ***Liabilities*** | | | | | | | | | | | | | | | |
| Borrowings | 40,245,824 | 4,498 | 16,345,208 | 11,326 | 6,023,381 | 4,507,195 | 391,743 | 1,468,887 | 1,133,795 | 1,456,300 | 2,983,662 | 2,162,151 | 2,497,071 | 1,260,607 |
| Deposits and other accounts | 50,000 | – | – | – | – | – | – | – | – | 50,000 | – | – | – | – |
| Other liabilities | 1,330,194 | 112,477 | 5,480 | 18,935 | 185,685 | 45,581 | 45,753 | 89,799 | 403,351 | 222,916 | 24,374 | 90,184 | 30,285 | 55,374 |
| | 41,626,018 | 116,975 | 16,350,688 | 30,261 | 6,209,066 | 4,552,776 | 437,496 | 1,558,686 | 1,537,146 | 1,729,216 | 3,008,036 | 2,252,335 | 2,527,356 | 1,315,981 |
| **Net assets** | 10,317,980 | 120,628 | (16,343,509) | 121,175 | 6,208,453 | 542,067 | 4,107,635 | 10,970,607 | 154,309 | (1,085,092) | (1,715,601) | (185,734) | 1,018,847 | 6,275,172 |
| Share capital | 6,000,000 | | | | | | | | | | | | | |
| Reserves | 1,920,050 | | | | | | | | | | | | | |
| Unappropriated profit | 3,472,236 | | | | | | | | | | | | | |
| Deficit on revaluation of assets | (1,076,611) | | | | | | | | | | | | | |
| Total equity attributable to the equity holders of the Holding Company | 10,315,675 | | | | | | | | | | | | | |
| Non-controlling interest | 2,305 | | | | | | | | | | | | | |
| | 10,317,980 | | | | | | | | | | | | | |

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

(Rupees in '000)

| | 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 336,735 | 201,735 | – | – | – | – | – | – | 135,000 | – |
| Balances with other banks | 499,887 | 420,638 | – | 10,361 | 68,888 | – | – | – | – | – |
| Lendings to financial institutions | 6,588,721 | 6,559,967 | – | 28,754 | – | – | – | – | – | – |
| Investments | 42,816,258 | 262,754 | 262,754 | 1,039,783 | 13,604,421 | 5,797,059 | 7,327,358 | 10,125,802 | 4,396,327 | – |
| Advances | 27,074,496 | 3,592,863 | 3,297,097 | 3,499,465 | 5,365,468 | 3,770,904 | 2,736,574 | 3,209,119 | 1,603,006 | – |
| Fixed assets | 65,440 | 90 | 1,417 | 9,242 | 18,774 | 28,141 | 2,757 | 5,019 | – | – |
| Intangible assets | 3,659 | 3,276 | 22 | 33 | 66 | 131 | 131 | – | – | – |
| Deferred tax assets | 884,825 | – | – | – | 884,825 | – | – | – | – | – |
| Other assets | 2,677,834 | 693,908 | 461,035 | 1,486,045 | (7,373) | (40,000) | – | 84,195 | 24 | – |
| Assets classified as held-for-sale | 355,799 | – | – | – | 355,799 | – | – | – | – | – |
| | 81,303,654 | 11,735,231 | 4,022,325 | 6,073,683 | 19,935,069 | 9,556,235 | 10,066,820 | 13,424,135 | 6,134,357 | – |
| **Liabilities** | | | | | | | | | | | |
| Borrowings | 68,886,902 | 25,566,290 | 16,461,232 | 8,756,668 | 3,542,737 | 5,975,044 | 4,867,623 | 2,904,077 | 813,231 | – |
| Deposits and other accounts | 54,768 | – | – | – | 54,768 | – | – | – | – | – |
| Other liabilities | 2,246,874 | 455,533 | 445,845 | 513,460 | 93,814 | 235,301 | 161,396 | 341,525 | – | – |
| | 71,188,544 | 26,021,823 | 16,907,077 | 9,270,128 | 3,691,319 | 6,210,345 | 5,029,019 | 3,245,602 | 813,231 | – |
| **Net assets** | 10,115,110 | (14,286,592) | (12,884,752) | (3,196,445) | 16,243,750 | 3,345,890 | 5,037,801 | 10,178,533 | 5,321,126 | – |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 2,120,621 | | | | | | | | | |
| Unappropriated profit | 3,508,752 | | | | | | | | | |
| Deficit on revaluation of assets | (1,516,623) | | | | | | | | | |
| Total equity attributable to the equity holders of the Holding Company | 10,112,750 | | | | | | | | | |
| Non-controlling interest | 2,360 | | | | | | | | | |
| | 10,115,110 | | | | | | | | | |

(Rupees in '000)

| | 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| **Assets** | | | | | | | | | | |
| Cash and balances with treasury banks | 122,856 | 103,204 | – | – | – | – | – | – | 19,652 | – |
| Balances with other banks | 291,710 | 291,710 | – | – | – | – | – | – | – | – |
| Lendings to financial and other institutions | 2,078,487 | 2,000,000 | – | 78,487 | – | – | – | – | – | – |
| Investments | 24,452,231 | 769,853 | 4,995,776 | 10,365,045 | 110,623 | 101,420 | 958,923 | 1,002,887 | 6,147,704 | – |
| Advances | 22,192,370 | 9,304,590 | 4,448,003 | 1,270,569 | 1,092,062 | 1,091,015 | 1,093,172 | 2,469,162 | 1,423,797 | – |
| Fixed assets | 74,321 | 4,729 | 11,445 | 5,308 | 10,728 | 24,092 | 13,955 | 4,064 | – | – |
| Intangible assets | 3,075 | 165 | – | 2,359 | – | – | 551 | – | – | – |
| Deferred tax assets | 550,449 | – | – | – | 550,449 | – | – | – | – | – |
| Other assets | 1,661,731 | 339,486 | 184,750 | 419,780 | 571,717 | 75,908 | – | 70,090 | – | – |
| Assets classified as held-for-sale | 516,768 | – | 86,111 | 387,745 | 42,912 | – | – | – | – | – |
| | 51,943,998 | 12,813,737 | 9,639,974 | 12,141,548 | 2,335,579 | 1,292,435 | 2,066,601 | 3,546,203 | 7,591,153 | – |
| **Liabilities** | | | | | | | | | | |
| Borrowings | 40,245,824 | 22,384,413 | 4,898,938 | 1,468,887 | 2,590,095 | 2,983,662 | 2,162,151 | 2,497,071 | 1,260,607 | – |
| Deposits and other accounts | 50,000 | – | – | – | 50,000 | – | – | – | – | – |
| Other liabilities | 1,330,194 | 322,577 | 91,334 | 89,799 | 626,267 | 24,374 | 90,184 | 30,285 | 55,374 | – |
| | 41,626,018 | 22,706,990 | 4,990,272 | 1,558,686 | 3,266,362 | 3,008,036 | 2,252,335 | 2,527,356 | 1,315,981 | – |
| **Net assets** | 10,317,980 | (9,893,253) | 4,649,702 | 10,582,862 | (930,783) | (1,715,601) | (185,734) | 1,018,847 | 6,275,172 | – |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,920,050 | | | | | | | | | |
| Unappropriated profit | 3,472,236 | | | | | | | | | |
| Deficit on revaluation of assets | (1,076,611) | | | | | | | | | |
| Total equity attributable to the equity holders of the Holding Company | 10,315,675 | | | | | | | | | |
| Non-controlling interest | 2,305 | | | | | | | | | |
| | 10,317,980 | | | | | | | | | |

## 43 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2022 of Rs. **Nil** per share (2021: Re.0.50 per share), amounting to Rs. **Nil** million (2021: Rs.300 million) at their meeting held on **March 30, 2023**, for approval of the members at the annual general meeting to be held on **April 25, 2023**. The consolidated financial statements for the year ended December 31, 2022 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2023.

## 44 GENERAL

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

## 45 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **March 30, 2023** by the Board of Directors of the Holding Company.

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



# Annexure - I

As referred in note 9.6 of the consolidated financial statements.

## Statement showing written-off loans or any other financial relief of Rs. 500,000/- or above provided

During the year ended December 31, 2022

(Rupees in '000)

| S. No. | Name and address of the borrower | Name of individuals/ partners/ directors (with CNIC No.) | Father's/ Husband's name | Outstanding Liabilities at beginning of year | | | | Principal written-off | Interest/ Mark-up written-off/ waived | Other financial relief provided | Total (9+10+11) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Principal | Interest/ mark-up | Other than Interest/ mark-up | Total | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | Allahdin Power Pvt. Ltd,<br>11-C, Small Industrial Estate Sailkot | Syed Najam Rizvi 42101-6313682-7<br>Muhammad Zubair 34601-6875707-2<br>Muhammad Saleem 34601-8750503-1<br>Imtiaz Ahmed 34601-8165532-1<br>Muhammad Rashid Azeem 34601-5952338-5 | Syed Noor-ul-Hassan Rizvi<br>Muhammad Saleem<br>Sardar Muhammad<br>Sardar Muhammad<br>Muhammad Azeem | 138,073 | 29,649 | – | 167,722 | 28,073 | 29,649 | – | 57,722 |

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