



Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة
A joint venture between the Governments of Pakistan and Kuwait

ANNUAL REPORT 2019



A JOINT VENTURE

This company is a joint venture
between the governments of
Pakistan and Kuwait



Company Description

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. PKIC was established as a joint venture between the Governments of Pakistan and Kuwait in 1979. The Company initiated operations with a paid-up capital of PKR 62.50 million. Over the years, paid up capital increased to PKR 10 billion while currently the total equity stands at PKR 33.53 billion, reflecting upon company's impressive performance since inception.

PKIC was established with an objective of financing economically viable and technically feasible projects. PKIC as a Development Financial Institution has played a pivotal role in promoting industrial activity, by way of equity and debt investment in key areas of the economy. PKIC support infrastructure development and enhance real economic activity. PKIC is a progressive and evolving organization providing attractive returns on investment to its shareholders. PKIC's impressive history of dividend payouts is a testimony to its investor-friendliness.



Pak Kuwait

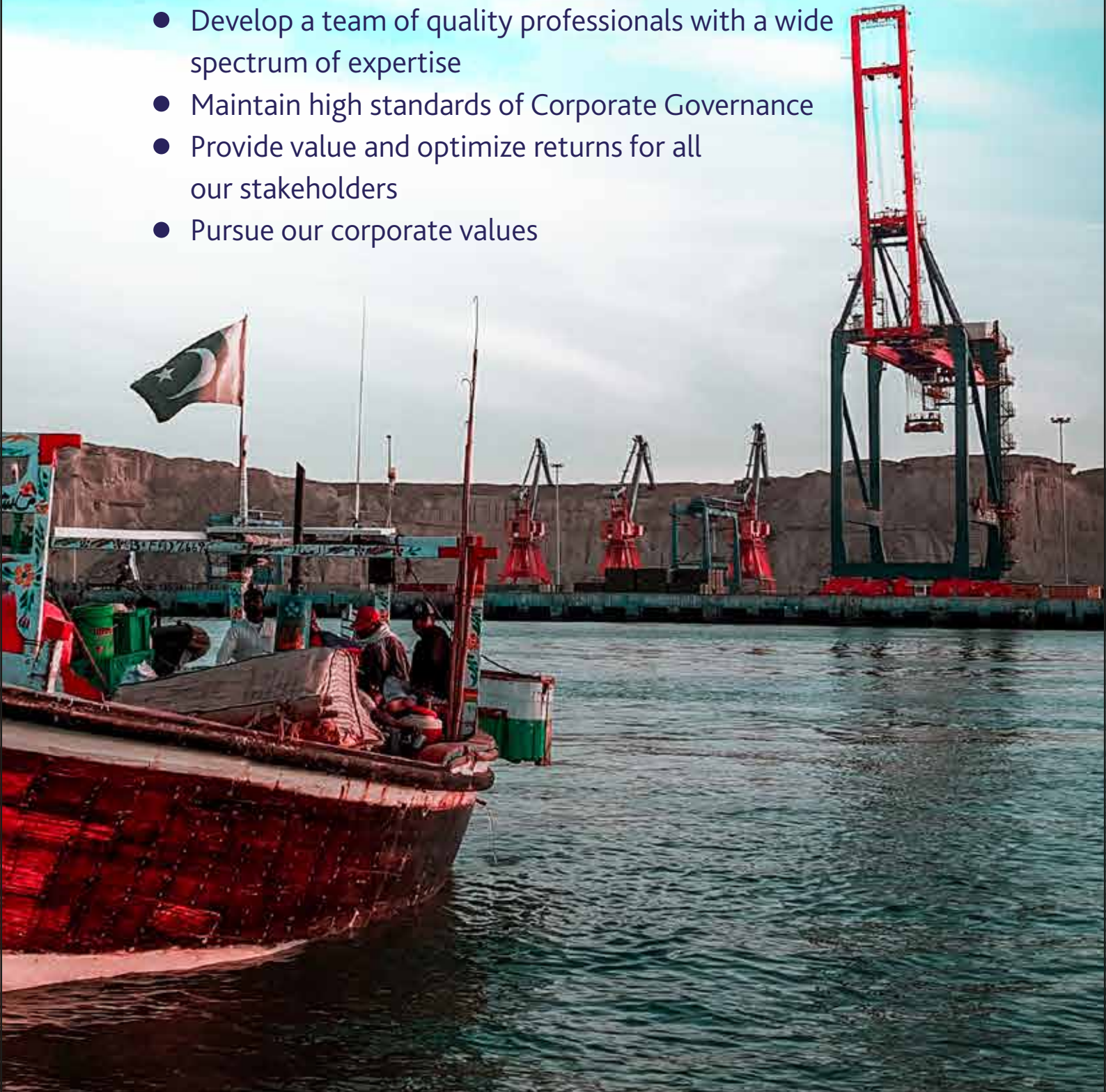
VISION

Be the financial house of excellence facilitating the expansion and modernization of industries in Pakistan.



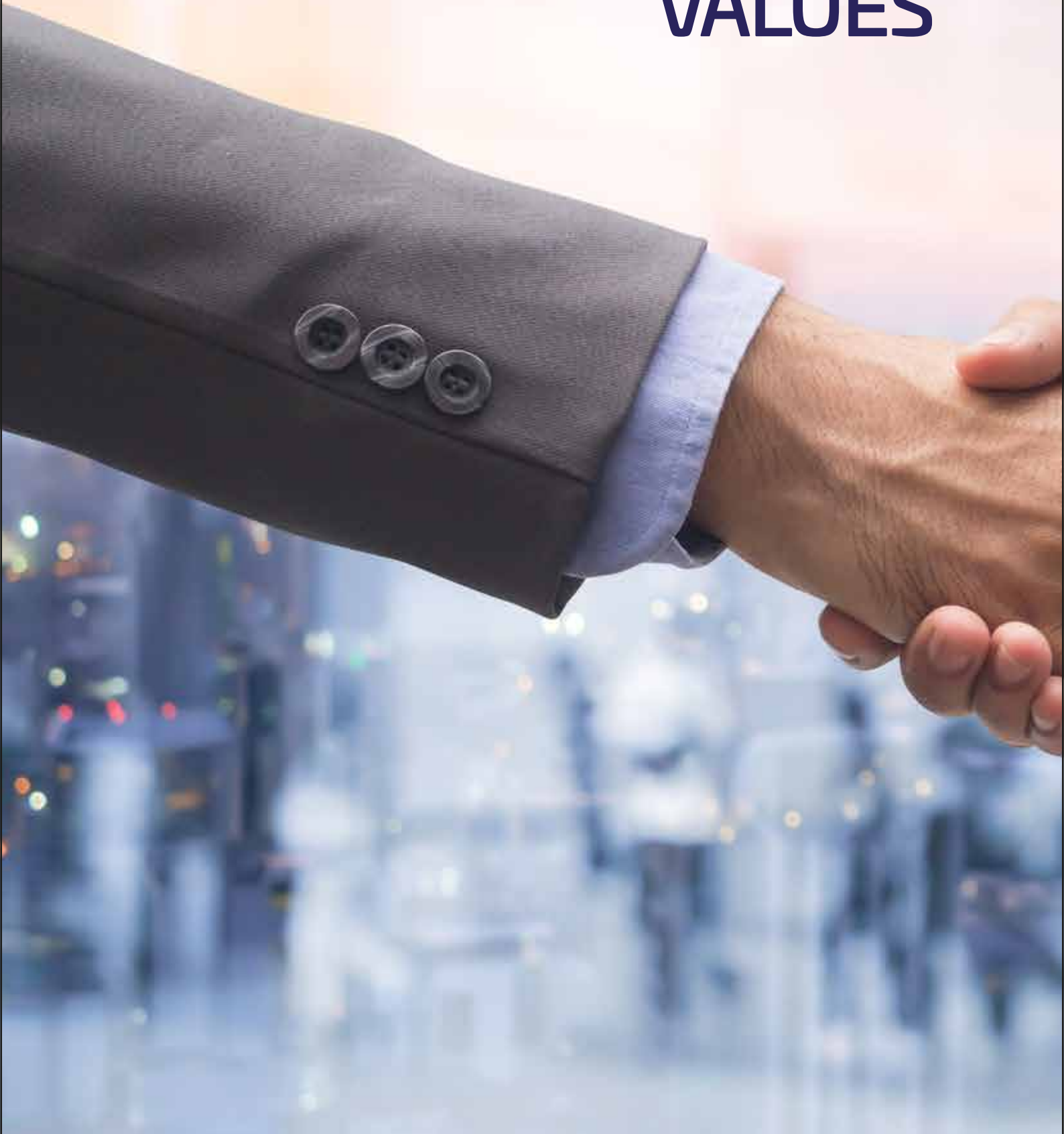
MISSION

- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate values





CORPORATE VALUES



- Maintain highest standards of integrity and professionalism in all business transactions.
- Provide innovative business solutions
- Attract, motivate and retain highly skilled professionals
- Strive for continuous quality improvement
- Continue to be a social responsible corporate citizen





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CORPORATE INFORMATION

Mr. Abdullah Abdulwahab Al-Ramadhan
Mr. Abdullah Salah A. Al-Sayer
Mr. Rana Assad Amin
Mr. Naveed Alauddin
Mr. Faisal Adnan Al-Hunaif
Mr. Mubashar Maqbool

Chairman
Director
Director
Director
Director
Managing Director

LEGAL ADVISOR

KMS Law Associate Advocates and
Corporate Consultants

AUDITORS

M/s. EY Ford Rhodes
Chartered Accountants

REGISTERED OFFICE

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BOARD OF DIRECTORS



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mubashar Maqbool
Managing Director



Faisal Adnan Al-Hunaif
Director



Abdullah Salah A. Al-Sayer
Director



Rana Assad Amin
Director



Naveed Alauddin
Director

Executive Committee

Abdullah Abdulwahab Al-Ramadhan
Member

Mubashar Maqbool
Member

Audit Committee

Rana Assad Amin
Chairman

Naveed Alauddin
Member

Abdullah Salah A. Al-Sayer
Member

Risk Management Committee

Faisal Adnan Al-Hunaif
Chairman

Naveed Alauddin
Member

Abdullah Salah A. Al-Sayer
Member

MANAGEMENT



Mubashar Maqbool
Managing Director



Naeem Sattar
Company Secretary



Atif Anwer
Head of Capital
Markets, Treasury & FI



Umair Aijaz
Head of Corporate
Finance & Investment Banking



Syed Ali Abid Zaidi
Chief Financial Officer



Naveed Sherwani
Head of Risk Management



Naveed Lodhi
Head of Compliance



Mazhar Sharif
Head of Internal Audit



Muhammad Hammad Anwar
Head of Human
Resources & GSSD

EMPLOYEE ENGAGEMENT DRIVE



Team Member of the Quarter

During the year, PKIC initiated Employee Engagement Drive to help improve visibility of the employees contribution towards organization success, as part of which PKIC introduced “Team Member of the Quarter” Award for the best performing team members. The purpose of this award is to enhance motivation amongst the team members augmenting the drive to perform better through adding more value to the Company.

SPORTS EVENTS



Cricket Tournament

In order to promote the culture of “One Company One Team”, PKIC organized an annual cricket tournament on November 8, 2019, where team members from all departments actively participated. The event set out to be a great team building endeavor, the senior management of the Company showed active participation and young team members experienced a well connected networking experience with their seniors.

The Team Led by Mr. Haris Batla won the tournament, the winning trophy was awarded by the Managing Director Mr. Mubashar Maqbool.

OUR CULTURE



Birthday Celebrations

To promote an inclusive and co-operative work environment, PKIC initiated celebrating birthdays of its team members, this helped the Company infuse a healthy culture where team members get the opportunity to interact with their fellow colleagues from different departments of the company.

This initiative brought with itself the motivation for the team member to work even harder and collectively contribute towards the Company overall strategic objectives.

Annual Brunch

PKIC organized an annual brunch on 22nd December 2019 for all its business and support staff and their families. The Event reflected PKIC's commitment towards upholding wellbeing of its staff and alongside enabling a healthy work life balance for its human resource, resulting in increased productivity and performance for the company.

This initiative was set to rejuvenate the integrated performance of the various functions of the Company enabling them to perform as "One Company One Team" and collectively contribute to the Company's overall performance.

CORPORATE SOCIAL RESPONSIBILITY



PKIC supports deserving philanthropic organizations through donations as part of the Company's Corporate Social Responsibility(CSR). The donations are made following thorough due diligence for selection of deserving organizations strictly in accordance with the criteria enumerated in the Company's donation policy. In the previous year seven charitable organizations were selected for the donation. During the year our teams visited these organizations as part of on-going monitoring to review the judicious use of PKIC's donations, It was satisfying to note that the donations have been brought to use in line with its purposes.

This year, PKIC broadened the scope of its CSR activity, where more than 250 charitable/ philanthropic organizations from sectors across health, education and others were invited for proposals, out of which 12 were shortlisted being fully compliant with the criteria.

The Company made donations of PKR 19 Million, which on geographical front varies from welfare organizations working in KPK/ tribal areas to organizations running 149 school campuses all across the country.

In health sector, PKIC is supporting the organization which is currently engaged in treatment of cancer and renal diseases, this year PKIC also extended its support to organization working on mental/ psychiatric disorders.

For education we are supporting organizations imparting education to blind children. This year we have also extended our support to an organization which is educating deaf children and is the only branch network of schools addressing the needs of the deaf community.



CHAIRMAN'S REVIEW

Dear Shareholders,

It gives me immense pleasure to present the performance of your Company for the year ended 31st December 2019. This year may best be described as a year of transformation where we endeavored to broaden our service spectrum and explored new opportunities with the aim to add value for our stakeholders, which resultantly helped us achieve a record net profit after tax of PKR 4.74 billion.

In line with the Company's mission & vision, the renewed focus of our efforts remained on facilitating the infrastructural and industrial development, wherein the Company endeavored to support renewable energy projects, infrastructure and export oriented sectors in addition to other important sectors of the economy. Under PKIC's robust underwriting standards, the Company made record disbursements of PKR 7.8 billion, mainly for project finance transactions, contributing to the economic growth of the country. In addition, PKIC successfully concluded many investment banking mandates.

Having demonstrated unwavering resolve over the years in contributing to Pakistan's economy, PKIC has managed to deliver a strong set of financial results and its resilience has enabled us to navigate through the economic cycles. In cognizance of the need for robust and effective governance and control environment the Company made significant investments in upgrading compliance and control frameworks whilst paving the path for a deep rooted and sustained growth.

PKIC plans to increase market penetration and expand its footprint across the country and augment its existing offerings while improving business processes and adopting robust risk management practices. Given the interest rate hikes and the current economic scenario, PKIC intends to improve its profitability by investing in avenues with competitive returns keeping in view the risk-reward relationship whilst focusing on project financing and other sectors important to the economy.

چیئر مین کا جائزہ

محترم حصص یافتگان

The Company remains optimistic in achieving its long-term strategic objectives of facilitating the establishment of economically viable and technically feasible projects and contributing to the economic development of the Country. PKIC will endeavor to explore new investment avenues for long term capital appreciation and to diversify its strategic investment portfolio, while maintaining high standards of corporate governance and entity credit rating.

We look forward to the next year with greater confidence in meeting the challenges ahead.



Abdullah Abdulwahab Al-Ramadhan
Chairman

Date: March 05, 2020
Karachi.

31 دسمبر 2019 کو اختتام پذیر سال پر آپ کی کمپنی کی کارکردگی پیش کرتے ہوئے مجھے انتہائی خوشی محسوس ہو رہی ہے۔ اس سال کو بہترین طور پر ایک تبدیلی کا سال کہا جاسکتا ہے جہاں ہم نے اپنی خدمات کے سلسلے میں توسیع کی کوشش کی اور اپنے شرکاء مفاد کے لیے قدر میں اضافے کو مد نظر رکھتے ہوئے نئے کاروباری مواقع تلاش کئے نتیجتاً اس نے ہمیں 4.74 ارب روپے کا خالص منافع بعد از محصول حاصل کرنے میں معاونت کی۔

کمپنی کے حصول مقاصد (Vision) اور ہم حصول مقاصد (Mission) سے ہم آہنگ رہتے ہوئے، ہماری کوششوں کی توجہ کا مرکز ڈھانچاتی اور صنعتی ترقی کے شعبہ جات کو سہولت پہنچانے پر رہا جہاں کمپنی نے توانائی کے قابل تجدید (Renewable) منصوبوں، بنیادی ڈھانچے اور برآمدات کو فروغ دینے والے سیکٹرز کے علاوہ دیگر معیشت کے اہم سیکٹرز کی معاونت کی کوشش کی۔ کمپنی کے رسک مینجمنٹ کے ڈھانچے میں رہتے ہوئے قرضہ جات کی حد کی منظوری دینے کے ساتھ PKIC نے ملک کی معاشی ترقی میں سہولت پہنچاتے ہوئے 7.8 ارب روپے کے قرضوں کی رکارڈ فراہمی کی، خصوصی طور پر منصوبوں کی سرمایہ کاری اور متعدد سرمایہ کاری بیکاری معاہدات (Mandates) کئے ہیں۔

PKIC سالوں پر محیط پاکستان کی معیشت میں بہتری کے غیر متزلزل عزم دکھاتے ہوئے ملکی معیشت کے اتار چڑھاؤ کا سامنا کیا اور مستحکم مالیاتی نتائج پیش کرتا رہا۔ کمپنی نے نظم و ضبط اور نگرانی کے ماحول کے استحکام اور اسے موثر کرنے کی آگاہی کی ضرورت کے پیش نظر تعمیل اور نگرانی کے ڈھانچے میں بہتری لانے کے لیے خاصی سرمایہ کاری کی ہے اور تسلسل سے پائیدار ترقی کے لیے راستہ ہموار کیا ہے۔

PKIC کا منصوبہ ہے کہ منڈی میں زیادہ سرانیت کرے اور اپنے کاروباری طریقہ کار اور مضبوط رسک مینجمنٹ کی پریکٹسز بہتر کرتے ہوئے ملک بھر میں اپنی موجودہ پیشکشوں میں اضافہ کرے۔ موجودہ سودی نرخ میں اضافہ اور معاشی منظر نامے کے پس منظر میں، PKIC کا ارادہ ہے کہ منافع بخش میں اضافہ کرنے کے لیے مسابقتی منافع کے ساتھ نئے مواقعوں میں، رسک-ریوارڈ کے تعلق کو مد نظر رکھتے ہوئے،

منصوبوں پر سرمایہ کاری اور معیشت کے دیگر شعبوں میں سرمایہ کاری کرے۔ کمپنی، ملک کی معاشی ترقی میں حصہ ڈالنے کے لیے معاشی اور تکنیکی طور پر قابل عمل منصوبوں کی تعمیر میں سہولت پہنچانے کے اپنے طویل المدت ترویجی مقاصد کھجھول کے بارے میں پرامید ہے۔ PKIC بلند اداراتی نظم و ضبط اور اثبٹ کرڈٹ درجہ بندی کے معیار کو برقرار رکھتے ہوئے کوشش کرے گی کہ سرمایہ کاری کے نئے مواقعوں اور سرمایہ کاری کے متنوع ترویجی پورٹ فولیو کی تلاش کی کوششیں جاری رکھے تاکہ سرمایہ کی قدر میں طویل المدت بنیاد پر اضافہ ہو۔

ہم آنے والے مسائل کا زیادہ اعتماد سے سامنا کرنے کے لیے اگلے سال کا انتظار کر رہے ہیں۔



عبد اللہ عبدالوہاب الرمضان

چیئر مین

کراچی؛

مورخہ: 05 مارچ 2020ء

DIRECTORS' REPORT

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present the Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2019, together with Auditors' Report thereon.

Company Performance

For the Year (PKR million)	2019	2018
Net Markup Income	1,351	862
Non Markup Income	5,645	3,534
Total Income	6,995	4,396
Operating Expenses	777	582
Profit before provisions	6,219	3,814
Provisions / (Reversal of Provisions)	450	299
Profit Before Taxation	5,768	3,515
Taxation	1,025	747
Profit After Taxation	4,743	2,768
At Year end (PKR million)	2019	2018
Total Assets	65,781	29,977
Liabilities	32,246	3,428
Share Capital	10,000	6,000
Reserves and Un-appropriated Profit	23,535	20,549

The Company earned a Profit After Tax of PKR 4.74 billion for the year ended December 31, 2019 against PKR 2.77 billion during last year. The increase of 71% YoY in Profit After Tax was mainly attributed to increase in interest income and growth in income from associates.

Net markup based income of the Company increased by 57% YoY to PKR 1,351 million on the back of higher investments in government securities and lending to financial institutions, financed by relatively low cost funding under Bai-Muajjal arrangements.

Non markup based income increased from PKR 3.53 billion last year to PKR 5.64 billion, showing an increase of 60%, whereas operating expenses increased by 33% YoY. The Company has recorded a provision of PKR 450 million mainly due to impairment on its capital markets portfolio, owing to volatility witnessed in capital market during the year.

Total Assets of the Company increased to PKR 65.78 billion as of Dec 31, 2019 compared to PKR 29.97 billion at the end of last year. The Liabilities of the Company stood at PKR 32.25 billion compared to PKR 3.42 billion at the end of last year. The increase in liabilities was as a result of historic Bai Muajjal transaction which were borrowed at lower rate and invested in government securities to earn arbitrage income.

Economic Review

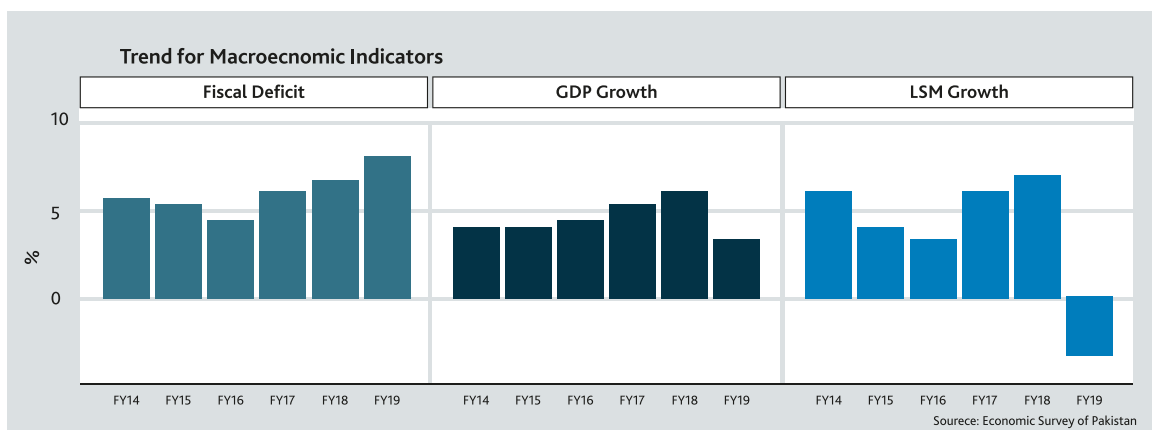
In the recent adjustment, the Rupee was allowed to depreciate around 32 percent to a level of PKR 155/USD by Dec'19, which translated into a 19 percent fall in imports in 2019. Along with this, 5 percent growth in Workers' Remittances arrested the ballooning Current Account Deficit (CAD) from USD 19.5 billion in 2018 to USD 7.4 billion in 2019.

State Bank of Pakistan (SBP) maintained its tight monetary stance to keep inflation in check. SBP raised the discount rate by cumulative 325bps to 13.75%, with the last hike occurring in Jul'19. Substantial cost increases have come with regard to energy and imported raw materials. Consequently, consumer price inflation (Base Year 2007-08) continued to increase, during Jan-Dec 2019 CPI averaged 10.2% as compared to 5.1% last year. Most sectors witnessed either contraction or decelerating growth, primarily driven by lower imports, increased taxation and higher costs. Manufacturing as gauged by the LSM index contracted by 3.4% in FY19, while output of most major crops were also hampered due to climate change. GDP growth is estimated to have slowed to 3.3% in FY19 as compared to 5.5% in FY18. Despite an increase in tax collection and higher number of tax filers, the contraction in the economy pushed the fiscal deficit to 8.9% of GDP compared to 6.6% in FY18.

A silver lining can be seen on the external front where Pakistan's foreign exchange reserves have increased to US\$17.9 billion at the end of 2019, upto 30% compared to US\$13.8 billion at the end of 2018. Given the low yields in developed markets, Pakistan's short term bills which have been yielding over 13 percent have garnered interest in the international markets. Nearly USD 1.5 billion worth of inflows were seen from Jul-Dec'19.

Expectations of future macro economic stability and a decline in interest rates in the second half of 2020 bode well for Pakistan equities. The benchmark KSE-100 index returned 10% in 2019 compared to shedding 8% in 2018. During the second half of the year, the index witnessed a stellar rally, returning over 40% from the trough in August.

On the credit side, high interest rate environment hampered lending, where advances to private sector businesses rose by 4% YoY (Dec-Dec), compared to 22% last year. Banking sector Gross Advances to Deposits decreased to 56% in December, as compared to 59% last year, conversely Investments to Deposits increased to 60% from 57%.



Future Outlook

The Company aims to capitalize on opportunities that may arise as the economy transitions from stabilization to growth. In 2020, PKIC aims to rebrand itself with primary focus on project financing, syndication, advisory & treasury operations. PKIC intends to improve human resource through training and development to keep up with the industry standards.

PKIC will continue to support Pakistan's economy through investments in strategic sectors of the economy while upholding the emphasis on improving profitability. The Company intends to target sectors that are envisioned to pave the road of economic development which includes project financing, import substituting and export oriented industries.

Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 800 million for the year ended 31st December 2019. During the year the Board also approved a stock dividend of PKR 4,000 million thus making a total dividend payout for the year to PKR 4,800 million. With these declarations, the cumulative dividend payout amounts to PKR 19.226 billion since the inception of the Company.

Earnings per Share

The basic and diluted earnings per share have increased to PKR 11,859 from PKR 6,921 on share of PKR 25,000/- each.

Risk Management Framework

Year 2019 may best be described as a year of transformation. PKIC made meaningful investments in business transformation, risk management, compliance, technology and people. PKIC's Risk Management Framework

is built upon the fundamentals of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Information Security and Enterprise Risks. The Board of Directors sets the strategic direction and has the eventual responsibility for ensuring that effective risk management framework is in place. It is supported in this task by board committees i.e. Risk Management Committee (RMC) and Board Audit Committee (BAC) as well as management sub-committees. Risk Management Function provides regular updates to RMC on key risks of the Company. Thereupon, RMC reviews and recommends risk policies, limits, strategies, and risk appetite to the Board for onward approval.

Majors risks related to credit aspects are governed by policy risk parameters. Risk Rating Criteria, Pricing criteria, concentration and group limits are established for lending portfolio considering risk minimization, diversification and risk-reward relationship. Market and Liquidity Risk with contingency funding plan are managed by the Asset & Liability Committee (ALCO) in line with regulatory terms of reference. Internal stress testing is carried out periodically to ascertain the interest rate risk on the statement of financial position. The Company calculates Value at Risk (VaR) on equity portfolio on daily basis using well accepted approaches. Green banking framework has also been developed in line with regulatory standards.

Operational risk framework is fully implemented in line with regulatory standards through the risk policy approved by the Board. PKIC has implemented major tools such as Gathering of Internal Loss Data, Key Risk Indicators (KRIs) and Risk Control & Self-Assessment (RCSA). PKIC has improved Business Continuity Plan (BCP) which covers the steps to ensure continuity of business operations in case of any emergency or disaster. Risk Management Function performs comprehensive Internal Capital Adequacy Assessment Process (ICAAP) for all material risks which includes credit, market, operational, strategic, concentration, liquidity, interest rate, reputation risk and other risks.

Information Security framework has been upgraded in line with latest SBP guidelines. Risk management framework remains compliant in all areas and updated with the developments in the relevant directives. Further in cognizance of the need for robust internal controls and to keep up with the evolving regulatory requirement vis-à-vis Anti Money Laundering (AML) / Combating the Financing of Terrorism (CFT), PKIC made significant investment in improving controls over the customer on-boarding process and acquired a specialized system for AML/CFT screening.

Keeping up with the SBP's requirement for phased implementation of International Financial Reporting Standard (IFRS 9), PKIC will also perform parallel run of IFRS 9 implementation starting from Jan 1, 2020, to test the IFRS 9 outcomes.

Entity rating of Pakistan Kuwait Investment Company (Private) Limited

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term and short term entity ratings of Pakistan Kuwait Investment Company Limited at 'AAA' and 'A1+' (A One plus), respectively.

VIS Credit Rating Company Limited has reaffirmed Corporate Governance Rating of Pakistan Kuwait Investment Company (Private) Limited at 'CGR-9'. The rating signifies very high level of Corporate Governance.

Compliance with Code of Corporate Governance

The Directors confirm the compliance with Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of CCG is stated below:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.



- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the objective to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

Internal Controls

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall internal controls, as detailed in the 'Statement on Internal Controls', included in the Annual Report.

Board Meetings

Four meetings of the Board of Directors of the Company were held in the year 2019 as per following schedule:

1st Meeting	February 28, 2019
2nd Meeting	May 8, 2019
3rd Meeting	September 4, 2019
4th Meeting	October 30, 2019

Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2019 as per following schedule:

1st Meeting	February 28, 2019
2nd Meeting	May 8, 2019
3rd Meeting	September 4, 2019
4th Meeting	October 30, 2019

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2019 as per following schedule:

1st Meeting	February 27, 2019
2nd Meeting	May 8, 2019
3rd Meeting	September 4, 2019
4th Meeting	October 30, 2019

Executive Committee Meeting

One meeting of the Executive Committee of the Company was held on February 27, 2019.

Details of the attendance of the Board and its Sub-Committee are as follows:

Board Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	4	4
Mr. Rana Assad Amin - Member (Non-Executive Director)	4	4
Mr. Faisal Adnan Al-Hunaif - Member (Non-Executive Director)	4	4
Mr. Naveed Alauddin - Member (Non-Executive Director)	4	4
Mr. Abdullah Salah A. Al-Sayer - Member (Non-Executive Director)	4	4
Mr. Mubashar Maqbool - Member Executive Director / Managing Director (in place of Mr. Mansur Khan)	3	3
Mr. Mansur Khan - Member Executive Director / Managing Director	1	1

Risk Management Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Faisal Adnan Al-Hunaif - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Abdullah Salah A. Al-Sayer - Member	4	4

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Rana Assad Amin - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Abdullah Salah A. Al-Sayer - Member	4	4

Executive Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Member	1	1
Mr. Mubashar Maqbool - Member (in place of Mr. Mansur Khan)	-	-
Mr. Mansur Khan - Member	1	1



Summarized Operating and Financial Data for the last six years:

(PKR Million)	2019	2018	2017	2016	2015	2014
			(Restated)	(Restated)	(Restated)	(Restated)
Paid up Capital	10,000	6,000	6,000	6,000	6,000	6,000
Reserves	23,534	20,549	18,807	18,687	14,616	13,616
Total Assets	65,781	29,977	29,129	28,941	28,367	24,634
Profit before tax	5,768	3,515	2,594	4,128	2,504	3,195
Net Profit after tax	4,743	2,768	1,850	3,452	1,828	2,678
Cash Dividend	800	450	500	500	500	455
Stock Dividend	4,000	-	-	-	-	-

Note: The Reserves are inclusive of surplus on revaluation of Investments. Further, for the purpose of comparisons, the figures for the year 2014 have been taken from the consolidated financial statements.

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2019 according to their respective un-audited accounts were PKR 178.720 million and PKR 92.633 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 170.156 million and PKR 82.685 million respectively, as at December 31, 2018 according to its audited accounts.

Auditors

The present auditor's M/s EY Ford Rhodes - Chartered Accountants, retire and being eligible, offer themselves for reappointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. EY Ford Rhodes - Chartered Accountants, as auditors of the Company for the year ending December 31, 2020.

Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

An institution cannot be successful without its people, who are to be complimented for performing well under difficult circumstances. We would like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors

Abdullah Abdulwahab Al-Ramadhan
Chairman

Mubashar Maqbool
Managing Director

Date: March 5, 2020
Karachi

ناظمین کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کے ناظمین 31 دسمبر 2019 کو اختتام پذیر سال کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارے، جس میں کمپنی تفصیل سے مالیاتی نتائج درج ہیں بمع آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کی کارکردگی

2018	2019	برائے سال (پاکستانی روپیہ ملین میں)
862	1,351	خالص مارک اپ کی بنیاد پر آمدن
3,534	5,645	بغیر مارک اپ کے آمدن
4,396	6,995	کل آمدن
582	777	عملی اخراجات
3,814	6,219	منافع معروضات سے پہلے
299	450	معروضات / (معروضات کی واپسی)
3,515	5,768	منافع قبل از محصول
747	1,025	محصول
2,768	4,743	منافع بعد از محصول
2018	2019	اختتام سال پر (پاکستانی روپیہ ملین میں)
29,977	65,781	کل اثاثہ جات
3,428	32,246	مالیاتی واجبات
6,000	10,000	سرمایہ حصص
20,549	23,535	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے 31 دسمبر 2019 پر اختتام پذیر سال پر 4.74 ارب پاکستانی روپے منافع بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 2.77 ارب پاکستانی روپے کمائے تھے۔ سال بہ سال منافع بعد از محصول میں 71 فیصد اضافے کی بنیاد پر وجہ سودی آمدنی اور شریک کمپنیوں کی آمدنی میں اضافہ ہے۔

کمپنی کی خالص مارک اپ کی بنیاد پر آمدنی سال بہ سال 57 فیصد اضافے کے ساتھ بڑھ کر 1,351 ملین پاکستانی روپے ہوئی جس کی وجہ حکومتی تمسکات میں سرمایہ کاری اور مالیاتی اداروں کو قرضہ کی بلند تر فراہمی ہیں جہاں کمپنی نے 7.8 ارب پاکستانی روپوں کے قرضوں کی فراہمی کی۔

کمپنی کی غیر مارک اپ کی بنیاد پر آمدنی گذشتہ سال کی 3.53 ارب پاکستانی روپے کے مقابلے میں بڑھ کر 5.64 ارب پاکستانی روپے ہو گئی جو 60 فیصد اضافہ دکھا رہی ہے انتظامی اخراجات میں سال بہ سال 33 فیصد اضافہ ہوا۔ سال کے دوران کمپنی نے کیپیٹل منڈی پورٹ فولیو میں نامساعد حالات کی وجہ سے 450 ملین روپے کی تخصیص (Provision) رکارڈ کی گئی۔

کمپنی کے کل اثاثہ جات گذشتہ سال کے اختتام پر 29.97 ارب پاکستانی روپے کے مقابلے میں 31 دسمبر 2019 پر 65.78 ارب پاکستانی روپے رہے۔ کمپنی کی مالیاتی ذمہ داریاں گذشتہ سال کے اختتام پر 3.42 ارب پاکستانی روپے کے مقابلے میں 31 دسمبر 2019 پر 32.25 ارب پاکستانی روپے رہیں۔ مالیاتی ذمہ داریوں میں اضافے کی وجہ تاریخی فروخت کی مستقبل کی تاریخوں میں ادائیگی (Bai Muajjal) کے سودے ہیں جن کو کم ترزخوں پر حاصل کیا گیا اور اس سے حاصل رقم کو گورنمنٹ کے تمسکات میں سرمایہ کاری کی گئی تاکہ تمسکات کی بیک وقت خرید و فروخت سے (Arbitrage) آمدنی حاصل کی جائے۔

معاشی جائزہ

روپے کی قدر میں 32 فیصد تک حالیہ کمی کی اجازت دے کر روپے کی دسمبر 2019 تک قدر 155/ امریکی ڈالر پر پہنچ گئی جس کا اثر سال 2019 میں درآمدات میں 19 فیصد کمی کی صورت میں ہوا۔ اس کے ساتھ سمندر پار کارکنوں کی جانب سے ترسیل زر میں 5 فیصد اضافے سے بڑھتے ہوئے جاری کھاتے کے خسارے (CAD) جو 2018 کے 19.5 ارب امریکی ڈالر سے 2019 میں کم ہو کر 7.4 ارب امریکی ڈالر رہ گیا۔

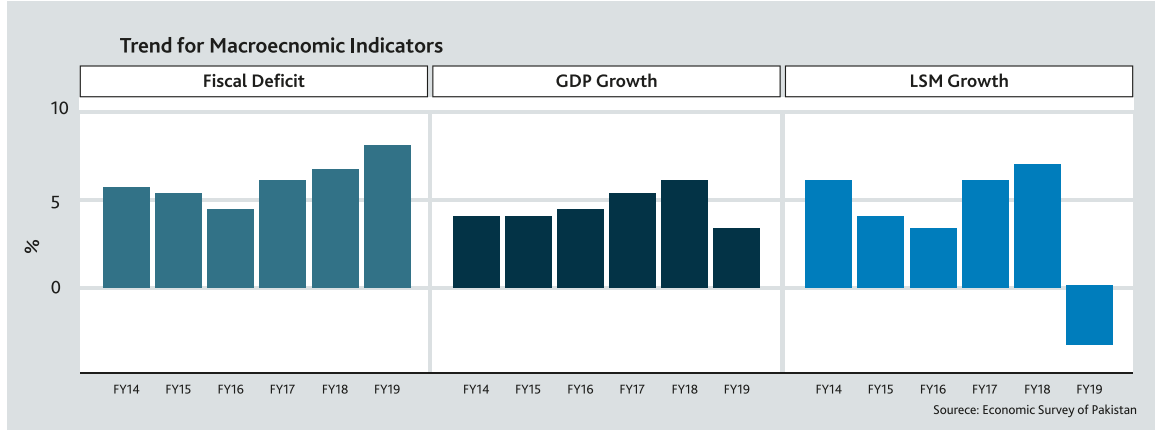
بینک دولت پاکستان (SBP) نے افراط زر کی نگرانی کے لیے سخت مالیاتی موقف برقرار رکھا۔ SBP نے شرح سود مجموعی طور پر 325 بیس پوائنٹس کے اضافے سے 13.75 فیصد کر دیا جبکہ آخری اضافہ جولائی 2019 میں ہوا تھا۔ توانائی اور درآمدی خام مال کی لاگت میں خاصہ بڑا اضافہ ہوا ہے۔ اس کے نتیجے میں جنوری دسمبر 2019 میں صارف کی قیمت کی مہنگائی (Consumer Price Inflation) (سال 2007-08 بنیاد ہے) میں اضافہ جاری رہا اور وہ گذشتہ سال کے 5.1 فیصد کے CPI اوسط کے مقابلے میں اس سال یہ اوسط 10.2 فیصد رہی۔

معیشت کے زیادہ تر شعبوں میں یا تو سکڑاؤ دیکھا گیا یا ان کی نمو کی رفتار میں کمی دیکھی گئی، جس کا محرک کم تر درآمدات، محصولات میں اضافہ اور بلند تر لاگتیں تھیں۔ صنعتی پیداوار جس کی کارکردگی کے جانچنے کا پیمانہ LSM انڈیکس ہے اس میں سال 2019 میں 3.4 فیصد کمی ہوئی، جبکہ ماحولیاتی تبدیلی کی وجہ سے زیادہ تر بڑی فصلوں کی حاصل پیداوار بھی متاثر ہوئی۔ مجموعی قومی پیداوار کا سال 2018 کے 5.5 فیصد تخمینہ کے مقابلے میں سال 2019 میں سست ہو کر 3.3 فیصد رہ گئی۔ محصولات میں اضافے اور محصول جمع کروانے والوں کی تعداد میں اضافے کے باوجود معیشت میں سکڑاؤ سے مالیاتی خسارہ سال 2018 میں مجموعی قومی پیداوار کے 6.6 فیصد کے مقابلے میں بڑھ کر سال 2019 میں 8.9 فیصد ہو گیا۔

بیرونی محاذ پر ایک روشن لکیر دیکھی جاسکتی ہے جہاں پاکستان کی سال 2018 کے اختتام پر 13.8 ارب امریکی ڈالر کے غیر ملکی زرمبادلہ کے ذخائر کے مقابلے میں 30 فیصد اضافے سے سال 2019 کے اختتام پر بڑھ کر 17.9 ارب امریکی ڈالر ہو گئے۔ ترقی یافتہ منڈیوں میں کم منافع ہونے کی بنیاد پر، پاکستان کے قلیل المدت بلز جو 13 فیصد منافع دیتا رہا، نے بین الاقوامی منڈیوں میں دلچسپی بڑھا دی ہے۔ جولائی دسمبر 2019 میں تقریباً 1.5 ارب امریکی ڈالر کا سرمایہ آتا ہوا دیکھا گیا ہے۔

کئی معیشت (Macroeconomic) کے مستقبل کے استحکام کی توقعات اور 2020 کے دوسرے نصف سال میں سودی نرخوں میں کمی پاکستان کی ملکیتی سرمائے کی بہتری کی نشاندہی کرتا ہے۔ KSE سال 2019 میں 100 انڈیکس کا معیار (Benchmark) 10 فیصد واپس ہوا جبکہ اس کے مقابلے میں سال 2018 میں 8 فیصد کمی ہوئی۔ سال کے دوسرے نصف میں، انڈیکس میں ایک بہت اونچی ریلی دیکھی گئی اور اگست میں 40 فیصد سے زائد کمی واپسی ہوئی۔

قرضہ کے معاملے میں بلند سودی نرخ نے قرضوں کی فراہمی کو متاثر کیا جہاں نجی شعبے کا روبرو قرضہ جات کی فراہمی گذشتہ سال کے 22 فیصد اضافے کے مقابلے میں سال یہ سال (دسمبر-دسمبر) میں 4 فیصد کا اضافہ ہوا۔ دسمبر میں بینکاری سیکٹر کے مجموعی ایڈوانسز سے ڈپازٹس کا تناسب گذشتہ سال کے 59 فیصد کے مقابلے میں کم ہو کر 56 فیصد رہا، اس کے برعکس سرمایہ کاری سے ڈپازٹس کا تناسب 57 فیصد سے بڑھ کر 60 فیصد ہو گیا۔



مستقبل کا منظر نامہ

کمپنی کی توجہ سال 2020 میں معیشت کے استحکام سے ترقی کی جانب سفر سے پیدا ہونے والے کاروباری موقعوں سے بھرپور فائدہ اٹھانے کی کوشش کرے گی اور کمپنی اپنی بنیادی توجہ منصوبوں کو قرضوں کی فراہمی، شرکت تجارت سازی (Syndication)، مشاورت سازی اور خزانہ کے آپریشن کے ذریعے سے کاروباری حلقوں میں اپنے آپ کو نئی شکل میں پیش کرے گی۔ PKIC کا مقصد انسانی وسائل میں تربیت اور ترقی کے ذریعے بہتری لانا ہے تاکہ صنعت کے معیار کے مطابق ہو سکیں۔

PKIC ترویجی شعبوں میں سرمایہ کاری کے ذریعے سے پاکستان کی معیشت کی معاونت جاری رکھے گی لیکن اس کے ساتھ منافع بخش میں بہتری پر زور دیتی رہے گی۔ کمپنی کا ارادہ ہے کہ اس کا ہدف ان شعبہ جات کی طرف ہے جن کے بارے میں سمجھا جاتا ہے کہ وہ معاشی ترقی کا راستہ ہموار کریں گے جس میں منصوبوں کو قرضہ جات کی فراہمی، درآمدات کا متبادل اور برآمدات سے متعلق شعبہ جات شامل ہیں۔

منقسمہ منافع (Dividend)

بورڈ آف ڈائریکٹرز اس بات میں خوشی محسوس کرتے ہیں کہ وہ سال جس کا اختتام 31 دسمبر 2019 کو ہوا ہے 800 ملین پاکستانی روپوں کا نقد منقسمہ منافع تجویز کریں۔ سال کے دوران بورڈ نے 4,000 ملین روپے کے اسٹاک منقسمہ منافع کی منظوری دی اور اس طرح سے سال میں کل ادا کیے جانے والے منقسمہ منافع کی مالیت 4,800 ملین پاکستانی روپے کر دیا۔ ان اعلانات کے ساتھ، کمپنی کے قیام کے وقت سے اب تک مجموعی طور پر 19,226 ملین پاکستانی روپے کا منقسمہ منافع تقسیم کر چکا ہے۔

کمائی فی حصص

25,000 پاکستانی روپے مالیت کے ہر حصص کی بنیادی اور گھٹی ہوئی کمائی 6,921 پاکستانی روپے فی حصص سے بڑھ کر 11,859 پاکستانی روپے فی حصص ہو گئی ہے۔

خطرات سے نمٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

سال 2019 کو بہتر طور پر تبدیلی کا سال بیان کیا جاسکتا ہے۔ PKIC نے کاروبار کی تبدیلی، کاروباری خطرے، ہیکیلو، ٹیکنالوجی اور لوگوں میں با مقصد سرمایہ کاری کی ہے۔ PKIC کے رسک انتظام کے ڈھانچے کی تعمیر انضمام شدہ رسک کے انتظام کی بنیادی اصولوں پر مبنی ہے تاکہ قرضہ کے رسک، منڈی کے رسک، سیالیت رسک، آپریشنل رسک، معلومات کے تحفظ اور ادارے کے رسک کا انتظام کیا جائے۔ بورڈ کے ناظمین ترویجی سمت کا تعین کرتا ہے اور اس کی حتمی ذمہ داری ہے کہ وہ

رسک کے انتظام کے ڈھانچے کی موجودگی کو یقینی بنایا جائے۔ اس کی معاونت بورڈ کی کمیٹیاں کرتی ہیں یعنی رسک مینجمنٹ کمیٹی (RMC) اور بورڈ کی آڈٹ کمیٹی (BAC) کے ساتھ ساتھ مینجمنٹ کی ذیلی کمیٹیاں کرتی ہیں۔ رسک مینجمنٹ فنکشن کمیٹی کو بنیادی خطرات کے بارے میں RMC کو تازہ ترین صورتحال سے آگاہ رکھتی ہے۔ اس طرح سے RMC ان کا جائزہ لیتی ہے اور رسک کی پالیسیوں، ان کی حدود، حکمت عملی اور ان کے رجحان کے بارے میں بورڈ کی منظوری کے لیے تجاویز پیش کرتی ہے۔

تمام قرضہ جات سے متعلق خطرات کا انتظام، پالیسی کرتی ہے جو خطرے کے عوامل بیان کرتی ہے۔ رسک کی درجہ بندی کے معیار، قیمتوں کے معیار، ارتکاز اور گروپ کی حدود کا قرضہ پورٹ فولیو کا تعین رسک میں کمی، تنوع اور رسک کے انعام (Risk-Reward) سے تعلق کی بنیاد پر ہوتا ہے۔ منڈی اور سیالیت (Liquidity) کے خطرات کا انتظام، اثاثہ اور مالی ذمہ داری کی کمیٹی (ALCO) متعین شرائط و ضوابط کے مطابق کرتی ہے۔ مالی صورتحال کے بیان پر شرح سود کے خطرے کا تعین کرنے کے لیے وقفے وقفے سے اندرونی دباؤ کی ٹیسٹنگ کی جاتی ہے۔ کمپنی ملکیتی سرمایہ (Equity) پورٹ فولیو کی خطرے پر مالیت (Value At Risk) کا حساب کتاب روزانہ کی بنیاد پر تسلیم شدہ طریقوں سے کرتی ہے جو انضباطی معیار کے مطابق ہوتا ہے۔ سبز بینکاری کے ڈھانچے کو بھی انضباطی معیار پر پرتیار کیا گیا ہے۔

آپریشن کچھ خطرات کا نفاذ بورڈ کی منظور کردہ خطرے کی پالیسی۔ جو انضباطی معیار کے مطابق ہے، کے ذریعے کیا جاتا ہے۔ PKIC نے متعدد بڑے ٹولز (Tools) کا نفاذ کیا ہے مثلاً اندرونی اعداد و شمار کا نقصان کا جمع کرنا، بنیادی خطرے کے اشارے (KRIs) اور خطرے کا کنٹرول اور اپنا تخمینہ (RCSA) کو جمع کرنا، PKIC کے پاس ٹیسٹ شدہ (Tested) کاروبار کے شامل منصوبے BCP موجود ہے جو کسی ناگہانی یا تباہی کی صورتحال میں بزنس آپریشن کے تسلسل کو یقینی بنانے کے لیے کئے جانے والے اقدامات یا واقعات کا احاطہ کرتا ہے۔ خطرے کے انتظام کا شعبہ، تمام مادی خطرات، جس میں شامل ہیں قرضہ، منڈی، عملی، ترویجی (Strategic)، اجتماع (Concentration)، سیالیت (Liquidity)، شرح سود، شہرت کا خطرہ اور دیگر خطرات کا جامع کمیٹیٹل کی موزونیت کے پراسس پر عمل کرتا ہے۔

معلومات کے تحفظ کے ڈھانچے کو SBP کی تازہ ترین ہدایات کے مطابق بہتر کیا جا چکا ہے۔ رسک مینجمنٹ کا ڈھانچہ متعلقہ ہدایات ہونے والی تمام تبدیلیوں کی تعمیل کرتا ہے اور اسے بہتر کر دیا گیا ہے۔

مزید یہ کہ اندرونی کنٹرول کی استحکام کی ضرورت کی آگاہی کے اور اس کو انضباطی ارتقائی ضروریات، یعنی سیاہ دھن کو سفید کرنا (AML) / دہشت گردی کو سرمائے کی فراہمی کے خلاف جنگ (CFT)، سے ہم آہنگ رکھنے کے لیے، PKIC نے اپنے گاہکوں کے اس عمل میں شرکت کی نگرانی کے لیے اور CFT/AML کی جانچ پڑتال اور نگرانی کے لیے خصوصی نظام کے حصول کے لیے خاصی سرمایہ کاری کی ہے۔

SBP کی انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS 9) کی مرحلہ وار نفاذ کی ضروریات سے مطابقت رکھنے کے لیے، PKIC 1 جنوری 2020 سے IFRS 9 کے متوازی نفاذ کرے گا تاکہ اس کے نتائج کا جائزہ لیا جاسکے۔

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کی اینٹیٹی ریٹنگ (Entity Rating)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی طویل المدتی اینٹیٹی ریٹنگ "AAA (تین A) برقرار رکھی ہے اور قلیل المدتی ریٹنگ "اے ون مثبت" رکھی ہے جو اعلیٰ ترین سطح ہے۔

جے سی آر - وی آئی ایس نے کمپنی کو کارپوریٹ گورننس "CGR-9" کی درجہ بندی تفویض کی ہے۔ یہ تفویض شدہ درجہ بندی، اداراتی حسن کارکردگی (Corporate Governance) کی اعلیٰ سطح ظاہر کرتی ہے۔

اداراتی حسن کارکردگی (Corporate Governance) کے ضابطے کی تعمیل

کمپنی ناظمین اداراتی نظم و ضبط (Corporate Governance) کے ضوابط کی تعمیل کرتے ہیں۔ اداراتی نظم و ضبط کے قوانین کی متعلقہ شقوں کی تعمیل کی

تفصیلات درج ذیل ہے:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیتی سرمایہ (Equity) میں تبدیلی کے بارے میں تفصیلات کو بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے حساب کتاب (Books of Accounts) کے کھاتے موزوں طور پر رکھے ہیں۔
- مالیاتی دستاویزات کی تیاری میں حساب کتاب (Accounting) کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور حساب کتاب کے تخمینے کی بنیاد معقول اور محتاط ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کی معیار پر عمل کرتے ہوئے مالیاتی دستاویزات کو تیار کیا گیا ہے اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی نگرانی (Internal Control) کے نظام کا ڈیزائن مضبوط بنیادوں پر تیار کیا گیا ہے اور اس کا موثر طور پر نفاذ کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔ اندرونی احتساب کا شعبہ متعین کنٹرولز کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہے گا تاکہ مزید بہتری لائی جاسکے۔
- تمام مالی واجبات جو محصول، ڈیوٹی، لیویز اور فیسوں کو ادا کرنے کے لئے درکار ہیں ان کا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کردئے جائیں گے یا جہاں کلیم کو واجبات میں شمار نہیں کیا گیا تو ان کو کھاتوں کی یادداشتوں (Notes) میں امکانی واجبات کے طور پر ظاہر کیا گیا ہے۔
- کمپنی کے کاروبار کے جاری رکھنے کی صلاحیت میں کوئی شبہ نہیں ہے۔
- بورڈ کے تمام ممبران نے انسٹیٹیوٹ آف کارپوریٹ گورننس کے ذریعے آگاہی (Orientation) کے کورس میں شرکت کی ہے۔
- بورڈ نے خود تشریحی نظام کے تحت اپنے ممبران کی کارکردگی کا جائزہ لیا۔
- کمپنی دستور آڈٹ ایک کیوی آر (QCR) درجہ بندی کے شامل ادارے نے کیا ہے۔
- بورڈ آف ڈائریکٹرز اور کمپنی کے ملازمین نے اخلاقیات اور کاروباری طرز عمل کے بیان پر دستخط کئے ہیں (ضابطہ اخلاق)

اندرونی نگرانی (Internal Controls)

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ ICFR سے متعلق انتظامیہ کے بارے میں تخمینہ کو توثیق کرتے ہیں اور مجموعی اندرونی نگرانیوں جس کی تفصیلات کہ "اندرونی کنٹرول کے بیان" میں درج کیا گیا ہے اور وہ سالانہ رپورٹ میں شامل ہے۔

بورڈ کے اجلاس

سال 2019 میں کمپنی کے بورڈ کے ناظمین کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

28 فروری 2019	پہلا اجلاس
8 مئی 2019	دوسرا اجلاس
4 ستمبر 2019	تیسرا اجلاس
30 اکتوبر 2019	چوتھا اجلاس

آڈٹ کمیٹی کے اجلاس

سال 2019 میں کمپنی کے آڈٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

28 فروری 2019	پہلا اجلاس
8 مئی 2019	دوسرا اجلاس
4 ستمبر 2019	تیسرا اجلاس
30 اکتوبر 2019	چوتھا اجلاس

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات
سال 2019 میں کمپنی کے رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

27 فروری 2019	پہلا اجلاس
8 مئی 2019	دوسرا اجلاس
4 ستمبر 2019	تیسرا اجلاس
30 اکتوبر 2019	چوتھا اجلاس

ایگزیکٹو کمیٹی کا اجلاس

کمپنی کی ایگزیکٹو کمیٹی کا ایک اجلاس 27 فروری 2019 کو منعقد ہوا

بورڈ اور اس کی ذیلی کمیٹیوں کے اجلاس میں حاضری کی تفصیلات درج ذیل ہیں

بورڈ کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب عبداللہ عبدالوہاب الرحمضان - چیئرمین، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب رانا اسد امین، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب فیصل عدنان الحنیف، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب نوید علاؤ دین، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب عبداللہ صالحہ اے۔ السایر، رکن، (نان ایگزیکٹو ڈائریکٹر)
3	3	جناب مبشر مقبول - رکن، (ایگزیکٹو ڈائریکٹر/ مینیجنگ ڈائریکٹر) (جناب منصور خان کی جگہ)
1	1	جناب منصور خان، رکن،

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب فیصل عدنان الحنیف، چیئرمین
4	4	جناب نوید علاؤ دین، رکن
4	4	جناب عبداللہ صالحہ اے۔ السایر، رکن

آڈٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب رانا اسد امین، چیئرمین
4	4	جناب نوید علاؤ دین، رکن
4	4	جناب عبداللہ صالحہ اے۔ السایر، رکن

ایگزیکٹو کمیٹی کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی
جناب عبداللہ عبدالوہاب الرمضان۔ رکن	1	1
جناب مبشر مقبول۔ رکن، (جناب منصور خان کی جگہ)	-	-
جناب منصور خان، رکن	1	1

گذشتہ 6 سال کا عملی اور مالیاتی اعداد و شمار کا خلاصہ

پاکستانی روپے (ملین میں)	2019	2018	2017	2016	2015	2014
اداشدہ سرمایہ	10,000	6,000	6,000	6,000	6,000	6,000
محفوظ سرمایہ	23,534	20,549	18,807	18,687	14,616	13,616
کل اثاثہ جات	65,781	29,977	29,129	28,941	28,367	24,634
منافع قبل از محصول	5,768	3,515	2,594	4,128	2,504	3,195
خالص منافع از محصول	4,743	2,768	1,850	3,452	1,828	2,678
نقد منقسمہ منافع	800	450	500	500	500	455
حصص منقسمہ منافع	4,000	-	-	-	-	-

یادداشت (Note): محفوظ ذخائر میں سرمایہ کاری کی از سر نو قدر پیمائی (Revaluation) کی زائد شامل ہے۔ اعداد و شمار کے تقابل کے لیے سال 2013 کے اعداد و شمار کیا گیا ہے۔

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا بیان

31 دسمبر 2019 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 178.720 اور 92.633 ملین پاکستانی روپے رہی۔ 31 دسمبر 2018 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 170.156 ملین پاکستانی روپے اور 82.685 ملین پاکستانی روپے رہی۔

محاسبین (Auditors)

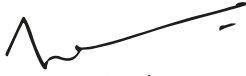
موجودہ محاسبین میسرز EY فورڈ رھورڈز، چارٹرڈ اکاؤنٹینٹس، کے معاہدے کی مدت ختم ہوگئی ہے اور دوبارہ منتخب ہونے کے اہل ہونے کے سبب اپنے آپ کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ جیسا کہ اداراتی نظم و ضبط کے ضابطہ اخلاق کے تحت آڈٹ کمیٹی میسرز EY فورڈ رھورڈز، چارٹرڈ اکاؤنٹینٹس کا نام 31 دسمبر 2020 کے اختتام تک کے لیے بطور کمپنی کے محاسبین (Auditors) تجویز کر چکی ہے۔

اعتراف

ہم حصص یافتگان کو ان کے اعتماد، مسلسل تعاون اور رہنمائی کرنے پر مخلصانہ طور پر سراہتے ہیں۔ ہم حکومت پاکستان، وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے بھی ان کی ہر وقت رہنمائی کیلئے شکر گزار ہیں۔

کوئی ادارہ بھی اپنے لوگوں کے بغیر کامیاب نہیں ہو سکتا، جن کی مشکل حالات میں بہتر کارکردگی دکھانے پر ان کی کاوشوں کو سراہا جانا چاہیے۔ بورڈ اپنے ٹیم کے ارکان کی کام سے لگن اور اخلاص کو سراہتا ہے اس بات کو کارڈ پر لانا چاہتا ہے۔

بورڈ کے ڈائریکٹرز کے جانب سے



مبشر مقبول
مینیجنگ ڈائریکٹر



عبداللہ عبدالوہاب الرمضان
چیئرمین

کراچی؛

مورخہ: 05 مارچ 2020ء

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2019

The Company as a best practice has complied the relevant requirements of the Regulations in the following manner:

- The total number of directors is six (6) and the composition of the Board is as follows:

Category	Names
Executive Director	● Mr. Mubashar Maqbool - Managing Director
Non-Executive Directors	<ul style="list-style-type: none"> ● Mr. Abdullah Abdulwahab Al-Ramadhan ● Mr. Rana Assad Amin ● Mr. Faisal Adnan Al-Hunaif ● Mr. Naveed Alauddin ● Mr. Abdullah Salah A. Al-Sayer

- The directors have confirmed that none of them is serving as a director on more than seven listed companies.
- The Company has prepared a Code of Conduct ("Statement of Ethics & Business Practices") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and Regulations.
- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board of Directors has a formal policy and transparent procedures for remunerations of directors in accordance with the Act and the Regulations.
- Currently five directors have completed the Directors Training Certification under the Directors Training Program as prescribed by SECP. The Board encourages that all members get the Directors Training Certification as soon as possible.
- The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

11. The Board has formed committees comprising of members given below:

Committee	Name of Chairman / Members
a) Audit Committee	Mr. Rana Assad Amin - Chairman Mr. Abdullah Salah A. Al-Sayer - Member Mr. Naveed Alauddin - Member
b) Risk Management Committee	Mr. Faisal Adnan Al-Hunaif - Chairman Mr. Naveed Alauddin - Member Mr. Abdullah Salah A. Al-Sayer - Member
c) Executive Committee (entrusted with Human Resources responsibilities)	Mr. Abdullah Abdulwahab Al-Ramadhan - Member Mr. Mubashar Maqbool - Member

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

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

a) Audit Committee	Quarterly
b) Risk Management Committee	Quarterly
c) Executive Committee	As and when required

14. The Board has set up an effective internal audit function, which has as Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.

15. 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.

16. 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.

17. The SBP vide BPRD circular No. 14 dated October 20, 2016 has intimated that the requirement of the CCG as mentioned in Prudential Regulations are now no longer applicable on DFIs, however it is expected that all DFIs will continue to follow the best practices on corporate governance. We confirm that all other applicable requirements of the Regulations have been complied with.



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mubashar Maqbool
Managing Director

Date: March 5, 2020
Karachi



EY Ford Rhodes
Chartered Accountants
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To the members of Pakistan Kuwait Investment Company (Private) Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited (the Company) for the year ended 31 December 2019 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 2019.



EY Ford Rhodes
Chartered Accountants

Place: Karachi
Date: 06 March 2020



STATEMENT ON INTERNAL CONTROLS

REPORTING ON INTERNAL CONTROL SYSTEM

The Company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the Company's management to establish and maintain an adequate and effective system of internal control that could help in Company's efforts to attain a professional and efficient working environment throughout the Company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis. Internal Control System in the Company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The Company has made efforts to ensure during the year 2019 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors. We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the Company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Recognizing it to be an ongoing process, the management of Company adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls issued by the State Bank of Pakistan. The management ensures effectiveness over internal control over financial reporting through timely review and updation of pertinent policies / procedures, establishing relevant control procedures and testing of internal controls. Further, the management considers that the Company's internal controls over financial reporting are sound in design and have been effectively implemented and monitored. However, because of the inherent limitations, internal control over financial reporting may not prevent or detect material misstatements or loss. The gaps identified are taken care of and necessary steps are taken by the management on a timely basis so as to ensure non-repetition of those exceptions and eliminations of such gaps to the maximum possible level through continuous monitoring. In accordance with the SBP directives, the Company completed all the seven stages of ICFR roadmap and has been submitting to the SBP periodically, the Long Form Report (LFR) issued by the statutory auditors since 2009.

Head of Internal Audit

Chief Financial Officer

Managing Director

Chairman Audit Committee

Date: March 5, 2020
Karachi



FINANCIAL STATEMENTS





EY Ford Rhodes
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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Kuwait Investment Company (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Kuwait Investment Company (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended and notes to the 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 statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and 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 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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 financial statements and our auditors' reports thereon.

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

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



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

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

In preparing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. 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 statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Company and the transactions of the Company which have come to our notice have been within the powers of the Company; and
 - d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Other Matters:

The financial statements of the Company for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 28 February 2019.

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



Chartered Accountants

Place: Karachi

Date: 06 March 2020

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

2019	2018		Note	2019	2018
----- (USD in '000) -----				----- (Rupees in '000) -----	
ASSETS					
350	393	Cash and balances with treasury banks	5	54,209	60,901
154	63	Balances with other banks	6	23,762	9,690
7,868	6,918	Lendings to financial institutions	7	1,218,271	1,071,204
363,849	166,714	Investments	8	56,341,132	25,815,300
42,975	17,425	Advances	9	6,654,602	2,698,181
1,278	1,319	Fixed assets	10	197,900	204,172
124	85	Intangible assets	11	19,248	13,210
-	-	Deferred tax assets		-	-
8,212	675	Other assets	12	1,271,649	104,568
424,810	193,592			65,780,773	29,977,226
LIABILITIES					
-	-	Bills payable		-	-
186,979	8,857	Borrowings	13	28,953,243	1,371,474
-	226	Deposits and other accounts	14	-	35,000
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
16,327	9,448	Deferred tax liabilities	15	2,528,173	1,462,940
4,938	3,607	Other liabilities	16	764,704	558,503
208,244	22,138			32,246,120	3,427,917
216,566	171,454			33,534,653	26,549,309
NET ASSETS					
REPRESENTED BY					
64,580	38,748	Share capital	17	10,000,000	6,000,000
61,631	52,910	Reserves	18	9,543,420	8,193,002
18,285	1,080	Surplus on revaluation of assets - net	19	2,831,306	167,303
72,070	78,716	Unappropriated profit		11,159,927	12,189,004
216,566	171,454			33,534,653	26,549,309
CONTINGENCIES AND COMMITMENTS 20					

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



Director



Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

2019	2018		Note	2019	2018
----- (USD in '000) -----				----- (Rupees in '000) -----	
13,682	5,993	Mark-up / return / interest earned	21	2,118,683	928,003
4,959	428	Mark-up / return / interest expensed	22	767,945	66,290
<u>8,723</u>	<u>5,565</u>	Net mark-up / interest income		<u>1,350,738</u>	<u>861,713</u>
NON MARK-UP / INTEREST INCOME					
121	22	Fee and commission income	23	18,667	3,450
1,510	1,405	Dividend income		233,869	217,585
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
1,767	1,176	Gain on securities	24	273,645	182,041
31,669	19,045	Share in results of associates - Net	25	4,903,795	2,949,135
1,386	1,177	Other income	26	214,659	182,242
<u>36,453</u>	<u>22,825</u>	Total non-markup / interest income		<u>5,644,635</u>	<u>3,534,453</u>
<u>45,176</u>	<u>28,390</u>	Total income		<u>6,995,373</u>	<u>4,396,166</u>
NON MARK-UP / INTEREST EXPENSES					
4,266	3,305	Operating expenses	27	660,583	511,810
745	454	Workers Welfare Fund		115,361	70,306
6	-	Other charges	28	915	-
<u>5,017</u>	<u>3,759</u>	Total non-markup / interest expenses		<u>776,859</u>	<u>582,116</u>
<u>40,159</u>	<u>24,631</u>	Profit before provisions		<u>6,218,514</u>	<u>3,814,050</u>
2,909	1,930	Provisions / (reversal of provisions) and write offs - net	29	450,468	298,767
-	-	Extra ordinary / unusual items		-	-
<u>37,250</u>	<u>22,701</u>	PROFIT BEFORE TAXATION		<u>5,768,046</u>	<u>3,515,283</u>
6,617	4,823	Taxation	30	1,024,608	746,863
<u>30,633</u>	<u>17,878</u>	PROFIT AFTER TAXATION		<u>4,743,438</u>	<u>2,768,420</u>
----- USD -----				----- Rupees -----	
	(Restated)	Basic and diluted earnings per share (on share of Rs. 25,000 each)	31		(Restated)
<u>77</u>	<u>45</u>			<u>11,859</u>	<u>6,921</u>

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.



Chief Executive



Director



Director



Chief Financial Officer



Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

2019	2018		2019	2018	
----- (USD in '000) -----			----- (Rupees in '000) -----		
30,633	17,878	Profit after taxation for the year	4,743,438	2,768,420	
Other comprehensive income					
Items that may be reclassified to profit and loss account in subsequent periods:					
1,643	(1,883)	Movement in surplus / (deficit) on revaluation of 'available-for-sale' securities - net of tax	254,409	(291,649)	
15,571	(1,459)	Movement in surplus / (deficit) on revaluation of 'available-for-sale' securities of associates - net of tax	2,411,216	(225,959)	
17,214	(3,342)		2,665,625	(517,608)	
Items that will not be reclassified to profit and loss account in subsequent periods:					
23	7	Remeasurement gain on defined benefit obligation - net of tax	3,605	1,074	
(10)	36	Share of (deficit) / surplus on revaluation of non - banking assets of associates - net of tax	(1,622)	5,649	
157	(101)	Share of remeasurement of defined benefit obligation of associates - net of tax	24,298	(15,636)	
170	(58)		26,281	(8,913)	
<u>48,017</u>	<u>14,478</u>	Total comprehensive income	<u>7,435,344</u>	<u>2,241,899</u>	

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.



Chief Executive



Director



Director



Chief Financial Officer



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

Note	Share Capital	Non-distributable Reserve	Statutory Reserve	Capital Market Equalization Reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
					Investments	Non banking assets of associates		
------(Rupees in '000)-----								
Balance as at January 1, 2018	6,000,000	935,264	5,515,229	980,896	679,262	-	10,696,759	24,807,410
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	2,768,420	2,768,420
Other comprehensive income - net of tax	-	-	-	-	(517,608)	5,649	(14,562)	(526,521)
Total comprehensive income	-	-	-	-	(517,608)	5,649	2,753,858	2,241,899
Transfer to statutory reserve	18.1	-	484,771	-	-	-	(484,771)	-
Transfer to capital market equalization reserve	18.3	-	-	276,842	-	-	(276,842)	-
Transactions with owners recorded directly in equity								
Final dividend for the year ended December 31, 2017 @ Rs. 2,083.3 per share	-	-	-	-	-	-	(500,000)	(500,000)
Balance as at December 31, 2018	6,000,000	935,264	6,000,000	1,257,738	161,654	5,649	12,189,004	26,549,309
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	4,743,438	4,743,438
Other comprehensive income - net of tax	-	-	-	-	2,665,625	(1,622)	27,903	2,691,906
Total comprehensive income	-	-	-	-	2,665,625	(1,622)	4,771,341	7,435,344
Transfer to statutory reserve	18.1	-	948,688	-	-	-	(948,688)	-
Transfer to capital market equalization reserve	18.3	-	-	401,730	-	-	(401,730)	-
Transactions with owners recorded directly in equity								
Final dividend for the year ended December 31, 2018 @ Rs. 1,875 per share	-	-	-	-	-	-	(450,000)	(450,000)
Issue of 160,000 bonus shares @ Rs. 25,000 each	4,000,000	-	-	-	-	-	(4,000,000)	-
Balance as at December 31, 2019	10,000,000	935,264	6,948,688	1,659,468	2,827,279	4,027	11,159,927	33,534,653

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



Director



Director

CASH FLOWS STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

2019	2018	Note	2019	2018
----- (USD in '000) -----			----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES				
37,250	22,701		5,768,046	3,515,283
(1,510)	(1,405)		(233,869)	(217,585)
<u>35,740</u>	<u>21,296</u>		<u>5,534,177</u>	<u>3,297,698</u>
Adjustments for:				
106	83		16,496	12,801
29	29		4,455	4,549
2,909	1,929		450,468	298,767
(1,294)	-		(200,333)	-
(16)	43		(2,532)	6,626
(31,669)	(19,045)		(4,903,795)	(2,949,135)
(29,935)	(16,961)		(4,635,241)	(2,626,392)
<u>5,805</u>	<u>4,335</u>		<u>898,936</u>	<u>671,306</u>
(Increase) / decrease in operating assets				
(950)	9,077		(147,067)	1,405,522
599	45		92,672	6,969
(25,415)	3,547		(3,935,389)	549,232
(7,613)	117		(1,178,876)	18,107
<u>(33,379)</u>	<u>12,786</u>		<u>(5,168,660)</u>	<u>1,979,830</u>
Increase / (decrease) in operating liabilities				
178,122	(7,689)		27,581,769	(1,190,533)
(226)	210		(35,000)	32,500
1,347	132		208,551	20,410
<u>179,243</u>	<u>(7,347)</u>		<u>27,755,320</u>	<u>(1,137,623)</u>
151,669	9,774		23,485,596	1,513,513
(3,360)	(1,802)		(520,366)	(279,036)
<u>148,309</u>	<u>7,972</u>		<u>22,965,230</u>	<u>1,234,477</u>
CASH FLOW FROM INVESTING ACTIVITIES				
(160,141)	(13,543)		(24,797,505)	(2,097,147)
13,626	8,987		2,110,039	1,391,582
(196)	(247)		(30,384)	(38,199)
1,356	-		210,000	-
<u>(145,355)</u>	<u>(4,803)</u>		<u>(22,507,850)</u>	<u>(743,764)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
(2,906)	(3,229)		(450,000)	(500,000)
<u>(2,906)</u>	<u>(3,229)</u>		<u>(450,000)</u>	<u>(500,000)</u>
48	(60)		7,380	(9,287)
<u>456</u>	<u>516</u>		<u>70,591</u>	<u>79,878</u>
<u>504</u>	<u>456</u>		<u>77,971</u>	<u>70,591</u>

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.



Chief Executive



Director



Director



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has a representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

The Pakistan Credit Rating Agency (PACRA) has maintained for the Company, the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

2. BASIS OF PRESENTATION

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 154.85, prevalent at December 31, 2019, for 2019 and 2018. This additional information is presented only for the convenience of users of the financial statements.

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9 'Financial Instruments', is applicable for accounting periods ending on or after June 30, 2019. However, the SBP vide its email dated July 23, 2019 has clarified that IFRS 9 is not applicable on financial information of the Company for period ending June 30, 2019. Further, the Company considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. The SBP vide its BPRD Circular No. 04 dated October 23, 2019 issued timelines for the phased implementation of IFRS-9 with full implementation till January 1, 2021.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(I) / 2008 dated April 28, 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.2 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year.

There are certain new amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 and are adopted by the Company.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 1 July 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The application of this standard did not have any material impact on these financial statements, except for change in description of accounting policy.

IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have a material impact on Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

2.3 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective.

The following standards, amendments and interpretations thereof will be effective for accounting periods beginning on or after January 1, 2020.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks / DFIs in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Banks / DFIs to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020.

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with initial application date for a period beginning on or after 01 January 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by SECP 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 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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 its revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

2.4.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a monthly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by the State Bank of Pakistan, payment status of mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

2.4.2 Classification of investments

In classifying investments as 'held-for-trading' the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

2.4.3 Impairment of 'available-for-sale' equity instruments

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgment, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for nine months as prolonged.

2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues as described in note 20 and the appeals of the department pending at various levels of authorities.

2.4.5 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

The financial statements are presented in Pakistan Rupees which is the Company's functional currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and other banks in current and deposit accounts.

4.2 Lendings / borrowings from financial institutions (reverse repo / repo)

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

Other borrowings

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Bai Muajjal

In Bai Muajjal, the Company buys sukuks on credit from other financial institutions. The price is agreed at the time of purchase and such proceeds are paid at the end of credit period.

Other lendings

Lendings are stated net of provision. Mark-up on such lendings is charged to the profit and loss account on a time proportion basis except mark-up on impaired / delinquent lendings, which is recognized on receipt basis.

4.3 Investments

Classification

The Company classifies its investments other than those in associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

- Held-for-trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.
- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- Available-for-sale investments, investments which are not eligible to be classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

Initial recognition

Investments are initially recognized at cost which is equivalent to fair value on the date of acquisition. An investment (other than investment that is held for trading) is measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment. For 'held-for-trading' investment transactions, transaction costs are charged to profit and loss on the date of acquisition.

Trade date accounting

All purchase and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at trade date. Trade date is a date on which the Company commits to purchase or sell the investments.

Subsequent recognition

Investments categorised as 'held-for-trading' and 'available-for-sale' are valued at fair / market value. Market value of government securities and listed shares are determined by reference to rates provided on PKRV (Reuters Page) and rates provided on the Pakistan Stock Exchange (PSX) at the date of statement of financial position respectively. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP). Any surplus or deficit arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to profit and loss account and that of 'available-for-sale' is taken to the statement of financial position, and shown as part of equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted investments are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / (loss) on sale of investments during the year is included in profit and loss account.

Premium or discount on acquisition of government securities and listed term finance certificates is amortised over the period to maturity under effective interest method.

Investment in associates

Associates are those entities in which the Company has significant influence, but does not have control, over the financial and operating policies. These financial statements include the Company's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation.

4.4 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined in accordance with 'Prudential Regulations' issued by the SBP and the Credit Policy of the Company. The provision is charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

4.5 Operating fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in note 10.1.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gain or loss on the sale or retirement of fixed assets is taken to profit and loss account.

4.6 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.

4.7 Non-current assets held for sale

Non-current assets are classified as 'held-for-sale', when their carrying amount will be recovered principally through sale transaction rather than continuing use. Such non-current assets are measured at the lower of their carrying values and fair values less costs to sell.

4.8 Certificates of investment (COI) / deposits

COI / deposits are initially recorded at the amount of proceeds received. Mark-up is accrued under effective interest rate method on a time proportion basis.

4.9 Staff retirement benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2019.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the salary. Contributions from the Company are charged to profit and loss account for the year.

4.10 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2019.

4.11 Foreign currencies

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the date of statement of financial position. Exchange gains and losses are included in income currently.

4.12 Revenue recognition

- i) Dividend income is recognised when the Company's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest rate method, except where recovery is considered doubtful, the income is recognised on receipt basis.
- iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.

The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The Company recognizes fees earned of transaction-based arrangements at a point in time when the Company has provided the services to the customer. Where the contract requires services to be provided overtime, income is recognized on a systematic basis over the life of the agreement.

4.13 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any and any adjustments to any tax payable relating to prior years.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognised for all deductible temporary differences and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

4.14 Impairment

The carrying amount of the assets, other than deferred tax asset, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses other than those relating to equity investments are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

4.15 Other provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

4.16 Off setting of financial assets and financial liabilities

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the statement of financial position if the Company has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.17 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

4.18 Dividend distribution

Dividends (including bonus dividend) are recognized in the period in which these are approved.

4.19 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

4.20 Segment reporting

A segment is distinguishable component of the Company that is engaged in providing products 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 Company's primary format of reporting is based on business segments.

Business segments

Following are the main segments of the Company:

Corporate Finance	Includes loans, advances, leases and other transactions with corporate customers.
Treasury	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

Geographical segments

All the Company's business segments operate in Pakistan only.

5.	CASH AND BALANCES WITH TREASURY BANKS	Note	2019	2018
			----- (Rupees in '000) -----	
	Cash in hand in local currency		50	50
	With State Bank of Pakistan in - local currency current account	5.1	52,898	60,738
	With National Bank of Pakistan in - local currency current account		1,261	113
			<u>54,209</u>	<u>60,901</u>
5.1	This includes Rs. 50 million (2018: Rs. 50 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.			
6.	BALANCES WITH OTHER BANKS		2019	2018
			----- (Rupees in '000) -----	
	In Pakistan			
	- current account		118	166
	- deposit account		23,644	9,524
			<u>23,762</u>	<u>9,690</u>
7.	LENDINGS TO FINANCIAL INSTITUTIONS			
	Repurchase agreement lendings (Reverse Repo)		<u>1,218,271</u>	<u>1,071,204</u>

7.1	Particulars of lending	2019		2018			
		----- (Rupees in '000) -----					
	In local currency	<u>1,218,271</u>		<u>1,071,204</u>			
7.2	Securities held as collateral against lendings to financial institutions	2019		2018			
		Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
		----- (Rupees in '000) -----					
	Market Treasury Bills	<u>1,218,271</u>	<u>-</u>	<u>1,218,271</u>	<u>1,071,204</u>	<u>-</u>	<u>1,071,204</u>

This represents lending to financial institutions against purchase and resale of government securities. Market value of this security as at December 31, 2019 amounted to Rs. 1,220 million (December 31, 2018: 1,070 million). The markup on this lending is 13.10 percent per annum with maturity in twodays.

8.	INVESTMENTS	2019				2018				
Note		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
8.1	Investments by type:	----- (Rupees in '000) -----								
	Held-for-trading securities									
	Shares	20,086	-	2,532	22,618	112,758	-	(6,626)	106,132	
	Available-for-sale securities									
	Federal Government Securities	28,275,163	-	231,052	28,506,215	5,396,869	-	2,290	5,399,159	
	Shares	2,862,438	(278,253)	259,378	2,843,563	3,753,959	(706,208)	56,673	3,104,424	
	Non Government Debt Securities	3,913,486	(33,638)	(3,304)	3,876,544	2,000,980	(33,638)	41,107	2,008,449	
		<u>35,051,087</u>	<u>(311,891)</u>	<u>487,126</u>	<u>35,226,322</u>	<u>11,151,808</u>	<u>(739,846)</u>	<u>100,070</u>	<u>10,512,032</u>	
	Associates	8.1.1	21,092,192	-	-	21,092,192	15,197,136	-	-	15,197,136
	Total Investments	<u>56,163,365</u>	<u>(311,891)</u>	<u>489,658</u>	<u>56,341,132</u>	<u>26,461,702</u>	<u>(739,846)</u>	<u>93,444</u>	<u>25,815,300</u>	

8.1.1	Movement in investments in associates	2019	2018
		----- (Rupees in '000) -----	
	Investments at beginning of the year	15,197,136	13,660,400
	Share in surplus / (deficit) on revaluation of 'available-for-sale' securities of associates	2,836,726	(265,818)
	Share of (deficit) / surplus on revaluation of non - banking assets of associates	(1,908)	6,646
	Share of remeasurement of defined benefit obligation of associates	28,673	(18,745)
	Share of profit from associates recognized in profit and loss account	4,903,795	2,949,135
	Dividend received from associates	(1,872,230)	(1,134,482)
	Investments at end of the year	<u>21,092,192</u>	<u>15,197,136</u>

The cost of investments in associates as at December 31, 2019 amounted to Rs.2,895 million (December 31, 2018: Rs. 2,895 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 2,559 million (December 31, 2018: Rs. 1,546 million).

8.1.2 Investment in Associates

The Company's associates are:

Associates	Note	Nature of Activities	Country of Incorporation	Percentage holding
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30.00
The General Tyre & Rubber Company of Pakistan Limited (GTR)	a	Tyre Manufacturing	Pakistan	30.00
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30.00
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	5.41
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	17.65

a) These are considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the investment in the associate being more than 20% and representation on its board of directors.

b) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on the board of directors of management company and participation in decisions about dividend and other distributions policies.

c) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on its board of directors and participation in decisions about dividend and other distributions policies.

8.1.3 Summarized financial statements of associates

2019	MBL	GTR	AMIM	AMMF	NCCPL
	------(Rupees in '000)-----				
Current Assets	710,538,272	7,914,815	3,799,740	5,237,358	13,615,550
Non-Current Assets	415,576,691	5,288,465	490,420	-	762,069
Total Assets	1,126,114,963	13,203,280	4,290,160	5,237,358	14,377,619
Current Liabilities	842,632,703	8,281,268	740,254	200,705	12,709,632
Non-Current Liabilities	220,701,314	1,628,521	207,585	-	47,218
Total Liabilities	1,063,334,017	9,909,789	947,839	200,705	12,756,850
Net Assets	62,780,946	3,293,491	3,342,321	5,036,653	1,620,769
Fair Value of Investment	36,704,339	2,039,692	1,002,696	273,335	286,022
Dividend Received	1,823,940	18,290	30,000	-	-
Revenue	46,532,751	1,600,510	1,576,434	191,547	943,123
Profit from continuing operations	26,977,746	167,686	807,728	12,091	291,098
Tax	(11,198,107)	(106,633)	(250,019)	-	(78,446)
Profit after tax from continuing operations	15,779,639	61,053	557,709	12,091	212,652
Other Comprehensive Income	9,539,169	5,338	9,085	-	(9,254)
Total Comprehensive Income	25,318,808	66,391	566,794	12,091	203,398

The financial statements upto December 31, 2019 have been used for all associates.

2018	MBL	GTR	AMIM	AMMF	NCCPL
	------(Rupees in '000)-----				
Current Assets	658,648,165	7,390,142	3,280,874	6,234,607	17,017,783
Non-Current Assets	283,103,242	4,753,649	244,399	-	356,007
Total Assets	941,751,407	12,143,791	3,525,273	6,234,607	17,373,790
Current Liabilities	438,512,779	7,270,766	649,747	157,392	15,947,377
Non-Current Liabilities	459,661,689	1,569,344	-	-	9,042
Total Liabilities	898,174,468	8,840,110	649,747	157,392	15,956,419
Net Assets	43,576,939	3,303,681	2,875,526	6,077,215	1,417,371
Fair Value of Investment	32,406,505	2,463,957	862,939	261,691	247,491
Dividend Received	876,894	107,588	150,000	-	-
Revenue / (loss)	28,175,780	10,950,273	1,474,704	(594,757)	801,470
Profit / (loss) from continuing operations	15,179,990	459,651	849,061	(815,586)	247,989
Tax	(6,046,080)	(79,880)	(344,839)	-	(70,365)
Profit / (loss) after tax from continuing operations	9,133,910	379,771	504,222	(815,586)	177,624
Other Comprehensive Income	(868,563)	(44,172)	(7,684)	(12,218)	(11,704)
Total Comprehensive Income	8,265,347	335,599	496,538	(827,804)	165,920

The financial statements upto December 31, 2018 have been used for all associates.

8.1.4 Reconciliation of Summarized information of Associates

2019	MBL	GTR	AMIM	AMMF	NCCPL
	------(Rupees in '000)-----				
Net Assets of the associate	62,780,946	3,293,491	3,342,321	5,036,653	1,620,769
Company's proportionate interest in associate	18,834,284	988,047	1,002,696	272,483	286,066
Other adjustments	(361,707)	71,404	281	1,319	(2,681)
Carrying amount of the Company's interest in associate	18,472,577	1,059,451	1,002,977	273,802	283,385
2018	MBL	GTR	AMIM	AMMF	NCCPL
	------(Rupees in '000)-----				
Net Assets of the associate	43,576,939	3,303,681	2,875,526	6,077,215	1,417,371
Company's proportionate interest in associate	13,073,082	991,104	862,658	258,889	250,166
Other adjustments	(312,694)	66,720	281	9,605	(2,675)
Carrying amount of the Company's interest in associate	12,760,388	1,057,824	862,939	268,494	247,491

8.1.5 Significant restrictions

The associates do not have significant restrictions on their ability to access or use their assets or settle liabilities other than those resulting from the regulatory framework within which they operate, including but not limited to the requirement of maintaining minimum level of capital and liquid assets, and limit on maximum exposures and other required ratios.

8.2 Investments by segments:

Note	2019				2018				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
----- (Rupees in '000) -----									
Federal Government Securities:									
Market Treasury Bills	8.2.1	9,116,032	-	(2,920)	9,113,112	4,997,658	-	(1,871)	4,995,787
Pakistan Investment Bonds	8.2.2	19,159,131	-	233,972	19,393,103	399,211	-	4,160	403,371
		28,275,163	-	231,052	28,506,215	5,396,869	-	2,289	5,399,158
Shares:									
Listed Companies		2,778,498	(175,027)	261,910	2,865,381	3,756,191	(596,507)	50,047	3,209,731
Unlisted Companies		93,736	(92,936)	-	800	100,236	(99,411)	-	825
		2,872,234	(267,963)	261,910	2,866,181	3,856,427	(695,918)	50,047	3,210,556
Non Government Debt Securities									
Listed		3,415,219	-	1,327	3,416,546	1,502,607	-	4,132	1,506,739
Unlisted		498,267	(33,638)	(4,631)	459,998	498,373	(33,638)	36,976	501,711
		3,913,486	(33,638)	(3,304)	3,876,544	2,000,980	(33,638)	41,108	2,008,450
Foreign Securities									
Unlisted equity securities		10,290	(10,290)	-	-	10,290	(10,290)	-	-
Associates									
Meezan Bank Limited	8.2.3	18,472,577	-	-	18,472,577	12,760,388	-	-	12,760,388
General Tyre and Rubber Company of Pak. Ltd.		1,059,451	-	-	1,059,451	1,057,824	-	-	1,057,824
Al Meezan Mutual Funds	8.2.4	273,802	-	-	273,802	268,494	-	-	268,494
Al Meezan Investment Management Ltd.		1,002,977	-	-	1,002,977	862,939	-	-	862,939
National Clearing Company of Pakistan Ltd.		283,385	-	-	283,385	247,491	-	-	247,491
		21,092,192	-	-	21,092,192	15,197,136	-	-	15,197,136
Total Investments		56,163,365	(311,891)	489,658	56,341,132	26,461,702	(739,846)	93,444	25,815,300

8.2.1 The investments in market treasury bills is maturing on September 24, 2020 (2018: January 03, 2019) and the effective mark-up rate is 13.74 (2018: 8.72) percent per annum.

8.2.2 The investments in Pakistan Investment Bonds are maturing between July 12, 2021 and August 22, 2029 (2018: September 3, 2019) and the effective mark-up rates range between 13.55 and 14.47 (2018: 12.23 and 12.40) percent per annum.

8.2.3 Investments in shares of Meezan Bank Limited costing Rs. 2,422 million and market value of Rs. 36,704 million (2018: Cost Rs. 2,422 million and market value Rs.32,406 million) are held as strategic investment in terms of Prudential Regulations applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.

8.2.4 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.

8.2.5 The market value of shares in listed associates amounted to Rs. 39,017 million (2018: Rs. 35,132 million).

8.2.6 Investments given as collateral

	2019	2018
----- (Rupees in '000) -----		
Pakistan Investment Bonds	18,928,419	50,421
Market Treasury Bills	6,703,423	-
	<u>25,631,842</u>	<u>50,421</u>

8.3 Provision for diminution in value of investments

8.3.1	Opening balance	739,846	455,168
	Charge / reversals		
	Charge for the year	463,645	353,972
	Reversal on disposals	(891,600)	(69,294)
		(427,955)	284,678
	Closing balance	<u>311,891</u>	<u>739,846</u>

8.3.2 Particulars of provision against debt securities
Category of classification

	2019		2018	
	*NPI	Provision	*NPI	Provision
----- (Rupees in '000) -----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>
	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>
Overseas	-	-	-	-
Total	<u><u>33,638</u></u>	<u><u>33,638</u></u>	<u><u>33,638</u></u>	<u><u>33,638</u></u>

* NPI stands for Non-Performing Investments.

8.4 Quality of Available for Sale Securities

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

8.4.1 Federal Government Securities - Government guaranteed

	2019	2018
Cost		
----- (Rupees in '000) -----		
Market Treasury Bills	<u>9,116,032</u>	<u>4,997,658</u>
Pakistan Investment Bonds	<u>19,159,131</u>	<u>399,211</u>
	<u><u>28,275,163</u></u>	<u><u>5,396,869</u></u>

8.4.2 Shares
Listed Companies

- Cement	-	260,287
- Commercial Banks	<u>805,537</u>	<u>1,208,052</u>
- Fertilizer	<u>433,369</u>	<u>278,861</u>
- Leasing	<u>7,407</u>	<u>7,407</u>
- Oil and Gas Exploration Companies	<u>394,215</u>	<u>672,430</u>
- Oil and Gas Marketing Companies	<u>349,188</u>	<u>325,956</u>
- Power Generation and Distribution	<u>768,697</u>	<u>801,210</u>
- Textile Composite	-	50,000
- Engineering	-	39,230
	<u><u>2,758,413</u></u>	<u><u>3,643,433</u></u>

Unlisted Companies

	2019		2018	
	Cost	Break-up Value	Cost	Break-up Value
----- (Rupees in '000) -----				
Arabian Sea Country Club	2,150	-	2,150	-
Axel Products Limited	4,043	-	4,043	-
Dadabhoy Padube Limited	200	-	200	-
Engine Systems Limited	10,000	-	10,000	-
FTC Management Company (Private) Ltd.	500	36,998	500	38,082
Innovative Investment Bank Limited	4,770	-	4,770	-
Pakistan Mercantile Exchange Limited	11,773	-	11,773	-
Pakistan Textile City Limited	50,000	-	50,000	-
Rays Shipping Enterprises Limited	-	-	6,500	-
Trans Mobile Limited	10,000	-	10,000	-
TCC Management Company Limited	300	877	300	285
	<u><u>93,736</u></u>	<u><u>37,875</u></u>	<u><u>100,236</u></u>	<u><u>38,367</u></u>

8.4.3 Non Government Debt Securities

	2019	2018
	Cost	
	----- (Rupees in '000) -----	
Listed		
AA+, AA, AA-	2,476,342	1,063,555
A+, A, A-	938,877	439,052
	<u>3,415,219</u>	<u>1,502,607</u>
Unlisted		
AA+, AA, AA-	464,629	264,735
A+, A, A-	-	200,000
Unrated	33,638	33,638
	<u>498,267</u>	<u>498,373</u>

8.4.4 Foreign Securities

Equity Securities

Unlisted Shares

Islamic International Rating Agency Limited	<u>10,290</u>	<u>10,290</u>
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9. ADVANCES

Note	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	6,613,113	2,656,298	1,092,317	1,113,743	7,705,430	3,770,041
Provision against advances						
- Specific	-	-	(1,050,828)	(1,071,860)	(1,050,828)	(1,071,860)
- General	-	-	-	-	-	-
	-	-	(1,050,828)	(1,071,860)	(1,050,828)	(1,071,860)
Advances - net of provision	<u>6,613,113</u>	<u>2,656,298</u>	<u>41,489</u>	<u>41,883</u>	<u>6,654,602</u>	<u>2,698,181</u>

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2019				2018			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000) -----							
Lease rentals receivable	481,782	144,464	-	626,246	457,698	-	-	457,698
Residual value	41,490	-	-	41,490	47,287	-	-	47,287
Minimum lease payments	523,272	144,464	-	667,736	504,985	-	-	504,985
Financial charges for future periods	7,446	13,190	-	20,636	294	-	-	294
Present value of minimum lease payments	<u>515,826</u>	<u>131,274</u>	<u>-</u>	<u>647,100</u>	<u>504,691</u>	<u>-</u>	<u>-</u>	<u>504,691</u>

9.1.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2024 and are subject to finance income at rates ranging between 5.00 and 16.52 (2018: 6.00 and 16.52) percent per annum.

9.1.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 41.490 million (2018: Rs. 41.883 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

9.2 Particulars of advances (Gross)	2019	2018
	------(Rupees in '000)-----	
In local currency	<u>7,705,430</u>	<u>3,770,041</u>

9.3 Advances include Rs. 1,092.317 million (2018: Rs 1,113.743 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>1,092,317</u>	<u>1,050,828</u>	<u>1,113,743</u>	<u>1,071,860</u>
Total	<u>1,092,317</u>	<u>1,050,828</u>	<u>1,113,743</u>	<u>1,071,860</u>

Provision is recorded net of security deposit of Rs. 41.49 millions (2018: Rs. 41.88 millions).

9.4 Particulars of provision against advances	2019			2018		
	Specific	General	Total	Specific	General	Total
Opening balance	1,071,860	-	1,071,860	1,152,703	-	1,152,703
Charge for the year	-	-	-	-	-	-
Reversals	(21,032)	-	(21,032)	(80,843)	-	(80,843)
	(21,032)	-	(21,032)	(80,843)	-	(80,843)
Closing balance	<u>1,050,828</u>	-	<u>1,050,828</u>	<u>1,071,860</u>	-	<u>1,071,860</u>

9.4.1 Particulars of provision against advances	2019			2018		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	<u>1,050,828</u>	-	<u>1,050,828</u>	<u>1,071,860</u>	-	<u>1,071,860</u>

9.5 Particulars of loans and advances to staff included in advances	2019	2018
	------(Rupees in '000)-----	
Opening balance	85,488	85,401
Disbursements during the year	<u>13,392</u>	<u>21,963</u>
Repayments during the year	(14,308)	(21,876)
	(916)	87
Balance at end of the year	<u>84,572</u>	<u>85,488</u>

10. FIXED ASSETS		Note	2019	2018
			----- (Rupees in '000) -----	
Property and equipment		10.1	<u>197,900</u>	<u>204,172</u>

10.1 Property and Equipment

		2019					
		Leasehold land	Buildings on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Motor Vehicles	Total
		----- (Rupees in '000) -----					
At January 1, 2019							
Cost		4,604	246,328	14,350	65,588	15,180	346,050
Accumulated depreciation		-	(67,128)	(14,295)	(47,599)	(12,856)	(141,878)
Net book value		<u>4,604</u>	<u>179,200</u>	<u>55</u>	<u>17,989</u>	<u>2,324</u>	<u>204,172</u>
Year ended December 2019							
Opening net book value		4,604	179,200	55	17,989	2,324	204,172
Additions		5,063	-	726	6,530	7,572	19,891
Cost of assets disposed off		(9,667)	-	-	-	-	(9,667)
Depreciation charge		-	(6,136)	(40)	(8,633)	(1,687)	(16,496)
Closing net book value		<u>-</u>	<u>173,064</u>	<u>741</u>	<u>15,886</u>	<u>8,209</u>	<u>197,900</u>
At December 31, 2019							
Cost		-	246,328	15,076	72,118	22,752	356,274
Accumulated depreciation		-	(73,264)	(14,335)	(56,232)	(14,543)	(158,374)
Net book value		<u>-</u>	<u>173,064</u>	<u>741</u>	<u>15,886</u>	<u>8,209</u>	<u>197,900</u>
Rate of depreciation (percentage)		<u>-</u>	<u>2.50 - 20</u>	<u>20</u>	<u>20 - 33.3</u>	<u>20</u>	<u>-</u>
		----- (Rupees in '000) -----					
		----- 2018 -----					
		Leasehold land	Buildings on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Motor Vehicles	Total
At January 1, 2018							
Cost		100	246,328	14,331	45,492	15,180	321,431
Accumulated depreciation		-	(60,991)	(14,280)	(42,327)	(11,478)	(129,076)
Net book value		<u>100</u>	<u>185,337</u>	<u>51</u>	<u>3,165</u>	<u>3,702</u>	<u>192,355</u>
Year ended December 2018							
Opening net book value		100	185,337	51	3,165	3,702	192,355
Additions		4,504	-	19	20,095	-	24,618
Depreciation charge		-	(6,137)	(15)	(5,271)	(1,378)	(12,801)
Closing net book value		<u>4,604</u>	<u>179,200</u>	<u>55</u>	<u>17,989</u>	<u>2,324</u>	<u>204,172</u>
At December 31, 2018							
Cost		4,604	246,328	14,350	65,588	15,180	346,050
Accumulated depreciation		-	(67,128)	(14,295)	(47,599)	(12,856)	(141,878)
Net book value		<u>4,604</u>	<u>179,200</u>	<u>55</u>	<u>17,989</u>	<u>2,324</u>	<u>204,172</u>
Rate of depreciation (percentage)		<u>-</u>	<u>2.50 - 20</u>	<u>20</u>	<u>20 - 33.3</u>	<u>20</u>	<u>-</u>

10.1.1	Included in cost of property and equipment are fully depreciated items still in use having cost of:	2019	2018
		----- (Rupees in '000) -----	
	Building on leasehold land	3,981	3,981
	Furniture and fixtures	14,282	14,262
	Electrical, office and computer equipment	43,623	41,222
	Motor vehicles	10,592	8,289
11	INTANGIBLE ASSETS - COMPUTER SOFTWARE		
			2019
			(Rupees in '000)
	At January 1, 2019		
	Cost		82,086
	Accumulated amortisation		<u>(68,876)</u>
	Net book value		<u><u>13,210</u></u>
	Year ended December 31, 2019		
	Opening net book value		13,210
	Additions		10,493
	Amortisation charge		(4,455)
	Closing net book value		<u><u>19,248</u></u>
	At December 31, 2019		
	Cost		92,579
	Accumulated amortisation		<u>(73,331)</u>
	Net book value		<u><u>19,248</u></u>
	Rate of amortisation (percentage)		<u><u>20</u></u>
	Useful life		<u><u>5 years</u></u>
			2018
			(Rupees in '000)
	At January 1, 2018		
	Cost		68,505
	Accumulated amortisation		<u>(64,327)</u>
	Net book value		<u><u>4,178</u></u>
	Year ended December 31, 2018		
	Opening net book value		4,178
	Additions		13,581
	Amortisation charge		(4,549)
	Closing net book value		<u><u>13,210</u></u>
	At December 31, 2018		
	Cost		82,086
	Accumulated amortisation		<u>(68,876)</u>
	Net book value		<u><u>13,210</u></u>
	Rate of amortisation (percentage)		<u><u>20</u></u>
	Useful life		<u><u>5 years</u></u>

12 OTHER ASSETS	Note	2019	2018
----- (Rupees in '000) -----			
Income/ Mark-up accrued in local currency - net		1,126,658	83,191
Advances, deposits, advance rent and other prepayments		125,465	14,322
Other receivable		62,759	42,433
Non-current asset 'held for sale'	12.1	<u>135,000</u>	<u>135,000</u>
		<u>1,449,882</u>	<u>274,946</u>
Less: Provision held against other assets	12.2	<u>(178,233)</u>	<u>(170,378)</u>
		<u>1,271,649</u>	<u>104,568</u>

12.1 Non-current assets 'held-for-sale'

In 2015, the Board of Directors decided to divest the Company's interest in one of its associate, 'Pak-Kuwait Takaful Company Limited' (PKTCL) (30%). In this regard, efforts to sell the associate have been initiated. Based on the Company's intention this associate has accordingly been classified as 'non-current asset held-for-sale'. As at December 31, 2019, this non-current asset held-for-sale is stated at the lower of carrying amount and fair value less costs to sell. Other assets includes receivable from Pakistan Kuwait Takaful Company Limited amounting Rs. 17.745 million (2018: Rs. 9.890 million) that has been fully provided.

12.2 Provision held against other assets	Note	2019	2018
----- (Rupees in '000) -----			
Non-current asset held-for-sale		135,000	135,000
Other receivables		<u>43,233</u>	<u>35,378</u>
		<u>178,233</u>	<u>170,378</u>
12.2.1 Movement in provision held against other assets			
Opening balance		170,378	144,740
Charge for the year		<u>7,855</u>	<u>25,638</u>
Closing balance		<u>178,233</u>	<u>170,378</u>

13 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Under Long Term Finance Facility (LTFF)	13.1	1,265,259	1,371,474
Under Financing Scheme for Renewable Energy	13.2	<u>179,924</u>	<u>-</u>
		<u>1,445,183</u>	<u>1,371,474</u>
Bai Muajjal	13.3	<u>25,692,879</u>	<u>-</u>
Total secured		<u>27,138,062</u>	<u>1,371,474</u>

Unsecured

Bai Muajjal	13.3	<u>1,815,181</u>	<u>-</u>
Total unsecured		<u>1,815,181</u>	<u>-</u>
		<u>28,953,243</u>	<u>1,371,474</u>

13.1 Borrowings from SBP under LTFF

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the company for the period from October 1, 2019 to December 31, 2019 is Rs. 250 million.

13.2 Borrowings from SBP under Financing Scheme for Renewable Energy

This represents Long Term Finance Facility on concessional rates to support in addressing dual challenge of energy shortage and climate change through promotion of renewable energy. The loans availed under the facility shall be repayable within a maximum period of twelve years with mark-up payable at maximum of 3 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the company for the period from October 1, 2019 to December 31, 2019 is Rs. 350 million.

13.3 Bai Muajjal

This represents borrowings from a financial institutions at mark-up rate between 12.73 and 13.14 percent per annum and having maturities between April 14, 2020 and September 22, 2020.

13.4 Particulars of borrowings with respect to Currencies

	2019	2018
	----- (Rupees in '000) -----	
In local currency	28,953,243	1,371,474

14. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Customers	----- (Rupees in '000) -----					
Term deposits (COI)	-	-	-	35,000	-	35,000

14.1 Composition of deposits

	2019	2018
	----- (Rupees in '000) -----	
- Private Sector	-	35,000

15. DEFERRED TAX LIABILITIES

	2019			
	At January 1, 2019	Recognised in P&L A/C	Recognised in OCI	At December 31, 2019
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Post retirement employee benefits	17,594	1,721	(1,472)	17,843
- Provision against non-performing advances	310,839	(6,099)	-	304,740
	328,433	(4,378)	(1,472)	322,583
Taxable temporary differences on				
- Surplus on revaluation of investments	107,691	(1,374)	(132,650)	(26,333)
- Accelerated tax depreciation	(35,919)	567	-	(35,352)
- Finance lease arrangements	(109,124)	(23,744)	-	(132,868)
- Share of profits from Associates	(1,754,021)	(472,585)	(429,597)	(2,656,203)
	(1,791,373)	(497,136)	(562,247)	(2,850,756)
	<u>(1,462,940)</u>	<u>(501,514)</u>	<u>(563,719)</u>	<u>(2,528,173)</u>

Deductible temporary differences on

- Post retirement employee benefits
- Provision against non-performing advances

2018			
At January 1, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31, 2018

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

17,218	815	(439)	17,594
345,811	(34,972)	-	310,839
<u>363,029</u>	<u>(34,157)</u>	<u>(439)</u>	<u>328,433</u>

Taxable temporary differences on

- Surplus on revaluation of investments
- Accelerated tax depreciation
- Finance lease arrangements
- Share of profits from Associates

24,495	991	82,205	107,691
(35,708)	(211)	-	(35,919)
(107,478)	(1,646)	-	(109,124)
(1,528,264)	(267,729)	41,972	(1,754,021)
<u>(1,646,955)</u>	<u>(268,595)</u>	<u>124,177</u>	<u>(1,791,373)</u>

<u>(1,283,926)</u>	<u>(302,752)</u>	<u>123,738</u>	<u>(1,462,940)</u>
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16. OTHER LIABILITIES

Note **2019** 2018

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

Mark-up / return / interest payable in local currency		7,376	8,091
Accrued expenses		578,445	372,402
Current taxation (provisions less payments)		69,016	66,288
Payable to defined benefit obligation	34.4	49,027	48,747
Security deposits against lease	9.1.2	41,490	45,487
Employees' compensated absences		12,501	11,922
Payable to share brokers on account of purchase of marketable securities		2,925	2,180
Others		3,924	3,386
		<u>764,704</u>	<u>558,503</u>

17. SHARE CAPITAL

17.1 Authorized Capital

2019	2018		2019	2018
--- (Number of shares) ---			----- (Rupees in '000) -----	
<u>400,000</u>	<u>400,000</u>	Ordinary shares of Rs. 25,000 each	<u>10,000,000</u>	<u>10,000,000</u>

17.2 Issued, subscribed and paid up

2019	2018		2019	2018
--- (Number of shares) ---			----- (Rupees in '000) -----	
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
374,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus share	9,351,250	5,351,250
<u>400,000</u>	<u>240,000</u>		<u>10,000,000</u>	<u>6,000,000</u>

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 200,000 (2018: 120,000) ordinary shares of the Company as at December 31, 2019.

18 RESERVES	Note	2019	2018
----- (Rupees in '000) -----			
Statutory reserve	18.1	6,948,688	6,000,000
Non-distributable reserve	18.2	935,264	935,264
Capital market equalization reserve	18.3	1,659,468	1,257,738
Total reserves		<u>9,543,420</u>	<u>8,193,002</u>

18.1 Statutory reserve

At beginning of the year	6,000,000	5,515,229
Add: Transfer during the year	948,688	484,771
	<u>6,948,688</u>	<u>6,000,000</u>

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 948.688 million (2018: Rs. 484.771 million).

18.2 Non-distributable reserve

	2019	2018
----- (Rupees in '000) -----		
At beginning of the year	935,264	935,264
Add: Addition during the year	-	-
	<u>935,264</u>	<u>935,264</u>

This represents share of gain on bargain purchase of an associate. This is recorded as a non distributable reserve in accordance with the SBP instructions letter (BPRD (R&P-02) / 625-110-2014-17729) issued to the associate. This gain may, as per the requirements of the above mentioned SBP letter, become available for distribution as stock dividend only with the prior approval of SBP. Further, this gain may, before distribution of the gain as stock dividend, be adjusted against any subsequent provisions / deficit assessed by the associate or recommended by the Banking Inspection Department of the SBP in subsequent inspections.

18.3 Capital market equalization reserve

	2019	2018
----- (Rupees in '000) -----		
At beginning of the year	1,257,738	980,896
Add: Addition during the year	401,730	276,842
	<u>1,659,468</u>	<u>1,257,738</u>

The 'Capital Market Equalization Reserve' has been setup as decided in the 135th board meeting held on December 24, 2014, in order to provide adequate reserve against volatility in the value of capital market portfolio. An amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost. Currently the reserve stands at 30% of the capital market portfolio at cost.

19 SURPLUS ON REVALUATION OF ASSETS

19 SURPLUS ON REVALUATION OF ASSETS	Note	2019	2018
----- (Rupees in '000) -----			
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	487,126	100,070
- Associates		2,784,704	(50,113)
		<u>3,271,830</u>	<u>49,957</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(65,142)	67,505
- Associates		(375,382)	49,841
		<u>(440,524)</u>	<u>117,346</u>
		<u>2,831,306</u>	<u>167,303</u>



20	CONTINGENCIES AND COMMITMENTS	Note	2019	2018
----- (Rupees in '000) -----				
	-Guarantees	20.1	500,000	-
	-Commitments	20.2	7,584,576	150,000
			<u>8,084,576</u>	<u>150,000</u>
20.1	Guarantees:			
	Financial guarantees		<u>500,000</u>	<u>-</u>
20.2	Commitments			
	Undisbursed sanctions for financial assistance in the form of:			
	- TFCs and Sukuks		314,500	-
	- Loans and advances		7,270,076	150,000
			<u>7,584,576</u>	<u>150,000</u>
20.3	Commitments for operating leases			
	Aggregate commitments for operating leases			
	Not later than one year		<u>-</u>	<u>2,307</u>
20.4	Tax Contingencies			

The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2018, raising a tax demand of Rs. 3,714 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2018 under this head amounts to Rs. 7,981 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001 (Ordinance). The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated October 29, 2018, September 23, 2011, November 30, 2012, June 15, 2015, September 8, 2017, March 6, 2018, March 7, 2018 and July 26, 2019 for tax year 2003, tax years 2004 to 2007, tax year 2010, tax years 2011 to 2013, tax year 2015, tax years 2014 and 2017, tax year 2016 and tax year 2018 respectively, directed for the application of provision of section 124A of the Ordinance. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2018 which are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided. However, in the tax order for the tax year 2003, the Officer has not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the Company has preferred an appeal which was recently decided in the Company's favour through the order dated October 29, 2018.

Further, the Company had made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same is still pending.

The Company has made provision of Rs. 1,393 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

21	MARK-UP / RETURN / INTEREST EARNED	Note	2019	2018
			----- (Rupees in '000) -----	
	On:			
	loans and advances		183,474	266,286
	investments		1,478,844	559,466
	lendings to financial institutions		455,241	101,663
	balances with banks		1,124	588
			<u>2,118,683</u>	<u>928,003</u>
22	MARK-UP / RETURN / INTEREST EXPENSED			
	On:			
	deposits		614	347
	borrowings		754,678	65,943
	securities sold under repurchase agreements - government securities		12,653	-
			<u>767,945</u>	<u>66,290</u>
23	FEE & COMMISSION INCOME			
	Advisory Fee		12,500	250
	Commission on guarantees		542	-
	Underwriting Commission		625	-
	Participation Fee		5,000	2,750
	Arrangement Fee		-	450
			<u>18,667</u>	<u>3,450</u>
24	GAIN ON SECURITIES			
	Realised	24.1	271,113	188,667
	Unrealised gain / (loss) on held-for-trading	8.1	2,532	(6,626)
			<u>273,645</u>	<u>182,041</u>
24.1	Realised gain on:			
	Shares		271,113	188,667
25	SHARE IN RESULT OF ASSOCIATES			
	Quoted Associates		4,698,956	2,766,523
	Un-quoted Associates		204,839	182,612
			<u>4,903,795</u>	<u>2,949,135</u>
26	OTHER INCOME			
	Space / arrangement income		6,931	-
	Gain on sale of fixed assets		200,333	-
	Late payment charges		947	176,187
	Nominee directors fee		5,857	5,872
	Others		591	183
			<u>214,659</u>	<u>182,242</u>
27	OPERATING EXPENSES			
	Total compensation expense	27.1	391,105	282,121
	Property expense			
	Rent & taxes		12,390	12,519
	Insurance		388	360
	Utilities cost		5,109	5,176
	Security expense		599	575
	Repairs & maintenance		27,082	30,521
	Depreciation		6,137	6,137
			<u>51,705</u>	<u>55,288</u>



Pak Kuwait

Note **2019** 2018

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

Information technology expenses		2019	2018
Software maintenance		284	290
Hardware maintenance		69	40
Depreciation		7,871	4,648
Amortisation		4,455	4,549
Network charges		1,569	1,478
		14,248	11,005
Other operating expenses		2019	2018
Directors' fees and allowances		53,691	45,368
Legal & professional charges		56,815	36,204
Outsourced services costs	27.2	16,568	14,536
Travelling & conveyance		16,960	9,476
Depreciation		2,488	2,016
Training & development		2,799	1,063
Postage & courier charges		283	296
Communication		6,153	5,072
Stationery & printing		2,555	1,791
Marketing, advertisement & publicity		2,447	520
Donations	27.3	19,000	26,000
Auditors' Remuneration	27.4	4,147	7,970
Newspaper, periodicals and subscription dues		3,858	1,724
Repairs & maintenance (others)		1,249	1,254
Bank charges		252	200
Entertainment expense		2,947	1,606
Others		11,313	8,300
		203,525	163,396
27.1 Total compensation expense		660,583	511,810
Fee and allowance		43,072	38,888
Managerial remuneration - fixed		191,481	173,321
Managerial remuneration - variable (bonus)		102,270	22,600
Charge for defined benefit plan	34.8.1	22,310	17,977
Contribution to defined contribution plan		18,492	16,561
Medical		9,037	8,023
Pilgrimage sponsorship		1,330	1,631
Compensated absences		2,603	2,599
Others		510	521
		391,105	282,121

27.2 Total cost for the year included in other operating expenses relate to service on property maintenance paid to a company incorporated in Pakistan.

27.3 During the year, the Company donated to the following recognized institutions:

Donee		2019	2018
----- (Rupees in '000) -----			
The Citizens Foundation		6,000	6,000
Roshni Homes Trust		1,500	2,000
The Indus Hospital		1,500	2,000
The Kidney Centre		1,500	2,000
Shaukat Khanum Memorial Trust		1,500	2,000
Aziz Jehan Begum Trust for the Blind		1,000	1,000
Karigar Training Institute		1,000	1,000
The Tahzibul Akhlaq Trust		1,000	-
Society for Human & Environmental Development		1,000	-
Karwan-e-Hayat		1,000	-
Family Educational Services Foundation		1,000	-
Development in Literacy		1,000	-
Supreme Court of Pakistan Diaper Basha and Mohmand Dam Fund		-	10,000
		19,000	26,000

27.3.1 None of the directors or their spouse had any interest in the donations made.

27.4	Auditors' remuneration	Note	2019	2018
----- (Rupees in '000) -----				
	Audit fee		1,719	1,719
	Fee for half yearly review		688	688
	Special certifications and sundry advisory services		1,507	5,340
	Out-of-pocket expenses		233	223
			<u>4,147</u>	<u>7,970</u>
28	OTHER CHARGES			
	Penalties imposed by State Bank of Pakistan		<u>915</u>	<u>-</u>
29	PROVISIONS / (REVERSAL OF PROVISION) & WRITE OFFS - NET			
	Provisions for diminution in value of investments	8.3.1	463,645	353,972
	Reversal of provisions against loans & advances	9.4	(21,032)	(80,843)
	Provision for impairment in other assets	12.2.1	7,855	25,638
			<u>450,468</u>	<u>298,767</u>
30	TAXATION			
	Current		523,094	444,113
	Deferred		501,514	302,750
			<u>1,024,608</u>	<u>746,863</u>
30.1	Relationship between tax expense and accounting profit			
	Profit before taxation		<u>5,768,046</u>	<u>3,515,283</u>
	Tax at the applicable rate of 29% (2018: 29%)		1,672,733	1,019,432
	Net tax effect on income taxed at reduced rates		(655,407)	(373,047)
	Charge for super tax		-	99,615
	Others		7,282	863
			<u>1,024,608</u>	<u>746,863</u>
31	BASIC / DILUTED EARNINGS PER SHARE		2019	2018
----- (Rupees in '000) -----				
	Profit for the year		<u>4,743,438</u>	<u>2,768,420</u>
----- (Numbers in '000) -----				
	Weighted average number of ordinary shares		<u>400</u>	<u>400</u>
----- Rupees -----				
	Basic / diluted earnings per share	31.1	<u>11,859</u>	<u>6,921</u>
31.1	The Company has issued bonus shares during the year and accordingly the earnings per share for the comparative year has been restated			
32	CASH AND CASH EQUIVALENTS	Note	2019	2018
----- (Rupees in '000) -----				
	Cash and Balance with Treasury Banks	5	54,209	60,901
	Balance with other banks	6	23,762	9,690
			<u>77,971</u>	<u>70,591</u>

32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

2019									
Liabilities			Equity						
Borrowings	Deposits and other accounts	Other liabilities	Share Capital	Reserves	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
					Investments	Non banking assets of associates			
------(Rupees in '000)-----									
Balance as at January 1, 2019	1,371,474	35,000	558,503	6,000,000	8,193,002	161,654	5,649	12,189,004	26,549,309
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	(450,000)	(450,000)
Bonus shares issued	-	-	-	4,000,000	-	-	-	(4,000,000)	-
Other Changes									
Liability related									
Changes in borrowings	27,581,769	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	(35,000)	-	-	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	142,263	-	-	-	-	-	-
- Non-cash based	-	-	63,938	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	1,350,418	-	-	-	(1,350,418)	-
Surplus on revaluation of investment	-	-	-	-	2,665,625	-	-	-	2,665,625
Deficit on revaluation of non-banking assets of associates	-	-	-	-	-	-	(1,622)	-	(1,622)
Profit after tax	-	-	-	-	-	-	-	4,743,438	4,743,438
Other comprehensive income	-	-	-	-	-	-	-	27,903	27,903
	<u>27,581,769</u>	<u>(35,000)</u>	<u>206,201</u>	<u>-</u>	<u>1,350,418</u>	<u>2,665,625</u>	<u>(1,622)</u>	<u>3,420,923</u>	<u>7,435,344</u>
Balance as at December 31, 2019	<u>28,953,243</u>	<u>-</u>	<u>764,704</u>	<u>10,000,000</u>	<u>9,543,420</u>	<u>2,827,279</u>	<u>4,027</u>	<u>11,159,927</u>	<u>33,534,653</u>

2018									
Liabilities			Equity						
Borrowings	Deposits and other accounts	Other liabilities	Share Capital	Reserves	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
					Investments	Non banking assets of associates			
------(Rupees in '000)-----									
Balance as at January 1, 2018	2,562,007	2,500	473,321	6,000,000	7,431,389	679,262	-	10,696,759	24,807,410
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	(500,000)	(500,000)
Other Changes									
Liability related									
Changes in borrowings	(1,190,533)	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	32,500	-	-	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	20,410	-	-	-	-	-	-
- Non-cash based	-	-	64,772	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	761,613	-	-	-	(761,613)	-
Deficit on revaluation of investment	-	-	-	-	-	(517,608)	-	-	(517,608)
Surplus on revaluation of non-banking assets of associates	-	-	-	-	-	-	5,649	-	5,649
Profit after tax	-	-	-	-	-	-	-	2,768,420	2,768,420
Other comprehensive income	-	-	-	-	-	-	-	(14,562)	(14,562)
	<u>(1,190,533)</u>	<u>32,500</u>	<u>85,182</u>	<u>-</u>	<u>761,613</u>	<u>(517,608)</u>	<u>5,649</u>	<u>1,992,245</u>	<u>2,241,899</u>
Balance as at December 31, 2018	<u>1,371,474</u>	<u>35,000</u>	<u>558,503</u>	<u>6,000,000</u>	<u>8,193,002</u>	<u>161,654</u>	<u>5,649</u>	<u>12,189,004</u>	<u>26,549,309</u>

33 STAFF STRENGTH

	2019	2018
	------(Numbers)-----	
Permanent	58	56
On Company contract	1	1
Company's own staff strength at the end of the year	<u>59</u>	<u>57</u>

33.1 In addition to the above, 24 (2018: 24) employees of an outsourcing services company were assigned to the Company as at the end of the year to perform janitorial services. Further, all of these employees work locally.

34 DEFINED BENEFIT PLAN

34.1 General description

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2019.

34.2 Number of Employees under the scheme

	2019	2018
	----- (Numbers) -----	

The number of employees covered under the defined benefit schemes are:	58	56
--	----	----

34.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	Note	2019	2018
		----- Per annum -----	
Discount rate		<u>11.25%</u>	<u>13.25%</u>
Expected rate of return on plan assets		<u>11.25%</u>	<u>13.25%</u>
Expected rate of salary increase			
For first two years following valuation		<u>11.25%</u>	<u>13.25%</u>
For third year and onward		<u>11.25%</u>	<u>13.25%</u>

34.4 Reconciliation of (receivable from) / payable to defined benefit plans

		2019	2018
		----- (Rupees in '000) -----	
Present value of obligations	34.5	160,869	146,290
Fair value of plan assets	34.6	<u>(111,842)</u>	<u>(97,543)</u>
		<u>49,027</u>	<u>48,747</u>

34.5 Movement in defined benefit obligations

Obligations at the beginning of the year		146,290	147,698
Current service cost		15,858	14,107
Interest cost		19,430	11,900
Benefits paid by the Company		(13,775)	(23,999)
Re-measurement gain		<u>(6,934)</u>	<u>(3,416)</u>
Obligations at the end of the year		<u>160,869</u>	<u>146,290</u>

34.6 Movement in fair value of plan assets

Fair value at the beginning of the year		97,543	100,912
Interest income on plan assets		12,978	8,030
Contribution by the Company - net		16,953	14,502
Benefits paid during the year		(13,775)	(23,999)
Re-measurements: Net return on plan assets	34.8.2	<u>(1,857)</u>	<u>(1,902)</u>
Fair value at the end of the year		<u>111,842</u>	<u>97,543</u>

34.7 Movement in payable to defined benefit plan

Opening balance		48,747	46,786
Charge for the year	34.8.1	22,310	17,977
Contribution by the Company - net		(16,953)	(14,502)
Re-measurement: gain recognised in OCI during the year		<u>(5,077)</u>	<u>(1,514)</u>
Closing balance	34.8.2	<u>49,027</u>	<u>48,747</u>

34.8 Charge for defined benefit plans

34.8.1 Cost recognised in profit and loss

2019

2018

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

Current service cost	15,858	14,107
Net interest on defined benefit assets	6,452	3,870
	<u>22,310</u>	<u>17,977</u>

34.8.2 Re-measurements recognised in OCI during the year

Gain on obligation		
- Financial assumptions	(1,440)	623
- Experience adjustment	(5,494)	(4,039)
Return on plan assets over interest income	1,857	1,902
Total re-measurements recognised in OCI	<u>(5,077)</u>	<u>(1,514)</u>

34.9 Components of plan assets

Cash and cash equivalents - net	19,209	14,858
Government Securities	91,682	82,123
Investment in Mutual Fund	951	562

34.9.1 The Gratuity scheme exposes the entity to the following risks:

Mortality risk	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Investment risks	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Final salary risks	The risk that the final salary at the time of cessation of service is higher than the assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.
Withdrawal risks	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.

34.10 Sensitivity analysis

2019

2018

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

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption, keeping all other assumptions constant:

1% increase in discount rate	147,663	134,676
1% decrease in discount rate	175,970	159,570
1 % increase in expected rate of salary increase	176,615	160,148
1 % decrease in expected rate of salary increase	146,886	133,983

34.11 Expected contributions to be paid to the funds in the next financial year

23,800

34.12 Expected charge for the next financial year

23,800

34.13 Maturity profile

2019

2018

-----Years-----

The weighted average duration of the present value of defined benefit obligation	8.76	8.47
--	------	------

Benefit Payments
2019
2018

Distribution of timing of benefit payments

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

Years

1	12,430	15,133
2	7,301	13,131
3	27,840	7,633
4	23,668	29,853
5	10,325	25,713
6 - 10	91,094	96,881

35 DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at the rate of 10 %) and by the employees (at the rate of 10 %) of salary.

36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL
36.1 Total Compensation Expense

		2019			
Directors		Chief Executive	Key Management Personal	Other Material Risk Takers / Controllers	
Chairman	Non-Executives				

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

Fees and allowances etc.	4,839	18,664	-	-	-
Managerial Remuneration	-	-	26,253	108,987	24,796
Charge for defined benefit plan	-	-	-	5,670	1,600
Contribution to defined contribution plan	-	-	-	9,064	1,813
Rent & house maintenance	-	-	3,274	-	-
Utilities	-	-	1,644	-	-
Medical	-	-	323	1,970	153
Bonus Paid	-	-	3,456	9,116	1,560
Others	-	-	757	6,060	1,615
Total	4,839	18,664	35,707	140,867	31,537
Number of persons	1	4	2*	12	5

* Mr. Mansur Khan resigned as Chief Executive effective from March 12, 2019 and Mr. Mubashar Maqbool joined as Chief Executive on March 12, 2019.

The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

Key Management Personal and Other Material Risk Takers / Controllers are entitled with Vehicle Allowance in accordance with the terms of their employment.

		2018			
Directors		Chief Executive	Key Management Personal	Other Material Risk Takers / Controllers	
Chairman	Non-Executives				

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

Fees and allowances etc.	4,544	16,963	-	-	-
Managerial Remuneration	-	-	23,739	86,276	29,006
Charge for defined benefit plan	-	-	-	4,095	1,998
Contribution to defined contribution plan	-	-	-	6,954	2,299
Rent & house maintenance	-	-	3,627	-	-
Utilities	-	-	279	-	-
Medical	-	-	446	935	1,473
Bonus Paid	-	-	4,320	20,910	6,032
Others	-	-	660	4,398	1,862
Total	4,544	16,963	33,071	123,568	42,670
Number of persons	1	5	1	12	5

The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

Key Management Personal and Other Material Risk Takers / Controllers are entitled with Vehicle Allowance in accordance with the terms of their employment.

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

2019						
S. No.	Name of Director	Meeting Fees and Allowances Paid				Total Amount Paid
		For Board Meetings	For Board Committees			
			Risk Management Committee	Audit Committee	Executive Committee	
------(Rupees in '000)-----						
1.	Abdullah Abdulwahab Al-Ramadhan	4,164	-	-	675	4,839
2.	Faisal Adnan Al-Hunaif	2,944	1,220	-	-	4,164
3.	Abdullah Salah A. Al-Sayer	2,944	1,220	1,220	-	5,384
4.	Rana Assad Amin	2,776	-	1,188	-	3,964
5.	Naveed Alauddin	2,776	1,188	1,188	-	5,152
		<u>15,604</u>	<u>3,628</u>	<u>3,596</u>	<u>675</u>	<u>23,503</u>

2018						
S. No.	Name of Director	Meeting Fees and Allowances Paid				Total Amount Paid
		For Board Meetings	For Board Committees			
			Risk Management Committee	Audit Committee	Executive Committee	
------(Rupees in '000)-----						
1.	Abdullah Abdulwahab Al-Ramadhan	4,000	-	-	544	4,544
2.	Mohammad Reyad Al-Mutawa	1,018	232	232	-	1,482
3.	Faisal Adnan Al-Hunaif	2,763	1,015	-	-	3,778
4.	Abdullah Salah A. Al-Sayer	1,745	784	784	-	3,313
5.	Rana Assad Amin	2,720	-	983	-	3,703
6.	Naveed Alauddin	2,721	983	983	-	4,687
		<u>14,967</u>	<u>3,014</u>	<u>2,982</u>	<u>544</u>	<u>21,507</u>

36.3 Board and its Committees Meeting Fee of Kuwaiti Directors are deposited in Kuwait Investment Authority Board Pool Account on their behalf, however per diem allowances are paid to Directors.

37 FAIR VALUE MEASUREMENTS

The table below analysis 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:

37.1 On balance sheet financial instruments

2019										
Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	9,113,112	-	-	9,113,112	-	9,113,112	-	9,113,112	
- Pakistan investment bonds	-	19,393,103	-	-	19,393,103	-	19,393,103	-	19,393,103	
- Shares of listed companies	22,618	2,842,763	-	-	2,865,381	2,865,381	-	-	2,865,381	
- Listed sukuk / term finance certificates	-	3,416,546	-	-	3,416,546	-	3,416,546	-	3,416,546	
- Unlisted sukuk / term finance certificates	-	459,998	-	-	459,998	-	459,998	-	459,998	
Financial assets not measured at fair value										
Cash and balances with treasury banks										
-	-	-	54,209	-	54,209	-	-	-	-	
Balances with other banks										
-	-	-	23,762	-	23,762	-	-	-	-	
Investments										
- Investments in associates - listed	-	19,805,830	-	-	19,805,830	39,017,366	-	-	39,017,366	
- Shares in unlisted companies	-	800	-	-	800	-	-	-	-	
- Shares of unlisted associates	-	1,286,362	-	-	1,286,362	-	-	-	-	
Advances										
-	-	-	6,654,602	-	6,654,602	-	-	-	-	
Other assets										
-	-	-	1,126,116	-	1,126,116	-	-	-	-	
Financial liabilities not measured at fair value										
Borrowings										
-	-	-	-	(28,953,243)	(28,953,243)	-	-	-	-	
Deposits and other accounts										
-	-	-	-	-	-	-	-	-	-	
Other liabilities										
-	-	-	-	(715,677)	(715,677)	-	-	-	-	
22,618	56,318,514	-	7,858,689	(29,668,920)	34,530,901					

2018										
Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	4,995,787	-	-	4,995,787	-	4,995,787	-	4,995,787	
- Pakistan investment bonds	-	403,372	-	-	403,372	-	403,372	-	403,372	
- Shares of listed companies	106,132	3,067,550	-	-	3,173,682	3,173,682	-	-	3,173,682	
- Listed preference shares	-	36,050	-	-	36,050	36,050	-	-	36,050	
- Listed sukuk / term finance certificates	-	1,506,739	-	-	1,506,739	-	1,506,739	-	1,506,739	
- Unlisted term finance certificates	-	501,711	-	-	501,711	-	501,711	-	501,711	
Financial assets not measured at fair value										
Cash and balances with treasury banks										
-	-	-	60,901	-	60,901	-	-	-	-	
Balances with other banks										
-	-	-	9,690	-	9,690	-	-	-	-	
Investments										
- Investments in associates - listed	-	14,086,706	-	-	14,086,706	35,132,152	-	-	35,132,152	
- Shares in unlisted companies	-	825	-	-	825	-	-	-	-	
- Shares of unlisted associates	-	1,110,430	-	-	1,110,430	-	-	-	-	
Advances										
-	-	-	2,698,181	-	2,698,181	-	-	-	-	
Other assets										
-	-	-	79,251	-	79,251	-	-	-	-	
Financial liabilities not measured at fair value										
Borrowings										
-	-	-	-	(1,371,474)	(1,371,474)	-	-	-	-	
Deposits and other accounts										
-	-	-	-	(35,000)	(35,000)	-	-	-	-	
Other liabilities										
-	-	-	-	(509,756)	(509,756)	-	-	-	-	
106,132	25,709,170	-	2,848,023	(1,916,230)	26,747,095					

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

The segment analysis with respect to business activities is as follows:

2019						
Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total	
------(Rupees in '000)-----						
Profit & Loss						
Net mark-up/return/profit	392,919	954,733	-	-	3,086	1,350,738
Non mark-up / return / interest income	6,490	-	4,916,920	507,514	213,711	5,644,635
Total Income	399,409	954,733	4,916,920	507,514	216,797	6,995,373
Segment direct expenses	(48,603)	(21,803)	(8,325)	(12,825)	(198,670)	(290,226)
Segment indirect expenses	(74,232)	(24,744)	(16,496)	(16,496)	(354,665)	(486,633)
Total expenses	(122,835)	(46,547)	(24,821)	(29,321)	(553,335)	(776,859)
Reversal / (Provisions)	21,032	-	-	(463,645)	(7,855)	(450,468)
Profit before tax	297,606	908,186	4,892,099	14,548	(344,393)	5,768,046

Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total	
------(Rupees in '000)-----						
Balance Sheet						
Cash & Bank balances	-	77,921	-	-	50	77,971
Investments	3,876,544	28,506,215	21,092,992	2,865,381	-	56,341,132
Lendings to financial institutions	-	1,218,271	-	-	-	1,218,271
Advances - performing	6,528,540	-	-	-	84,573	6,613,113
Advances - non-performing	41,489	-	-	-	-	41,489
Others	126,474	1,000,183	-	112,000	250,140	1,488,797
Total Assets	10,573,047	30,802,590	21,092,992	2,977,381	334,763	65,780,773
Borrowings	28,953,243	-	-	-	-	28,953,243
Deposits & other accounts	-	-	-	-	-	-
Others	52,209	(40)	1,401,435	(40,040)	1,879,313	3,292,877
Total liabilities	29,005,452	(40)	1,401,435	(40,040)	1,879,313	32,246,120
Equity	294,425	1,065,389	2,409,322	282,511	29,483,006	33,534,653
Total Equity & liabilities	29,299,877	1,065,349	3,810,757	242,471	31,362,319	65,780,773
Contingencies & Commitments	8,084,576	-	-	-	-	8,084,576

2018						
Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total	
------(Rupees in '000)-----						
Profit & Loss						
Net mark-up/return/profit	336,187	522,380	-	-	3,146	861,713
Non mark-up / return / interest income	179,387	-	2,949,385	399,626	6,055	3,534,453
Total Income	515,574	522,380	2,949,385	399,626	9,201	4,396,166
Segment direct expenses	(36,006)	(19,255)	(7,741)	(12,686)	(181,181)	(256,869)
Segment indirect expenses	(52,272)	(17,424)	(11,616)	(11,616)	(232,319)	(325,247)
Total expenses	(88,278)	(36,679)	(19,357)	(24,302)	(413,500)	(582,116)
Reversal / (Provisions)	80,843	-	(15)	(353,957)	(25,638)	(298,767)
Profit before tax	508,139	485,701	2,930,013	21,367	(429,937)	3,515,283

	2018					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
------(Rupees in '000)-----						
Balance Sheet						
Cash & Bank balances	-	70,541	-	-	50	70,591
Investments	2,008,449	5,399,159	15,197,961	3,209,731	-	25,815,300
Lendings to financial institutions	-	1,071,204	-	-	-	1,071,204
Advances - performing	2,570,810	-	-	-	85,488	2,656,298
Advances - non-performing	41,883	-	-	-	-	41,883
Others	61,088	18,162	-	6,140	236,560	321,950
Total Assets	<u>4,682,230</u>	<u>6,559,066</u>	<u>15,197,961</u>	<u>3,215,871</u>	<u>322,098</u>	<u>29,977,226</u>
Borrowings	1,371,474	-	-	-	-	1,371,474
Deposits & other accounts	-	35,000	-	-	-	35,000
Others	56,552	80	1,401,435	(42,590)	605,966	2,021,443
Total liabilities	<u>1,428,026</u>	<u>35,080</u>	<u>1,401,435</u>	<u>(42,590)</u>	<u>605,966</u>	<u>3,427,917</u>
Equity	546,163	449,079	(288)	187,541	25,366,814	26,549,309
Total Equity & liabilities	<u>1,974,189</u>	<u>484,159</u>	<u>1,401,147</u>	<u>144,951</u>	<u>25,972,780</u>	<u>29,977,226</u>
Contingencies & Commitments	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,307</u>	<u>152,307</u>

38.2 Segment details with respect to geographical locations

All the Company's business segments operate in Pakistan only.

39 TRUST ACTIVITIES

The Company act as trustees and holds assets on behalf of staff retirement benefit and contribution plans. The following is the list of assets held under trust.

Category	Security Type	Number of IPS account		Face Value	
		2019	2018	2019	2018
Related parties:					
PKIC Staff Provident Fund	Market Treasury Bills	1	1	<u>180,700</u>	<u>153,500</u>
PKIC Staff Gratuity Fund	Market Treasury Bills			<u>92,600</u>	<u>82,400</u>

40 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertaking, employee benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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



Pak Kuwait

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Balances with other banks								
In deposit account	-	-	21,601	-	-	-	7,623	-
Investments								
Opening balance	-	-	15,197,136	500	-	-	13,660,400	500
Investment made during the year	-	-	-	-	-	-	-	-
Equity method accounting adjustments	-	-	5,895,056	-	-	-	1,536,736	-
Closing balance	-	-	21,092,192	500	-	-	15,197,136	500
Advances								
Opening balance	-	48,324	-	-	-	46,441	-	-
Addition during the year	-	6,792	-	-	-	16,000	-	-
Repaid during the year	-	(4,733)	-	-	-	(10,580)	-	-
Transfer in / (out) - net	-	-	-	-	-	(3,537)	-	-
Closing balance	-	50,383	-	-	-	48,324	-	-
Other Assets								
Interest / mark-up accrued	-	-	126	-	-	-	45	-
Receivable from NCCPL	-	-	-	-	-	-	30	-
Receivable from Pak Kuwait Takaful Company	-	-	-	17,745	-	-	-	9,890
Non-current asset held for sale	-	-	-	135,000	-	-	-	135,000
Provision against other assets	-	-	-	(152,745)	-	-	-	(144,890)
	-	-	126	-	-	-	75	-
Borrowings								
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	25,692,879	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	25,692,879	-	-	-	-	-
Deposits and other accounts								
Opening balance	-	-	-	-	-	-	-	2,500
Received during the year	-	-	-	-	-	-	-	-
Withdrawn during the year	-	-	-	-	-	-	-	(2,500)
Closing balance	-	-	-	-	-	-	-	-
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to NCCPL	-	-	67	-	-	-	46	-
	-	-	67	-	-	-	46	-

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Income								
Mark-up / return / interest earned	-	1,942	685	-	-	1,832	359	-
Dividend income	-	-	1,872,230	-	-	-	1,134,482	-
Other income								
- Nominee Director Fee	-	-	9,562	195	-	-	10,252	170
Expense								
Mark-up / return / interest paid / accrued	-	-	707,502	-	-	-	-	104
Operating expenses								
- Directors Fee	21,440	-	-	-	17,115	-	-	-
- Remuneration to key management personnel (including retirement benefits)	-	176,574	-	-	-	156,277	-	-
- Nominee Director Fee payment	-	-	-	3,855	-	-	-	4,380
- NCCPL Charges	-	-	724	-	-	-	539	-
- FMCL Office Maintenance Charges	-	-	-	27,701	-	-	-	25,820
- Contribution made to Staff Provident Fund	-	-	-	18,492	-	-	-	16,561
- Contribution made to Staff Gratuity Fund	-	-	-	22,310	-	-	-	17,977

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2019	2018
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>10,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,394,614	14,934,164
Eligible Tier 2 Capital	<u>2,831,306</u>	<u>98,800</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>16,225,920</u>	<u>15,032,964</u>
Risk Weighted Assets (RWAs):		
Credit Risk	29,634,786	21,692,625
Market Risk	6,133,412	6,550,608
Operational Risk	<u>8,627,487</u>	<u>7,089,787</u>
Total	<u>44,395,685</u>	<u>35,333,020</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>30.17%</u>	<u>42.27%</u>
Tier 1 Capital Adequacy Ratio	<u>30.17%</u>	<u>42.27%</u>
Total Capital Adequacy Ratio	<u>36.55%</u>	<u>42.55%</u>

The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

Capital Management

The regulatory capital as managed by the Company is analyzed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits. Goodwill and other intangibles are deducted from Tier 1 Capital.
- Tier 2 Capital, which includes surplus on revaluation of AFS securities after all regulatory adjustments applicable on Tier 2.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.

Statutory Capital Requirement

State Bank of Pakistan (SBP) requires Banks/DFIs to maintain prescribed capital to total risk-weighted asset ratios. The capital adequacy ratios of the Banks / DFIs are subject to Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 6 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation to be expected by December 31, 2019. Under Basel III guidelines Banks / DFIs are required to maintain the following ratios on an ongoing basis.

Capital Adequacy Ratio

	2019		2018	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	30.17%	6.00%	42.27%
Tier 1 Capital to total RWA	7.50%	30.17%	7.50%	42.27%
Total Capital to total RWA	12.50%	36.55%	11.90%	42.55%

Leverage Ratio (LR):

	2019	2018
	----- (Rupees in '000) -----	
Eligible Tier-1 Capital	13,394,614	14,934,164
Total Exposures	56,674,820	18,800,049
Leverage Ratio	<u>23.63%</u>	<u>79.44%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	5,920,120	6,672,303
Total Net Cash Outflow	546,320	937,519
Liquidity Coverage Ratio	<u>1084%</u>	<u>712%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	39,709,455	29,354,456
Total Required Stable Funding	32,659,182	21,896,979
Net Stable Funding Ratio	<u>122%</u>	<u>134%</u>

41.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time is available at <http://pkic.com.pk/download-financials/>

42 RISK MANAGEMENT

Risk is an integral part of business and the company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks taken by the company are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

The Board of Directors has oversight on all the risks assumed by Company. Policies approved from time to time by Board of Directors form the governing framework for each type of risk. Risk Management Committee (RMC) of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels.

The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the Company so as to ensure that risks are kept within an acceptable level. The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. Risk Management Department (RMD) performs the full fledged Internal Capital Adequacy Assessment Process (ICAAP) for all principal risks and other material risks which includes strategic, concentration, liquidity, interest rate, reputation risk and other risks.

42.1 Credit Risk

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well-established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, both Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Company has also strengthened its rating by assessing composite risk which is based on Obligor and Facility Risk Ratings. Pricing matrix is also an addition in risk management framework which ensures that minimum pricing against each obligor rating must be assigned. The Internal Risk Rating Policy is also in place which was approved by Board of Directors.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group. Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include migration analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

The disbursement and administration of credit facilities is managed by Credit Administration Department (CAD).

To manage non-performing customers Special Asset Management (SAM) Department is functional and is responsible to recover overdue exposures.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.

42.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-	-
Private	1,218,271	1,071,204	-	-	-	-
	<u>1,218,271</u>	<u>1,071,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Textile	512,500	12,500	12,500	12,500	12,500	12,500
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Power (electricity), Gas, Water, Sanitary	1,776,343	363,555	-	-	-	-
Financial	1,603,505	1,603,787	-	-	-	-
	<u>3,913,486</u>	<u>2,000,980</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Public / Government	-	-	-	-	-	-
Private	3,913,486	2,000,980	33,638	33,638	33,638	33,638
	<u>3,913,486</u>	<u>2,000,980</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

42.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Textile	1,938,526	2,072,535	671,883	693,310	657,355	678,387
Cement	93,333	93,333	93,333	93,333	93,333	93,333
Sugar	35,822	35,822	35,822	35,822	35,822	35,822
Electronics and electrical appliances	11,111	11,111	11,111	11,111	11,111	11,111
Construction	596,071	196,071	196,071	196,071	169,111	169,111
Power (electricity), Gas, Water, Sanitary	2,648,319	899,296	-	-	-	-
Transport, Storage and Communication	2,000,000	-	-	-	-	-
Petroleum	213,580	291,842	-	-	-	-
Manufacturing	72,846	72,846	72,846	72,846	72,846	72,846
Individuals	84,572	85,488	-	-	-	-
Others	11,250	11,697	11,250	11,250	11,250	11,250
	<u>7,705,430</u>	<u>3,770,041</u>	<u>1,092,316</u>	<u>1,113,744</u>	<u>1,050,828</u>	<u>1,071,860</u>

Credit risk by public & private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----						
Public / Government	2,000,000	1,898	-	-	-	-
Private	5,705,430	3,768,143	1,092,316	1,113,743	1,050,828	1,071,860
	<u>7,705,430</u>	<u>3,770,041</u>	<u>1,092,316</u>	<u>1,113,743</u>	<u>1,050,828</u>	<u>1,071,860</u>

42.1.4 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
----- (Rupees in '000) -----		
Power (electricity), Gas, Water, Sanitary	4,634,576	150,000
Textile	1,500,000	-
Construction	400,000	-
Sugar	750,000	-
Glass and Ceramics	500,000	-
Others	300,000	-
	<u>8,084,576</u>	<u>150,000</u>

Credit risk by public / private sector

	2019	2018
Public / Government	-	-
Private	8,084,576	150,000
	<u>8,084,576</u>	<u>150,000</u>

42.1.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 6,748 million (2018: Rs. 3,001 million).

	2019	2018
	----- (Rupees in '000) -----	
Funded	6,247,770	3,120,985
Non Funded	500,000	-
Total Exposure	6,747,770	3,120,985

The sanctioned limits against these top 10 exposures aggregated to Rs. 8,768 million (2018: Rs. 3,280 million)

Total funded classified therein	2019		2018	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,092,317	1,050,828	1,113,743	1,071,860
Total	1,092,317	1,050,828	1,113,743	1,071,860

42.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----					
Punjab	-	1,050,000	-	-	-	-
Sindh	5,179,924	-	4,129,924	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	5,179,924	1,050,000	4,129,924	-	-	-
	----- (Rupees in '000) -----					
	2018					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----					
Punjab	-	-	-	-	-	-
Sindh	850,000	850,000	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	850,000	850,000	-	-	-	-

42.2 Market Risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Company is exposed to interest rate risk and equity price risk. To manage and control market risk a well-defined limits structure is in place. Market Risk is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance levels and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

The Company classifies its assets in banking and trading books as per guidelines from the SBP. The trading book includes mainly quoted equity portfolio under AFS and HFT and mutual funds. Banking book includes mainly unquoted equity portfolio, Associates, Strategic investments, Term Finance/ Sukuk and Govt bonds under AFS. Due to diversified nature of investments in banking book, it is subject to interest rate risk and equity price risk.

A well-defined limits structure is in place to effectively manage market risk. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits on daily basis.

The Company is using Basel-III Standardized approach to calculate risk weighted assets against market risk exposures.

The Company calculates Value at Risk (VaR) on a daily basis using Monte Carlo approach, Historical Method and Variance Covariance Approach.

To manage market risk, the Company carries out stress testing of its statement of financial position by varying sources of market risk as per SBP guidelines.

42.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
------(Rupees in '000)-----						
Cash and balances with treasury banks	54,209	-	54,209	60,901	-	60,901
Balances with other banks	23,762	-	23,762	9,690	-	9,690
Lendings to financial institutions	1,218,271	-	1,218,271	1,071,204	-	1,071,204
Investments	53,274,426	3,066,706	56,341,132	22,432,543	3,382,757	25,815,300
Advances	6,654,602	-	6,654,602	2,698,181	-	2,698,181
Fixed assets	197,900	-	197,900	204,172	-	204,172
Intangible assets	19,248	-	19,248	13,210	-	13,210
Deferred tax assets	-	-	-	-	-	-
Other assets	1,271,649	-	1,271,649	104,568	-	104,568
	<u>62,714,067</u>	<u>3,066,706</u>	<u>65,780,773</u>	<u>26,594,469</u>	<u>3,382,757</u>	<u>29,977,226</u>

42.2.2 Foreign Exchange Risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company's exposure to this category of market risk is negligible.

42.2.3 Equity position Risk

It is the risk to earnings or capital that results from adverse changes in the value / price of equity related portfolios.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scripwise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. The ALCO approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. The Company calculates Value at Risk (VaR) on a daily basis using Monte Carlo approach, Historical Method and Variance Covariance Approach.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	-	153,335	-	169,138
- Other comprehensive income	1,044,583	-	749,444	-

42.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield/Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The company manages its interest rate risk by entering often into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. Duration estimates and Gap analysis are performed periodically. The Company's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity date. Further, The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	80,180	-	33,457	-
- Other comprehensive income	2,307	-	434	-

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

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	2019											
	Exposed to Yield/ Interest risk											
	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	
	------(Rupees in '000)-----											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	54,209	-	-	-	-	-	-	-	-	54,209	
Balances with other banks	11.25	23,762	23,644	-	-	-	-	-	-	-	118	
Lending to financial institutions	13.10	1,218,271	1,218,271	-	-	-	-	-	-	-	-	
Investments	13.28	56,341,132	937,997	18,218,567	-	9,113,112	1,855,648	2,257,435	-	-	23,958,373	
Advances	12.29	6,654,602	2,764,069	2,421,488	70,653	124,126	248,675	223,968	338,422	43,117	5,885	
Other assets	-	1,126,116	-	-	-	-	-	-	-	-	1,126,116	
		65,418,092	4,943,981	20,640,055	70,653	9,237,238	2,104,323	223,968	2,671,634	338,422	43,117	25,144,701
Liabilities												
Borrowings	12.45	28,953,243	8,464	50,633	17,234,034	10,463,585	241,908	218,711	404,800	313,114	17,994	-
Other liabilities	-	715,677	-	-	-	-	-	-	-	-	-	715,677
		29,668,920	8,464	50,633	17,234,034	10,463,585	241,908	218,711	404,800	313,114	17,994	715,677
On-balance sheet gap		35,749,172	4,935,517	20,589,422	(17,163,381)	(1,226,347)	1,862,415	5,257	2,266,834	25,308	25,123	24,429,024
Off-balance sheet financial instruments												
Guarantee		500,000	-	-	-	500,000	-	-	-	-	-	-
Other commitments		7,584,576	-	-	-	-	-	-	-	-	-	7,584,576
Off-balance sheet gap		8,084,576	-	-	-	500,000	-	-	-	-	-	7,584,576
Total Yield/Interest Risk Sensitivity Gap		4,935,517	20,589,422	(17,163,381)	(726,347)	1,862,415	5,257	2,266,834	25,308	25,123	32,013,600	
Cumulative Yield/Interest Risk Sensitivity Gap		4,935,517	25,524,939	8,361,558	7,635,211	9,497,626	9,502,883	11,769,717	11,795,025	11,820,148	-	

		2018									
		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
----- (Rupees in '000) -----											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	60,901	-	-	-	-	-	-	-	-	60,901
Balances with other banks	6.00	9,690	9,524	-	-	-	-	-	-	-	166
Lending to financial institutions	10.10	1,071,204	1,071,204	-	-	-	-	-	-	-	-
Investments	10.13	25,815,300	5,736,636	1,267,602	-	403,372	-	-	-	-	18,407,690
Advances	6.82	2,698,181	345,069	906,102	121,141	131,663	236,358	193,117	328,731	402,202	27,855
Other assets	-	79,251	-	-	-	-	-	-	-	-	79,251
		<u>29,734,527</u>	<u>7,162,433</u>	<u>2,173,704</u>	<u>121,141</u>	<u>535,035</u>	<u>236,358</u>	<u>193,117</u>	<u>328,731</u>	<u>402,202</u>	<u>27,855</u>
Liabilities											
Borrowings	2.21	1,371,474	8,465	50,633	69,010	128,107	229,930	186,464	319,490	379,375	-
Other liabilities Deposit	9.85	35,000	-	35,000	-	-	-	-	-	-	-
Other liabilities	-	509,756	-	-	-	-	-	-	-	-	509,756
		<u>1,916,230</u>	<u>8,465</u>	<u>85,633</u>	<u>69,010</u>	<u>128,107</u>	<u>229,930</u>	<u>186,464</u>	<u>319,490</u>	<u>379,375</u>	<u>509,756</u>
On-balance sheet gap		<u>27,818,297</u>	<u>7,153,968</u>	<u>2,088,071</u>	<u>52,131</u>	<u>406,928</u>	<u>6,428</u>	<u>6,653</u>	<u>9,241</u>	<u>22,827</u>	<u>27,855</u>
Off-balance sheet financial instruments											
Commitments		150,000	-	-	-	-	-	-	-	-	150,000
Other commitments for operating lease		2,307	231	693	693	690	-	-	-	-	-
Off-balance sheet gap		<u>152,307</u>	<u>231</u>	<u>693</u>	<u>693</u>	<u>690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total Yield/Interest Risk Sensitivity Gap			<u>7,154,199</u>	<u>2,088,764</u>	<u>52,824</u>	<u>407,618</u>	<u>6,428</u>	<u>6,653</u>	<u>9,241</u>	<u>22,827</u>	<u>27,855</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>7,154,199</u>	<u>9,242,963</u>	<u>9,295,787</u>	<u>9,703,405</u>	<u>9,709,833</u>	<u>9,716,486</u>	<u>9,725,727</u>	<u>9,748,554</u>	<u>9,776,409</u>

Reconciliation of financial assets and financial liabilities with total assets and liabilities

	2019	2018
----- (Rupees in '000) -----		
Total financial assets as per note 42.2.5	65,418,092	29,734,527
Add: Non-financial assets		
Fixed assets	197,900	204,172
Intangibles	19,248	13,210
Other assets	145,533	25,317
Total assets as per statement of financial position	<u>65,780,773</u>	<u>29,977,226</u>
Total financial liabilities as per note 42.2.5	29,668,920	1,916,230
Add: Non-financial liabilities		
Deferred tax liability	2,528,173	1,462,940
Other liabilities	49,027	48,747
Total financial liabilities as per statement of financial position	<u>32,246,120</u>	<u>3,427,917</u>

42.3 Operational Risk

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

Risk Management Policy/Strategy sets out the guidelines to identify, assess, monitor, control and report operational risk. All the recommended tools of Operational Risk as explained by SBP in Operational Risk Framework are duly implemented in PKIC. Operational Loss data including near misses are being collected from all the respective departments / units on monthly basis. Key Risk Indicators (KRIs) are being monitored from all respective departments / units on quarterly basis. Risk Control Self- Assessment exercise has been completed for all business/support functions.

42.3.1 Business Continuity Plan

The Company has approved Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. BCP testing is conducted on regular basis to test the effectiveness of the plan and readiness of the Company to address emergency situations.

42.3.2 Operational Risk-Disclosures Basel II Specific

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel II requirements for capital adequacy calculation. Operational risk is defined as the risk of loss from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but exclude strategic and reputational risk. Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. The operational risk framework is in line with SBP guidelines on operational risk duly documented in Risk Management Policy and provide focus on people risk, process risk, systems risk, external events risk and model risk.

42.4 Liquidity Risk

It is the risk that the Company is unable to fund its current obligations and operations in the most cost effective manner. The company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management.

Liquidity risk arises from mismatches in the timing of cash flows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. To limit this risk, the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. For effective monitoring of liquidity position, comprehensive gap analysis is done and gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their both contractual maturities and non-contractual assets and liabilities. The assumptions for allocation of non-contractual assets and liabilities are deliberated and approved by ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

For measurement of the liquidity risk, global regulatory liquidity standards namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), along with a set of five risk monitoring tools have been implemented by SBP. Both of these ratios aim to achieve two separate but complementary objectives and their calculations involve assessing overall liquidity position through detailed evaluation of assets, liabilities and off-balance sheet activities. PKIC remains in compliance of both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirement.

	2018									
	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
------(Rupees in '000)-----										
Assets										
Cash and balances with treasury banks	60,901	60,901	-	-	-	-	-	-	-	-
Balances with other banks	9,690	9,690	-	-	-	-	-	-	-	-
Lending to financial institutions	1,071,204	1,071,204	-	-	-	-	-	-	-	-
Investments	25,815,300	4,995,875	343,408	-	3,484,853	1,326,598	282	1,642,471	13,121,813	900,000
Advances	2,698,181	69,048	53,181	951,170	177,538	310,396	245,617	433,731	429,645	27,855
Fixed assets	204,172	920	1,840	2,758	5,522	11,043	11,043	10,218	22,976	137,852
Intangible assets	13,210	220	440	661	1,321	2,642	2,642	5,284	-	-
Other assets	104,568	11,091	33,615	55,949	79	623	92	3,119	-	-
	<u>29,977,226</u>	<u>6,218,949</u>	<u>432,484</u>	<u>1,010,538</u>	<u>3,669,313</u>	<u>1,651,302</u>	<u>259,676</u>	<u>2,094,823</u>	<u>13,574,434</u>	<u>1,065,707</u>
Liabilities										
Borrowings	1,371,474	8,465	50,633	69,010	128,107	229,930	186,464	319,490	379,375	-
Deposits and other accounts	35,000	-	35,000	-	-	-	-	-	-	-
Deferred tax liabilities	1,462,940	(610,441)	-	-	767,148	146,333	-	113,824	1,046,076	-
Other liabilities	558,503	412,529	30,875	-	67,003	-	-	48,096	-	-
	<u>3,427,917</u>	<u>(189,447)</u>	<u>116,508</u>	<u>69,010</u>	<u>962,258</u>	<u>376,263</u>	<u>186,464</u>	<u>481,410</u>	<u>1,425,451</u>	<u>-</u>
Net assets	<u>26,549,309</u>	<u>6,408,396</u>	<u>315,976</u>	<u>941,528</u>	<u>2,707,055</u>	<u>1,275,039</u>	<u>73,212</u>	<u>1,613,413</u>	<u>12,148,983</u>	<u>1,065,707</u>
Share capital	6,000,000									
Reserves	8,193,002									
Surplus on revaluation of assets	167,303									
Unappropriated profit	<u>12,189,004</u>									
	<u>26,549,309</u>									

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on March 05, 2020.

44 GENERAL AND NON-ADJUSTING EVENT

44.1 The Board of Directors of the Company has proposed cash dividend of Rs. 800 million (2018: Rs. 450 million) for the year ended December 31, 2019 in their meeting held on March 05, 2020. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

44.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



Chief Executive



Director



Director



Chief Financial Officer



Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

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

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

	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL:											



Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة
A joint venture between the Governments of Pakistan and Kuwait

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