

ANNUAL REPORT 2020



Pak Kuwait

Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait

A JOINT VENTURE

The 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 37.72 billion, reflecting upon company's impressive performance since inception.

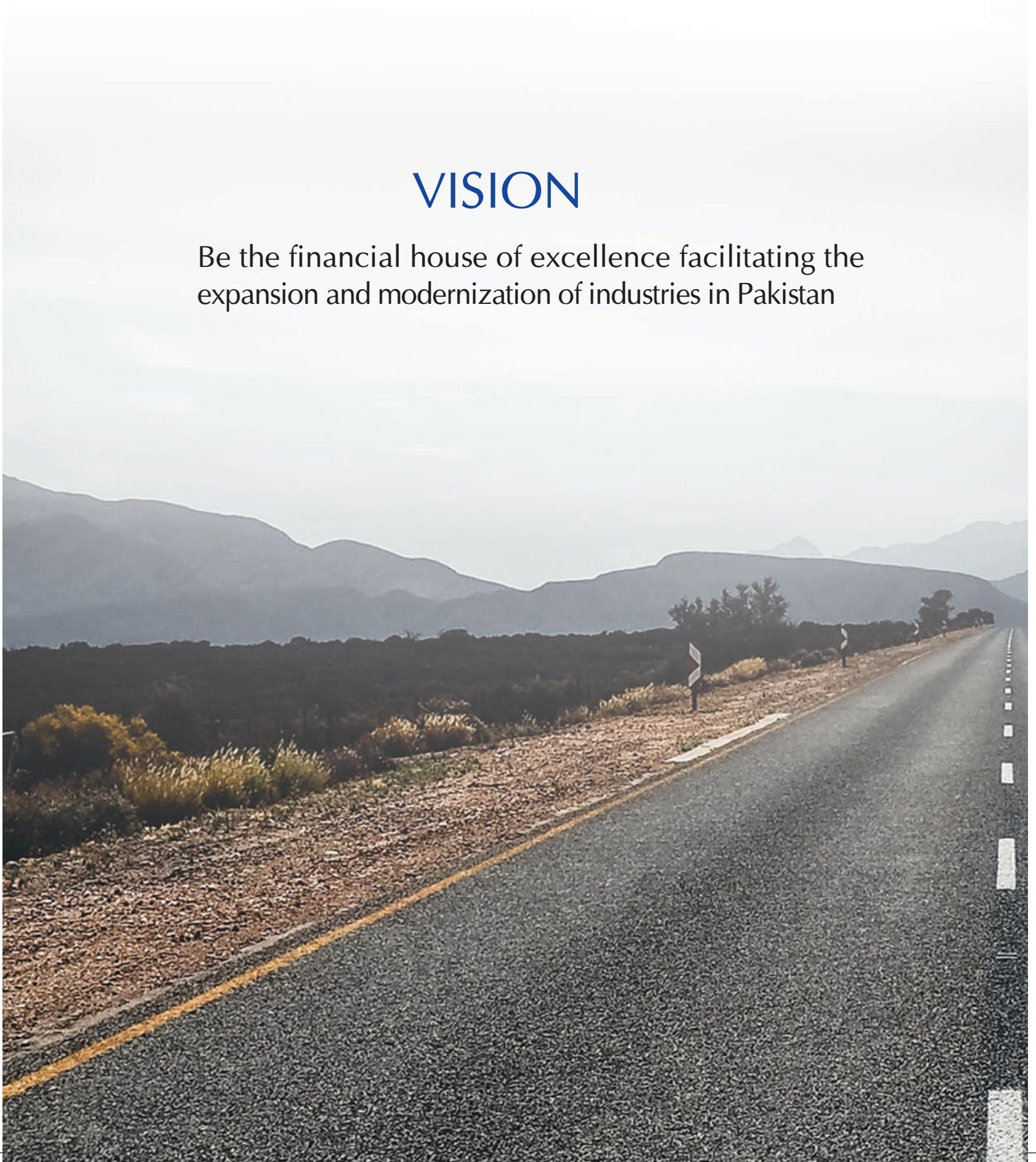
PKIC was established with an objective of financing economically viable and technically feasible projects. PKIC as a Development Financial Institution has played a pivotal role in promoting industrial activity, by way of equity and debt investment in key areas of the economy. PKIC support infrastructure 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 payout 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

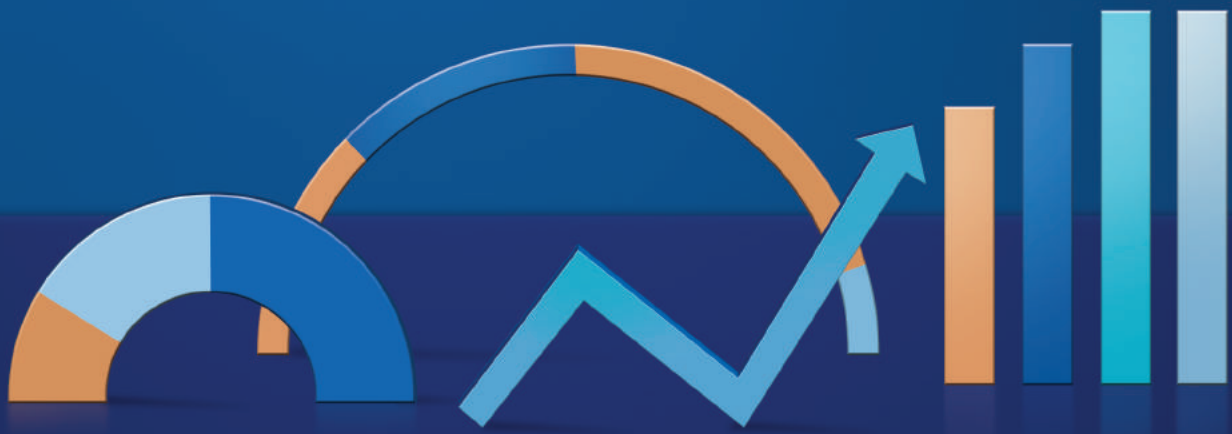
- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate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





Pak Kuwait

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 socially responsible corporate citizen



Pak Kuwait

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Pak Kuwait

CORPORATE INFORMATION

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

LEGAL ADVISOR

M/s. KMS Law Associate Advocates and
Corporate Consultants

AUDITORS

M/s. EY ford Rhodes
Chartered Accountants

REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)
Ph: (92-21) 35630901-7 UAN: (92-21) 111-611-611
Fax: (92-21) 35630940
E-mail: info@pkic.com

Website: www.pkic.com

REPRESENTATIVE OFFICE

LAHORE

Office # 601, 6th Floor, Tricon Corporate Centre,
Main Jail Road, Gulberg-II, Lahore.
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611
Fax: (92-42) 35781725

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
Chief Risk Officer



Naveed Lodhi
Head of Compliance



Mazhar Sharif
Head of Internal Audit



Muhammad Hammad Anwar
Head of Human
Resources & GSSD



Samiullah Tariq
Head of Research
& Development

Managing the challenge of Covid-19 The PKIC Way

The word that best describes the beginning of 2020 was uncertainty. The world has changed dramatically after World Health Organization (WHO) declared the spread of COVID-19 as global pandemic and it became essential for all governments to abide by international standards and several regulations were enforced to develop a secure global environment and the term “WFH – Work From Home” was globally trending over digital and mass media.

PKIC – Staying Proactive

Looking at the rising unrest and cognizant of the potential impact on employees, PKIC knew it had to do something quickly. When the first case of COVID-19 was reported, PKIC was among the first few companies that acted responsibly to ensure the safety of its employees and was amongst the first to implement Work from Home with no interruption in operations before official lockdown announcement.

Education and Awareness

On 27th February 2020, PKIC management sent a detailed Safety Alert Email to all its employees enlisting the precautionary measures suggested by the doctors. Further, COVID-19 awareness and precautionary sessions were conducted for all employees, especially support staff.

To prevent the spread of the infectious disease all employees were provided with personal hygiene kits (hand sanitizers, gloves, facemasks, and wipes). Sanitizer dispensers were installed at prominent places throughout the office. Standees with bilingual instructions were also installed at the entrance of the premises to remind the employees of the precautionary measures.

Employees were advised to self-isolate for 14 days if they experienced fever, flu, cough, sneezing and related symptoms or have recently travelled internationally. To ensure hygiene, office premises was sterilized on regular intervals.

Visitors were thoroughly checked and were ensured that they did not have any symptoms of the virus. They were not allowed to move freely on the premises and were constantly reminded to sanitize their hands and keep their faces covered all the times. The entrance guards were also informed of any expected visitors via emails and any unannounced visitors were not allowed to enter the premises.



Work from Home



Since PKIC was quick to respond to the prevalent situation it was easy for it to implement WFH even before the government announced lockdown. In line with government's suggested preventive measures and State Bank of Pakistan's guidelines, the HR department, taking IT department on-board, shared a detailed course of action regarding Work from Home. Approvals to operate critical system from home (with all security measures in place) were obtained from State Bank of Pakistan beforehand. Laptops with secure connections were provided to all relevant people well in advance. This enabled PKIC to switch to the new normal without compromising on the quality of work or productivity. To guarantee that employees stay motivated emails were sent weekly to ensure everyone was safe.



Playing the Role of a Responsible Corporate Citizen

PKIC is not only a responsible employer but also an environmentally concerned organization. The senior management of PKIC, especially the Chairman of the Board and the Managing Director realized what challenges the country was facing. They not only appreciated the initiative taken by the Prime Minister of Pakistan for setting up a relief fund for the needy under the name of Prime Minister's Covid-19 Pandemic Relief Fund but also donated an amount of Rs.10 million.

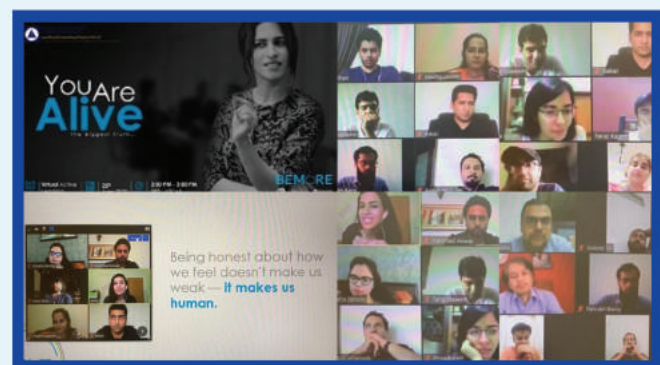
We Care, and We are Here



Not exposing yourself to new things and staying stuck at a place have harmful effects on one's mental health. Realizing this fact, PKIC knew soon the WFH will start to affect employee's mental wellbeing. To overcome this challenge PKIC initiated wellbeing programs that included zoom sessions to know how the employees were feeling and what could be done to make things better. 'Let's talk your Heart Out' was one such program specifically conducted to get a pulse on employees' wellbeing during the WFH period. The program was a success and improvements were made to make WFH routine better. The Heads of Departments were advised not to conduct meetings off business hours or on weekends. Critical people who were having connectivity issues were to be provided internet devices by IT department. Overall, the employees were quite happy on PKIC's decision to implement WFH proactively.

PKIC also conducted employee training program with Mr. Qaiser Abbas and Ms. Asma Mustafa on "Anxiety and Stress management during COVID-19". The session was well received by the people at PKIC and was highly appreciated. It ensured that the employees remained calm and were able to release the mental stress using different techniques identified by the experts.

Virtual Learning Programs



Even during the quarantine, PKIC did not compromise on the learning and development of its employees. In conjunction with the employee online engagement program, virtual learning program was initiated to boost the employee morale and to motivate the employees to learn new skills and develop them personally. Employees were suggested to opt training and paid online courses were recommended from online/e-learning forums such as: LinkedIn Learning, Coursera, Skill Pill, Udemy, Skill Share and Harvard University online courses. PKIC believes that personal development is their key of success in these difficult times. It will not only keep the employees engaged, but also enable them to equip themselves with new ideas thereby increasing their productivity and mental capacity.

PKIC's Healthcare Program

Despite all care and preventive measures one of the employees contracted COVID-19 and contacted the company as he could not get access to any healthcare and could not find a room in the hospital. The HR department tried to contact all hospitals but had to make alternative arrangements for the care of the patient at home.

This incident was a real challenge and led to a number of actions by PKIC. After this incident, the management of PKIC decided to reserve an executive room and an ICU bed with ventilator facility for its employees and their families at Dar-ul-Sehat hospital. The room and ICU were also available to public if critically needed.

During the month of June, the country witnessed a rapid increase in the number of COVID-19 cases. Realizing the deteriorating situation PKIC launched its healthcare program. The company partnered with HRSG (HR Services Provider Agency) and doctHERs (Healthcare Solutions Provider) to look after its employees' health. As part of this program, all employees including support staff were given access to free telemedicine services and free PCR / antibody testing. PKIC also bought medical equipment like Pulse Oxymeters, Oxygen Cylinders and BIPAP machine and kept them on the office premises for any emergency situations. Medical equipment was also available to people other than the office staff in severe shortage of such equipment. The equipment was subject to donation once the threat was low.

Losing an employee or their family members because of unavailability of beds at hospitals or unavailability of other essential equipment was not something PKIC could tolerate.



WE CARE FOR YOU

We're living in hard times and to make it less stressful and easier for its people, PKIC has partnered with doctHERs (a healthcare solutions provider) and HRSG to provide its employees best Covid Care Services. This partnership is helping our people to safely get the care and support they need in the comfort of their home.

The Covid Care Services include:

Pre-management

1. Wellness consultation
2. Antibody testing and PCR Testing
3. Tele-medicine Helpline

Post Management

1. Online quarantine procedures consultation
2. Tele-medicine Services
3. Dedicated doctor's consultations
4. Remote health monitoring
5. Hospitalization

PKIC is taking every possible step to protect the health and wellbeing of its employees.

Chairman's Message

Dear Shareholders,

I am pleased to report that the performance of Pakistan Kuwait Investment Company (Private) Limited for the year ended 31st December 2020 has been par excellence, where the Company has managed to post a profit after tax of PKR 6.3 Billion up by 34% over last year.

The year has been uniquely challenging for businesses, customers and people across the globe. Likewise, we are no different from most businesses around the world that are dealing with disruptions unparalleled in most of our lifetimes. However, the combined efforts of our team and support from the Board has enabled PKIC to navigate through these challenging times of Covid-19 pandemic.

PKIC achieved a record level of balance sheet size of PKR 107 Billion during this difficult period. The Company aims to enhance its market penetration and increase foot prints across Pakistan to further augment its book size through lending to credit worthy customers in diversified sectors while focusing to generate fee income. PKIC also utilized SBP's subsidized refinance schemes like Temporary Economic Refinance Facility (TERF) and Long term Financing Facility (LTFF) to support the priority sectors of the economy.

Further, in cognizance of our strategic role in achieving the Company's key objectives focusing on enriching the returns for its shareholders & other stakeholders, PKIC aims to continue facilitating the infrastructural and industrial development in the Country, wherein the company will endeavour to finance renewable energy projects, infrastructure and export-oriented / import substitution sectors in addition to other important sectors of the economy.

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 continue 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.

چیرمین کا پیغام

Further, during the year PKIC undertook various employer branding initiatives and endeavored to augment diversity among the staff, while simultaneously ensuring continued learning & development and healthcare of workforce amid lockdown and work from home in the ongoing pandemic.

I express my appreciation for the commitment to work and professional conduct of the employees of the Company, as well as shareholders and stakeholders for their support.

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



Abdullah Abdulwahab Al- Ramadhan
Chairman

Date: February 24, 2021

31 دسمبر 2020 کو اختتام پذیر سال پر پاک کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کی کارکردگی پیش کرتے ہوئے میں انتہائی خوش ہوں کہ اس کی کارکردگی قابل قدر رہی جس میں کمپنی نے 16.3 ارب روپے کا منافع بعد از محصول کا اندراج کیا جو گذشتہ سال کے مقابلے میں 34 فیصد زیادہ ہے۔

دنیا بھر میں اس سال کاروبار، گاہکوں اور عوام الناس کے لئے منفرد مسائل درپیش رہے۔ اس طرح ہم دنیا بھر کے کاروبار سے مختلف نہیں ہیں، اور ایسی عالمی وباء جس کی مثال ہماری زندگیوں میں نہیں ملتی۔ تاہم ہماری ٹیم کی مشترکہ کوششوں اور بورڈ کی مدد سے، کمپنی کو وڈ-19 کی عالمی وباء کے وقت پیدا ہونے والے مشکل حالات کے منفی اثرات سے نکلنے میں کامیاب ہوئی۔

PKIC نے اس مشکل وقت میں بیلنس شیٹ کی سطح کا ریکارڈ 107 ارب روپے حاصل کیا۔ کمپنی کا ارادہ ہے کہ منڈی میں رسائی اور پاکستان بھر میں اپنی موجودگی میں اضافہ کرے تاکہ مختلف سیکٹرز میں قرضہ دینے کے لیے مناسب گاہکوں کے ذریعے سے کمپنی کی مالیاتی کس کے سائز میں اضافہ کرے اور توجہ فیس آمدنی پیدا کرنے پر مرکوز رکھے۔ PKIC نے بینک دولت پاکستان کی رعایتی اسکیم کو بھی استعمال کیا جس میں ٹیپریری اکنامک ری فنانس فیسیلیٹی (TERF) اور لانگ ٹرم فنانس فیسیلیٹی (LTFE) شامل ہیں جس کے ذریعے سے معیشت کے ترجیحی سیکٹرز کی معاونت کی جائے۔

مزید یہ کہ اپنے توجہ اپنے شرکاء مفاد اور دیگر شرکاء مفاد کے لیے، کمپنی کے بنیادی مقاصد کو حاصل کرنے میں اپنے اسٹریٹجک کردار کے پیش نظر PKIC کا ارادہ ہے کہ وہ ملک کی ترقی میں ڈھانچاتی اور صنعتی ترقی میں سہولت فراہم کرنے کا عمل جاری رکھے گی اور کمپنی توانائی کے قابل تجدید (renewable) منصوبوں، بنیادی ڈھانچے اور برآمدات کو فروغ دینے والے سیکٹرز/درآمدات کے متبادل سیکٹرز میں اس کے علاوہ دیگر معیشت کے اہم سیکٹرز میں سرمایہ کاری جاری رکھے گی۔

کمپنی ملک میں معاشی طور پر قابل عمل اور تکنیکی طور پر ممکن منصوبوں کے قیام کے لیے معاونت کرے گی اور اپنے طویل المدت توہیری مقاصد کے حصول کے بارے میں پرامید ہے۔ PKIC سرمائے (capital) کی قدر میں اضافے اور تزویری سرمایہ کاری پورٹ فولیو میں نمو کے لیے طویل المدت سرمایہ کاری کے نئے ذرائع تلاش کرتی رہے گی اور ادارتی نظم و ضبط کے بلند معیار اور اثابٹی درجہ بندی کو برقرار رکھے گی۔ مزید یہ کہ سال کے دوران PKIC نے متعدد آجر برانڈنگ (Employer Branding) کے لیے اقدامات کئے اور کوشش کی کہ عملے میں تنوع میں اضافہ کیا جائے اس کے ساتھ ہی تسلسل سے سیکھنے اور ترقی اور بندش (lockdown) کے دوران کارکنوں کی صحت کی دیکھ بھال اور جاری وباء کے دوران گھر سے کام کرنے میں دشواری کم کی جائے۔

میں کمپنی کے ملازمین کے کام کرنے کے عزم اور پیشہ ورانہ رویے کو سراہنا چاہتا ہوں، ہم آنے والے مسائل کا زیادہ اعتماد سے سامنا کرنے کے لیے اگلے سال کا انتظار کر رہے ہیں۔



عبداللہ عبدالوہاب الرمضان

چیرمین

بتاریخ: 24 فروری 2021



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, 2020, together with Auditors' Report thereon.

Company Performance

For the Year (PKR million)	2020	2019
Net Markup Income	2,091	1,351
Non Markup Income	7,884	5,645
Total Income	9,975	6,995
Operating Expenses	1,123	777
Profit before provisions	8,852	6,219
Provisions / (Reversal of Provisions)	1,034	450
Profit Before Taxation	7,818	5,768
Taxation	1,474	1,025
Profit After Taxation	6,344	4,743

At Year end (PKR million)	2020	2019
Total Assets	106,825	65,781
Liabilities	69,108	32,246
Share Capital	10,000	10,000
Reserves and Un-appropriated Profit	27,717	23,535

The Company earned a Profit after Tax of PKR 6.3 billion for the year ended December 31, 2020 against PKR 4.7 billion during last year. The increase of 34% YoY in Profit after Tax was mainly attributed to the increase in income from core business activities and higher Share in Results of Associates.

Net markup based income of the Company increased by 55% YoY to PKR 2 billion on the back of higher investments in government securities and increase in lending portfolio which includes advances financed by low cost funding.

Non markup based income increased from PKR 5.6 billion last year to PKR 7.8 billion, showing an increase of 40% mainly due to increase in income from Associates. The Company has recorded a provision of PKR 757 million on investments due to impairment loss on capital markets portfolio owing to volatility witnessed during the year. However, the entire impairment was not only recovered but additional capital gains were also recorded on Capital Market portfolio. Further, the company has also made a general provision of PKR 300 million in order to build further cushion in its equity to protect against any unforeseen credit shock in the future.

Total Assets of the Company increased to PKR 107 billion as of December 31, 2020 compared to PKR 66 billion at the end of last year. The increase in assets was due to higher disbursement to the corporate sector which increased by 77% YoY and additional investments in government securities to earn arbitrage income.

Economic Review

Pakistan had made significant progress on the path of economic stabilization under the IMF program, up until the COVID-19 pandemic struck. Subsequent lockdowns and social distancing measures led to economic contraction where Pakistan's GDP shrunk by 0.4% during FY20. Silver linings have emerged on the economic front whereby Pakistan has posted a current account surplus of USD 1.1 billion during Jul-Dec FY21 as compared to a deficit of USD 2.0 billion during the same period last year.

Travel restrictions along with a clampdown on illegal remittances have funneled record remittances through formal channels. Remittances have sustained above USD 2 billion for seven consecutive months, and have amounted to USD 14.2 billion during Jul-Dec FY21 up 25% YoY compared to USD 11.4 billion. Effects of this are clearly evident in the currency, the PKR has appreciated from a low of PKR 168/USD at the end of June to PKR 160/USD in December. Pakistan Foreign Exchange reserves have increased to USD 20.5 billion at the end of December 2020, up 15% YoY.

On the domestic front, SBP reduced interest rates from 13.25% last year to 7%, along with the provision of concessionary finance schemes for employment and business continuity. Lower oil prices, stability in the exchange rate along with demand compression kept inflation in check, which averaged 8.6% during Jul-Dec FY21 as compared to 11.1% during the same period last year. Low interest rates and easing of lockdown measures led to resumption of growth where LSM index increased by 8.2% during Jul-Dec FY21.

Efforts to improve documentation, broaden the tax net and improved collection have started yielding results. Fiscal Operations remained robust despite challenges due to the COVID-19 pandemic. Primary balance remained in surplus of 0.5% of GDP compared to 0.3% of GDP in the same period of last year, while overall deficit slightly deteriorated to 1.8% as compared to 1.5% SPLY.

Low interest rates and pent-up liquidity bode well for the Pakistani equity market. The benchmark KSE-100 index gained 7% in 2020, having rose over 60% from lows reached in March. Loans to private sector business grew by only 1% YoY as of November 2020. Credit offtake remained slow as banks remained cautious. Banking sector Gross Advances to Deposits Ratio decreased to 47.5% as compared to 56% last year, while Investment to Deposit Ratio (IDR) increased to 65% as compared to 60% last year.

Future Outlook

The company aims to capitalize on opportunities that may arise as the economy adapts to the new normal. In 2021, PKIC aims to keep up the momentum 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 1,000 million for the year ended December 31, 2020.

Earnings per Share

The basic and diluted earnings per share have increased to PKR 15,859 from PKR 11,859 on share of PKR 25,000/- each.

Risk Management Framework

Year 2020 will be recalled as the year-of-prevention and public health safety due to unpredictable COVID-19 pandemic which has posed many challenges on economy and business activities. Even in this challenging environment, PKIC remained focused on its team, customers and key activity drivers which have delivered strong results in terms of balance sheet growth and unprecedented profitability.

The Company's Board and Management remained fully aware of the challenges posed by the COVID-19 outbreak. From the onset, Company has taken all required measures in line with the instructions received from World Health Organization (WHO), State Bank of Pakistan (SBP), Government of Pakistan (GOP), Provincial Government, advice from medical experts and ongoing industry practice. Apart from office, Company has also initiated work from home concept and closely monitored the situation to ensure safety and security of its staff and provided uninterrupted services to its customers.

PKIC's Risk Management Framework is built upon the essentials 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.

The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months by affecting the earnings and cash flows of businesses. Risk Management had performed a detailed exercise i.e. Rapid-Portfolio-Review on its entire credit portfolio to assess financial health of its borrowers and respective sectors of the economy. Additionally, considering risk minimization, diversification and risk-reward relationship, a risk appetite framework has been organized which also includes Risk Rating Criteria, Pricing criteria, various concentrations criteria and group limits which are already established and regularly reviewed for the lending portfolio. Risk Management will continue to monitor financial health of credit portfolio and other risks.

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. The company calculates Value at Risk (VaR) on the equity portfolio on a 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. PKIC has established an enhanced Business Continuity Plan (BCP) which has been successfully tested, mainly through work from home, and the results showed that all business and operational activities were performed smoothly throughout the year. Information security risk is also being measured and monitored by providing regular training to all team members which helps them to highlight the risk timely.



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 has made significant investment in improving controls in 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 has performed parallel run of IFRS 9 implementation, starting from July 1st, 2020, to test the IFRS-9 outcomes and plan to fully implement in 2021 as per SBP guidelines.

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 (Private) 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 Institute of Business Administration (IBA).
- 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 of Internal Controls', included in the Annual Report.

Board Meetings

Seven meetings of the Board of Directors of the Company were held in the year 2020 as per following schedule:

1st Meeting	January 8, 2020
2nd Meeting	March 5, 2020
3rd Meeting	May 27, 2020
4th Meeting	July 28, 2020
5th Meeting	August 28, 2020
6th Meeting	October 28, 2020
7th Meeting	December 30, 2020

Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2020 as per following schedule:

1st Meeting	March 5, 2020
2nd Meeting	May 26, 2020
3rd Meeting	August 28, 2020
4th Meeting	October 28, 2020

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2020 as per following schedule:

1st Meeting	March 5, 2020
2nd Meeting	May 26, 2020
3rd Meeting	August 28, 2020
4th Meeting	October 28, 2020

Executive Committee Meetings

Four meetings of the Executive Committee of the Company were held in the year 2020 as per following schedule:

1st Meeting	March 5, 2020
2nd Meeting	May 26, 2020
3rd Meeting	August 28, 2020
4th Meeting	October 28, 2020

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

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	7	7
Mr. Rana Assad Amin – Member (Non-Executive Director)	7	7
Mr. Faisal Adnan Al-Hunaif - Member (Non-Executive Director)	7	7
Mr. Naveed Alauddin - Member (Non-Executive Director)	7	7
Mr. Abdullah Salah A. Al-Sayer - Member (Non-Executive Director)	7	7
Mr. Mubashar Maqbool – Member Executive Director / Managing Director	7	7

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	4	4
Mr. Mubashar Maqbool – Member	4	4

Summarized Operating and Financial Data for the last six years:

(PKR Million)	2020	2019	2018	2017 (Restated)	2016 (Restated)	2015 (Restated)
Paid up Capital	10,000	10,000	6,000	6,000	6,000	6,000
Reserves	27,717	23,535	20,549	18,807	18,687	14,616
Total Assets	106,825	65,781	29,977	29,129	28,941	28,367
Profit before tax	7,818	5,768	3,515	2,594	4,128	2,504
Net Profit after tax	6,344	4,743	2,768	1,850	3,452	1,828
Cash Dividend	1,000	800	450	500	500	455
Stock Dividend	-	4,000	-	-	-	-

Note: The Reserves are inclusive of surplus on revaluation of Investments.

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as of December 31, 2020 according to their respective un-audited accounts were PKR 259.920 million and PKR 116.546 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 178.720 million and PKR 92.633 million respectively, as at December 31, 2019 according to its audited accounts.

Auditors

The present auditor's M/s EY Ford Rhodes - Chartered Accountants, retired and being eligible, offered 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, 2021.

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: February 24, 2021

ناظمین کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ناظمین 31 دسمبر 2020 کو اختتام پذیر سال کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارے، جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں جمع آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کی کارکردگی

2019	2020	برائے سال (پاکستانی روپیہ ملین میں)
1,351	2,091	خالص مارک اپ کی بنیاد پر آمدن
5,645	7,884	بغیر مارک اپ کے آمدن
6,995	9,975	کل آمدن
777	1,123	عملی اخراجات
6,219	8,852	منافع معروضات سے پہلے
450	1,034	معروضات / (معروضات کی واپسی)
5,768	7,818	منافع قبل از محصول
1,025	1,474	محصول
4,743	6,344	منافع بعد از محصول

2019	2020	اختتام سال پر (پاکستانی روپیہ ملین میں)
65,781	106,825	کل اثاثہ جات
32,246	69,108	مالیاتی واجبات
10,000	10,000	سرمایہ حصص
23,535	27,717	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے 31 دسمبر 2020 پر اختتام پذیر سال میں 6.3 ارب پاکستانی روپے منافع بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 4.7 ارب پاکستانی روپے کمائے تھے۔ سال بہ سال منافع بعد از محصول میں 34 فیصد اضافے کی بنیاد پر اصل کاروباری سرگرمیوں اور شریک کمپنیوں کے نتائج میں زیادہ حصہ ہیں۔

کمپنی کی خالص مارک اپ کی بنیاد پر آمدنی سال بہ سال 55 فیصد اضافے کے ساتھ بڑھ کر 2 بلین پاکستانی روپے ہوئی جس کی وجہ حکومتی تمسکات میں سرمایہ کاری اور قرضہ جات کے پورٹ فولیو میں اضافہ بشمول کم لاگت قرضے کے ذریعے قرضہ جات کی فراہمی ہے۔

کمپنی کی غیر مارک اپ کی بنیاد پر آمدنی گذشتہ سال کی 5.6 ارب پاکستانی روپے کے مقابلے میں بڑھ کر 7.8 ارب پاکستانی روپے ہو گئی جو شریک کمپنیوں سے آمدنی میں 40 فیصد اضافہ دکھا رہی ہے۔ سال کے دوران کمپنی نے کیپیٹل منڈی پورٹ فولیو میں نامساعد حالات کی وجہ سے 757 ملین روپے کی تخصیص (provision) ریکارڈ کی۔ تاہم سرمایہ کی منڈی پورٹ فولیو میں نہ صرف نقصان وصول کیا گیا بلکہ اضافہ کا اندراج کیا گیا۔

مزید یہ کہ کمپنی نے مستقبل میں کسی بھی غیر متوقع صورتحال کے لئے اپنی ایکویٹی میں مزید 300 ملین روپے کی عمومی تخصیص بھی کی ہے۔

کمپنی کے کل اثاثہ جات گذشتہ سال کے اختتام پر 66 ارب پاکستانی روپے کے مقابلے میں 31 دسمبر 2020 پر 107 ارب پاکستانی روپے رہے۔ اثاثہ جات میں اضافے کی وجہ اداراتی شعبے کو قرضہ جات کی فراہمی ہے جس میں سال بہ سال کی بنیاد پر 77 فیصد اضافہ اور گورنمنٹ کے تمسکات میں سرمایہ کاری کی گئی تاکہ تمسکات کی بیک وقت خرید و فروخت سے (arbitrage) آمدنی حاصل کی جائے۔

معاشی جائزہ

پاکستان IMF پروگرام کے تحت معاشی استحکام کے لیے خاصی پیش رفت کر چکا تھا، تاہم قہقہہ کووڈ-19 کی عالمی وباء کا حملہ ہوا۔ بعد ازاں بندشیں اور سماجی فاصلے کے اقدامات کے نتیجے میں معاشی سکڑاؤ ہوا جس سے پاکستان کی مجموعی قومی پیداوار (GDP) سال 2020 کے دوران 0.4 فیصد گھٹ گئی۔ معاشی محاذ پر مایوس کن صورتحال میں امید کی کرن کے طور پر پاکستان نے مالی سال 2021 کے جولائی-دسمبر کی مدت کے دوران جاری کھاتے میں 11.1 ارب روپے کا اضافہ (surplus) اندراج کیا جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں یہ 2.0 ارب امریکی ڈالر کا خسارہ تھا۔

سفری پابندیوں کے ساتھ غیر قانونی ترسیلات زر پر سختی کے سبب باضابطہ ذرائع سے بے مش (record) ترسیلات زر ہوئیں۔ مسلسل 7 ماہ سے ترسیلات زر کی مالیت 2 ارب امریکی ڈالر سے زیادہ رہی اور مالی سال 2021 کی جولائی-دسمبر کی مدت کے دوران اس کی مالیت 14.2 ارب امریکی ڈالر تھی جو سال بہ سال کی بنیاد پر 11.4 ارب امریکی ڈالر میں 25 فیصد اضافہ ہے۔ اس کے صاف اثرات کرنسی پر ظاہر ہیں، پاکستانی روپے کی قدر جو ان کے اختتام پر 168 روپے فی امریکی ڈالر کی سطح پر تھی، دسمبر میں 160 روپے فی امریکی ڈالر ہو گیا اور دسمبر 2020 کے اختتام پر پاکستان کے غیر ملکی زرمبادلہ سال بہ سال کی بنیاد پر 15 فیصد اضافے سے بڑھ کر 20.5 ارب امریکی ڈالر ہو گئے۔

ملکی محاذ پر بینک دولت پاکستان نے گذشتہ سال 13.25 فیصد کے سودی نرخ کو گھٹا کر 7 فیصد کر دیا اور اس کے ساتھ ملازمتوں اور کاروبار کے تسلسل کے لیے عارضی قرضہ جات کی فراہمی کی اسکیم متعارف کی۔ تیل کی کم قیمتیں، مبادلہ کے نرخ میں استحکام کے ساتھ طلب میں کمی نے افراط زر پر نگرانی رکھی، جس کا مالی سال 2021 کے جولائی-دسمبر کی مدت میں 8.6 کی اوسط رہی جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں یہ اوسط 11.1 فیصد تھی۔ مالی سال 2021 کے جولائی-دسمبر کی مدت کم سودی نرخ اور بندش کے اقدامات کے سبب معاشی بحالی ہوئی جس میں بڑے پیمانے کے پیداواری انڈیکس میں 8.2 فیصد اضافہ ہوا۔

معیشت کو دستاویزی بنانے، ٹیکس نیٹ میں توسیع اور وصولیاء میں بہتری کی کوشش کے ثمرات آنے شروع ہو چکے ہیں۔ کووڈ-19 عالمی وباء سے پیدا ہونے والے مسائل کے باوجود اقتصادی آپریشن توانا رہا۔ بنیادی بینکنگ مجموعی قومی پیداوار (GDP) کا 0.5 فیصد رہا جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں 0.3 فیصد تھا، جبکہ مجموعی خسارہ گذشتہ سال اسی مدت کے 1.5 فیصد کے مقابلے میں معمولی خرابی کے ساتھ 1.8 فیصد رہا۔

کم سودی نرخوں اور غیر ظاہر (pent-up) ملکیتی سرمایہ پاکستان کی ملکیتی سرمائے کی منڈی کے لیے نیک شگون رہا۔ سال 2020 میں KSE-100 انڈیکس بیچ مارک میں 7 فیصد اضافہ ہوا جس میں مارچ کی کم سطح میں 60 فیصد سے زیادہ کا اضافہ ہوا۔ سال بہ سال کی بنیاد پر نومبر 2020 تک نجی شعبے کو قرضہ جات کی فراہمی میں صرف 1 فیصد کا معمولی اضافہ ہوا۔ بینکوں کے محتاط رویوں کے سبب قرضہ جات کی فراہمی سست رہی۔ بینکاری کے شعبے "مجموعی قرضہ جات کا ڈپازٹس کا تناسب" کم ہو کر گذشتہ سال کے 56 فیصد سے گھٹ کر 47.5 فیصد رہ گیا جبکہ "سرمایہ کاری سے ڈپازٹس کا تناسب" (IDR) گذشتہ سال کے 60 فیصد سے بڑھ کر 65 فیصد ہو گیا۔

مستقبل کا منظر نامہ

کمپنی معیشت میں کیئے جانے والے اقدامات سے پیدا ہونے والے کاروباری مواقعوں سے بھرپور فائدہ اٹھانے کی کوشش کرے گی۔ کمپنی اپنی رفتار اور بنیادی توجہ منصوبوں کو قرضوں کی فراہمی، شرکت تجارت سازی (syndication)، مشاورت سازی اور خزانے کے آپریشن پر رکھے 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 بخشی میں بہتری پر زور دیتی رہے گی۔ کمپنی کا ارادہ ہے کہ اس کا ہدف ان شعبہ جات کی طرف ہو 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 31 دسمبر 2020 پر اختتام پذیر سال پر 1,000 ملین پاکستانی روپوں کا نقد منقسمہ منافع تجویز کرتے ہوئے خوشی محسوس کرتے ہیں۔

آمدنی فی حصص

25,000 روپے کے ہر حصص پر گزشتہ سال کی 11,859 بنیادی اور گھٹی ہوئی (diluted) آمدنی فی حصص سے بڑھ کر 15,859 ہو گئی ہے۔

خطرات سے نمٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

کووڈ-19 کی عالمی وبا جس کے بارے میں پیش گوئی نہیں کی جاسکتی تھی اور جس نے معیشت اور کاروباری سرگرمیوں پر بہت سارے مسائل لانے کی وجہ سے سال 2020 کو تدارک اور عوام الناس کی صحت کی حفاظت کے سال کے طور پر یاد رکھا جائے گا۔ ان مسائل سے دوچار ماحول میں PKIC کی توجہ اس کی ٹیم، گاہکوں اور بنیادی سرگرمی کے محرک عوامل پر رہی جس کی وجہ سے بیننس شیٹ میں اضافے اور بے مثل منافع بخشی کی مدوں میں مستحکم نتائج دیئے۔

کمپنی کا بورڈ اور انتظامیہ کووڈ-19 کی عالمی وبا کے پھیلاؤ سے پیدا ہونے والے مسائل سے پوری طرح آگاہ رہی۔ آغاز سے ہی کمپنی تمام اقدامات لے چکی تھی جو عالمی ادارہ صحت (WHO)، بینک دولت پاکستان، حکومت پاکستان، صوبائی حکومت طبی ماہرین سے مشاورت اور صنعتوں میں جاری مشق (practice) کے سلسلے میں وصول ہونے والی ہدایات سے ہم آہنگ تھے۔ دفتر سے کام کرنے کے علاوہ، کمپنی نے گھر سے کام کرنے کے تصور کا بھی آغاز کیا اور صورتحال کا قریب سے جائزہ بھی لیتی رہی تاکہ اپنے عملے کی حفاظت کے ساتھ ساتھ گاہکوں کو بلا تضرہ خدمات کی فراہمی جاری رہے۔

PKIC کے رسک انتظام کے ڈھانچے کی تعمیر انتظام شدہ رسک کے انتظام کی بنیادی اصولوں پر مبنی ہے تاکہ قرضے کے رسک، منڈی کے رسک، سیالیت رسک، آپریشنل رسک، معلومات کے تحفظ اور ادارے کے رسک کا انتظام کیا جائے۔ بورڈ کے ناظمین تزویراتی 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 کمپنی 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۔

کووڈ-19 کی عالمی وبا نے دنیا بھر کی منڈیوں کو متاثر کیا ہے اور ہوسکتا ہے کہ آنے والے مہینوں میں کاروبار کی آمدنی اور کیش کے بہاؤ کو متاثر کرے رسک مینجمنٹ ایک تفصیلی جائزہ لے چکی تھی یعنی اپنے تمام کریڈٹ پورٹ فولیو کا "تیزی سے پورٹ فولیو کا جائزہ" لینا شروع کیا تاکہ معیشت کے متعلقہ سیکٹرز اور قرضہ لینے والوں کی مالی صحت کا جائزہ لیا جائے۔ اس کے علاوہ رسک میں کمی، تنوع اور رسک کے انعام (risk-reward) سے تعلق، ایک خطرے کو رغبت دینے والا ڈھانچہ منظم کیا گیا ہے جس میں رسک کی درجہ بندی کے معیار (criteria)، قیمت کے تعین کے معیار، متعدد ارتکاز (concentrations) کے معیار اور گروپ کی حدود کا تعین پہلے ہی کیا جا چکا ہے، جس کا قرضہ جات کے پورٹ فولیو کے لیے ضابطہ شامل ہیں۔ رسک مینجمنٹ کریڈٹ رسک پورٹ فولیو اور دیگر رسک کی مالیاتی صحت کی نگرانی جاری رکھے گی۔

منڈی اور سیالیت (Liquidity) کے خطرات کا ہنگامی فنڈ کے منصوبے 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 وقفہ وقفہ 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 بیکاری کے ڈھانچے کو بھی انضباطی معیار پر تیار کیا گیا ہے۔

انضباطی معیار سے ہم آہنگ آپریشن کے رسک کا ڈھانچہ مکمل طور پر نافذ ہے۔ PKIC نے ایک اضافہ شدہ کاروبار کے تسلسل کا پلان تشکیل دیا ہے، جس کا آزمودہ ہونا گھر سے کام کرنے کے ذریعے سے آزما چکا ہے اور نتائج نے ظاہر کیا ہے کہ سال بھر آپریشن کی سرگرمیاں آسانی سے ادا کی گئیں۔ معلومات کے تحفظ کے رسک کی پیمائش اور نگرانی کی جارہی ہے اور اس کے لیے تمام ٹیم کے ارکان کو تربیت دی گئی جس نے ان کے رسک کی بروقت نشاندہی کرنے میں مدد کی۔

مستحکم اندرونی نگرانی کے بارے میں مزید آگاہی کی ضرورت اور ارتقائی (evolving) انضباطی ضروریات مثلاً سیاہ دھن کو سفید کرنا (AML) / دہشتگردی کو سرمایہ کی فراہمی کے خلاف جنگ (CFT) میں PKIC نے گاہکوں کو قرضے کی فراہمی کرنے سے پہلے جانچ پڑتال کرنے کے لیے خاصی سرمایہ کاری کی ہے اور AML/CFT کی جانچ پڑتال کے لیے خصوصی نظام حاصل کر لیا ہے۔

SBP کی انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ (IFRS 9) کی مرحلہ وار نفاذ کی ضروریات سے مطابقت رکھنے کے لیے PKIC نے 1 جولائی 2020 سے IFRS 9 کے متوازی نفاذ کیا ہے تاکہ IFRS 9 کے نتائج اور پلان کو SBP کی ہدایات کے مطابق مکمل طور پر نافذ کیا جائے۔

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کی ایٹھٹی ریٹنگ (Entity rating)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے پاک کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کی بالترتیب طویل المدتی ایٹھٹی ریٹنگ "AAA" (تین A) برقرار رکھی ہے اور قلیل المدتی ریٹنگ "اے ون مثبت" کو برقرار رکھا ہے۔

جے سی آر۔ وی آئی ایس نے پاک کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کو کارپوریٹ گورننس "9-CGR" 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 ضابطہ کی تعمیل

کمپنی ناظمین اداراتی نظم و ضبط (Corporate Governance) کے ضوابط کی تعمیل کی تصدیق 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 کے 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 کثرت و لا کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہے گا تاکہ مزید بہتری لائی رہے گا۔
- تمام مالی واجبات جو محصول، ڈیویڈنڈ، لیویز اور فیسوں کو ادا کرنے کے لئے درکار ہیں ان کا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کر دیے 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 بزنس ایڈمنسٹریشن میں کمپنی کی جانب سے منعقدہ آگاہی (orientation) کے کورس میں شرکت کی ہے۔
- بورڈ نے خود تشخیصی نظام کے تحت اپنے ممبران کی کارکردگی کا جائزہ لیا۔
- کمپنی دستوری آڈٹ کیوسی 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 کو "اندرونی کنٹرول کے بیان" میں درج کیا گیا ہے اور وہ سالانہ رپورٹ میں شامل ہے۔

بورڈ کے اجلاس

سال 2020 میں کمپنی کے بورڈ کے ناظمین کے سات اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	جنوری 8, 2020
دوسرا اجلاس	مارچ 5, 2020
تیسرا اجلاس	مئی 27, 2020
چوتھا اجلاس	جولائی 28, 2020
پانچواں اجلاس	اگست 28, 2020
چھٹا اجلاس	اکتوبر 28, 2020
ساتواں اجلاس	دسمبر 30, 2020

آڈٹ کمیٹی کے اجلاس

سال 2020 میں کمپنی کے آڈٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	مارچ 5, 2020
دوسرا اجلاس	مئی 26, 2020
تیسرا اجلاس	اگست 28, 2020
چوتھا اجلاس	اکتوبر 28, 2020

رسک منجمنٹ کمیٹی کے اجلاس کی تفصیلات

سال 2020 میں کمپنی کے رسک منجمنٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	مارچ 5, 2020
دوسرا اجلاس	مئی 26, 2020
تیسرا اجلاس	اگست 28, 2020
چوتھا اجلاس	اکتوبر 28, 2020

ایگزیکٹو کمیٹی کے اجلاس

سال 2020 میں کمپنی کے ایگزیکٹو کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	مارچ 5, 2020
دوسرا اجلاس	مئی 26, 2020
تیسرا اجلاس	اگست 28, 2020
چوتھا اجلاس	اکتوبر 28, 2020

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

اجلاس میں شرکت کی تعداد	مدت کے دوران اجلاس	ناظمین کے نام
7	7	جناب عبداللہ عبدالواہاب الرمضان - چیئرمین، (نان ایگزیکٹو ڈائریکٹر)
7	7	جناب راعنا اسد امین، رکن، (نان ایگزیکٹو ڈائریکٹر)
7	7	جناب فیصل عدنان الحنیف، رکن، (نان ایگزیکٹو ڈائریکٹر)
7	7	جناب نوید علاؤدین، رکن، (نان ایگزیکٹو ڈائریکٹر)
7	7	جناب عبداللہ صالحہ اے - السایر، رکن، (نان ایگزیکٹو ڈائریکٹر)
7	7	جناب مبشر مقبول - رکن، (ایگزیکٹو ڈائریکٹر/مینجنگ ڈائریکٹر)

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب فیصل عدنان الحنیف، چیئرمین
4	4	جناب نوید علاؤدین، رکن
4	4	جناب عبداللہ صالحہ اے - السایر، رکن

آڈٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب راعنا اسد امین، چیئرمین
4	4	جناب نوید علاؤدین، رکن
4	4	جناب عبداللہ صالحہ اے - السایر، رکن

ایگزیکٹو کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب عبداللہ عبدالواہاب الرمضان - رکن،
4	4	جناب مبشر مقبول - رکن،

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

2015	2016	2017	2018	2019	2020	پاکستانی روپے (ملین میں)
دوبارہ بیان کیا گیا ہے						
6,000	6,000	6,000	6,000	10,000	10,000	ادا شدہ سرمایہ
14,616	18,687	18,807	20,549	23,534	27,717	محفوظ سرمایہ
28,367	28,941	29,129	29,977	65,781	106,825	کل اثاثہ جات
2,504	4,128	2,594	3,515	5,768	7,818	منافع قبل از محصول
1,828	3,452	1,850	2,768	4,743	6,344	خالص منافع از محصول
455	500	500	450	800	1,000	نقد منقسمہ منافع
-	-	-	-	4,000	-	حصص منقسمہ منافع

یادداشت (Note): محفوظ ذخائر میں سرمایہ کاری کی از سر نو قدر پیمائی (revaluation) کی زائد شامل ہے۔

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا بیان

31 دسمبر 2020 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 259.920 ملین روپے اور 116.546 ملین پاکستانی روپے رہی۔
31 دسمبر 2019 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 178.720 ملین پاکستانی روپے اور 92.633 ملین پاکستانی روپے رہی۔

محاسبین (Auditors)


موجودہ محاسبین میسرز۔ ای وائے فورڈ رھورڈز، چارٹرڈ اکاؤنٹینٹس، کے معاہدے کی مدت ختم ہو گئی 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۔ ای وائے فورڈ رھورڈز، چارٹرڈ اکاؤنٹینٹس کا نام 31 دسمبر 2021 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 سزا دیتے 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 یقیناً پرانا ناچا جاتا ہے۔

بورڈ کے ڈائریکٹرز کے جانب سے


مبشر مقبول
منیجنگ ڈائریکٹر


عبداللہ عبدالوہاب الرمضان
چیئرمین

تاریخ: 24 فروری 2021

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies.
3. 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.
4. 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.
5. 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.
6. 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.
7. The Board of Directors has a formal policy and transparent procedures for remunerations of directors in accordance with the Act and the Regulations.
8. All directors have completed the Director’s Training Certification under the Directors’ Training Program as prescribed by SECP.
9. 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.
10. 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 | Quarterly |
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: February 24, 2021



EY ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

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 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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 2020.

EY Ford Rhodes
Chartered Accountants

Place: Karachi
Date: 04 March 2021



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 2020 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: February 24, 2021
Karachi



Financial Statements

For the year ended December 31, 2020



EY for Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S 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 comprises the statement of financial position as at 31 December 2020, 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 2020 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 auditor's 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 in 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)

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



Chartered Accountants

Place: Karachi

Date: 04 March 2021



Statement of Financial Position

As at December 31, 2020

2020	2019		Note	2020	2019
----- (USD in '000) -----				----- (Rupees in '000) -----	
ASSETS					
858	339	Cash and balances with treasury banks	5	137,120	54,209
88	149	Balances with other banks	6	14,095	23,762
-	7,622	Lendings to financial institutions	7	-	1,218,271
565,954	352,497	Investments	8	90,458,932	56,341,132
89,198	41,634	Advances	9	14,256,847	6,654,602
1,778	1,238	Fixed assets	10	284,222	197,900
86	121	Intangible assets	11	13,790	19,248
-	-	Deferred tax assets		-	-
10,390	7,956	Other assets	12	1,660,636	1,271,649
668,352	411,556			106,825,642	65,780,773
LIABILITIES					
-	-	Bills payable		-	-
388,859	181,145	Borrowings	13	62,152,972	28,953,243
17,643	-	Deposits and other accounts	14	2,820,000	-
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
18,639	15,818	Deferred tax liabilities	15	2,979,119	2,528,173
7,234	4,784	Other liabilities	16	1,156,329	764,704
432,375	201,747			69,108,420	32,246,120
235,977	209,809			37,717,222	33,534,653
NET ASSETS					
REPRESENTED BY					
62,565	62,565	Share capital	17	10,000,000	10,000,000
67,646	59,708	Reserves	18	10,812,156	9,543,420
9,227	17,714	Surplus on revaluation of assets - net	19	1,474,807	2,831,306
96,539	69,822	Unappropriated profit		15,430,259	11,159,927
235,977	209,809			37,717,222	33,534,653
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, 2020

2020 ------(USD in '000)-----	2019		Note	2020 ------(Rupees in '000)-----	2019
41,699	13,256	Mark-up / return / interest earned	21	6,664,984	2,118,683
28,619	4,805	Mark-up / return / interest expensed	22	4,574,374	767,945
<u>13,080</u>	<u>8,451</u>	Net mark-up / interest income		<u>2,090,610</u>	<u>1,350,738</u>
NON MARK-UP / INTEREST INCOME					
207	117	Fee and commission income	23	33,099	18,667
856	1,463	Dividend income		136,758	233,869
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
4,013	1,712	Gain on securities	24	641,485	273,645
44,108	30,680	Share in results of associates - Net	25	7,050,046	4,903,795
145	1,343	Other income	26	23,193	214,659
49,329	35,315	Total non-markup / interest income		<u>7,884,581</u>	<u>5,644,635</u>
<u>62,409</u>	<u>43,766</u>	Total income		<u>9,975,191</u>	<u>6,995,373</u>
NON MARK-UP / INTEREST EXPENSES					
6,049	4,133	Operating expenses	27	966,773	660,583
978	722	Workers Welfare Fund		156,363	115,361
1	5	Other charges	28	250	915
7,028	4,860	Total non-markup / interest expenses		<u>1,123,386</u>	<u>776,859</u>
<u>55,381</u>	<u>38,906</u>	Profit before provisions		<u>8,851,805</u>	<u>6,218,514</u>
6,467	2,818	Provisions / (reversal of provisions) and write offs - net	29	1,033,680	450,468
-	-	Extra ordinary / unusual items		-	-
<u>48,914</u>	<u>36,088</u>	PROFIT BEFORE TAXATION		<u>7,818,125</u>	<u>5,768,046</u>
9,225	6,411	Taxation	30	1,474,443	1,024,608
<u>39,689</u>	<u>29,677</u>	PROFIT AFTER TAXATION		<u>6,343,682</u>	<u>4,743,438</u>
-----USD-----					
<u>99</u>	<u>74</u>	Basic and diluted earnings per share (on share of Rs. 25,000 each)	31	<u>15,859</u>	<u>11,859</u>
-----Rupees-----					

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, 2020

2020 -----(USD in '000)-----	2019		2020 ----- (Rupees in '000) -----	2019
39,689	29,677	Profit after taxation for the year	6,343,682	4,743,438
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
(2,363)	1,592	Movement in (deficit) / surplus on revaluation of 'available-for-sale' securities - net of tax	(377,670)	254,409
(6,135)	15,086	Movement in (deficit) / surplus on revaluation of 'available-for-sale' securities of associates - net of tax	(980,568)	2,411,216
(8,498)	16,678		(1,358,238)	2,665,625
Items that will not be reclassified to profit and loss account in subsequent periods:				
(68)	22	Remeasurement (loss) / gain on defined benefit obligation - net of tax	(10,918)	3,605
11	(10)	Share of surplus / (deficit) on revaluation of non - banking assets of associates - net of tax	1,739	(1,622)
39	152	Share of remeasurement of defined benefit obligation of associates - net of tax	6,304	24,298
(18)	164		(2,875)	26,281
<u>31,173</u>	<u>46,519</u>	Total comprehensive income	<u>4,982,569</u>	<u>7,435,344</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, 2020

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, 2019	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
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	6,343,682	6,343,682
Other comprehensive income - net of tax	-	-	-	-	(1,358,238)	1,739	(4,614)	(1,361,113)
Total comprehensive income	-	-	-	-	(1,358,238)	1,739	6,339,068	4,982,569
Transfer to statutory reserve	18.1	-	1,268,736	-	-	-	(1,268,736)	-
Transfer to capital market equalization reserve	18.3	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity								
Final dividend for the year ended December 31, 2019 @ Rs. 2,000 per share	-	-	-	-	-	-	(800,000)	(800,000)
Balance as at December 31, 2020	10,000,000	935,264	8,217,424	1,659,468	1,469,041	5,766	15,430,259	37,717,222

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



Cash Flow Statement

For the year ended December 31, 2020

2020 ----- (USD in '000) -----	2019		Note	2020 ----- (Rupees in '000) -----	2019
CASH FLOW FROM OPERATING ACTIVITIES					
48,914	36,088	Profit before taxation		7,818,125	5,768,046
(856)	(1,463)	Less: Dividend income		(136,758)	(233,869)
<u>48,058</u>	<u>34,625</u>			<u>7,681,367</u>	<u>5,534,177</u>
Adjustments for:					
254	103	Depreciation		40,550	16,496
34	28	Amortization		5,458	4,455
6,467	2,818	Provisions and write-offs	29	1,033,680	450,468
(17)	(1,254)	Gain on sale of fixed assets		(2,786)	(200,333)
-	(16)	Unrealized gain on revaluation of of 'held for trading' securities		-	(2,532)
(44,109)	(30,680)	Share in results of associates - net		(7,050,046)	(4,903,795)
<u>(37,371)</u>	<u>(29,001)</u>			<u>(5,973,144)</u>	<u>(4,635,241)</u>
<u>10,687</u>	<u>5,624</u>			<u>1,708,223</u>	<u>898,936</u>
(Increase) / decrease in operating assets					
7,622	(920)	Lendings to financial institutions		1,218,271	(147,067)
126	580	Held-for-trading securities		20,086	92,672
(49,276)	(24,622)	Advances		(7,875,984)	(3,935,389)
(3,882)	(7,376)	Others assets (excluding advance taxation)		(620,569)	(1,178,876)
<u>(45,410)</u>	<u>(32,338)</u>			<u>(7,258,196)</u>	<u>(5,168,660)</u>
Increase / (decrease) in operating liabilities					
207,713	172,565	Borrowings		33,199,729	27,581,769
17,643	(219)	Deposits		2,820,000	(35,000)
2,768	1,305	Other liabilities (excluding current taxation)		442,342	208,551
<u>228,124</u>	<u>173,651</u>			<u>36,462,071</u>	<u>27,755,320</u>
<u>193,401</u>	<u>146,937</u>			<u>30,912,098</u>	<u>23,485,596</u>
(3,995)	(3,256)	Income tax paid		(638,517)	(520,366)
<u>189,406</u>	<u>143,681</u>	<i>Net cash inflow from operating activities</i>		<u>30,273,581</u>	<u>22,965,230</u>
CASH FLOW FROM INVESTING ACTIVITIES					
(200,450)	(155,145)	Net investments in available-for-sale securities		(32,038,823)	(24,797,505)
17,266	13,201	Dividends received		2,759,650	2,110,039
(776)	(190)	Investments in operating fixed assets		(123,956)	(30,384)
17	1,314	Proceeds from sale of fixed assets		2,792	210,000
<u>(183,943)</u>	<u>(140,820)</u>	<i>Net cash used in investing activities</i>		<u>(29,400,337)</u>	<u>(22,507,850)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
(5,005)	(2,815)	Dividend paid		(800,000)	(450,000)
<u>(5,005)</u>	<u>(2,815)</u>	<i>Net cash used in financing activities</i>		<u>(800,000)</u>	<u>(450,000)</u>
458	46	Increase in cash and cash equivalents		73,244	7,380
488	442	Cash and cash equivalents at beginning of the year		77,971	70,591
<u>946</u>	<u>488</u>	Cash and cash equivalents at end of the year	32	<u>151,215</u>	<u>77,971</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, 2020

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. 159.84, prevalent at December 31, 2020, for 2020 and 2019. 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 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.

The SBP vide BPRD circular No. 04 of 2019 dated October 23, 2019 has directed all the Banks / DFIs to implement IFRS 9 'Financial Instruments' with effect from January 01, 2021. The Company awaits further instructions from SBP for applicability of IFRS 9.

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, 2020 and are adopted by the Company.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments were 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. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS.



Amendment to IFRS 3 'Business Combinations' – Definition of a Business. 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.

IFRS 14 'Regulatory Deferral Accounts' permits an entity 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 standard 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.

IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year 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.

The above mentioned accounting standards and amendments of IAS / IFRSs did not have any material impact on the financial statements of the Company.

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.

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks / DFIs in Pakistan to implement IFRS 9 with effect from January 01, 2021. IFRS 9 replaced 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. The Company has been complying with the requirement of BPRD Circular Letter No. 15 of 2020 to have parallel run of IFRS 9 from July 01, 2020.

COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to the other terms and conditions of the lease.

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS standards 2018 - 2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, when it applies the ‘10 percent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022, clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity’s right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.



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

July 01, 2009

IFRS 17 – Insurance Contracts

January 01, 2023

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved 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 as well as in disclosure of contingent liabilities. 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, 2020.

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 provision is recognized on the basis of actuarial recommendation.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2020.

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 profit and loss statement.

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 on transaction-based arrangements at a point in time when the Company has provided the service to the customer. Where the contract requires services to be provided over time, 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 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 off-set 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	2020	2019
		----- (Rupees in '000) -----	
Cash in hand in local currency		50	50
With State Bank of Pakistan in - local currency current account	5.1	135,906	52,898
With National Bank of Pakistan in - local currency current account		1,164	1,261
		<u>137,120</u>	<u>54,209</u>
5.1	This includes Rs. 132 million (2019: 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	Note	2020	2019
		----- (Rupees in '000) -----	
In Pakistan			
- current account		1,806	118
- deposit account	6.1	12,289	23,644
		<u>14,095</u>	<u>23,762</u>
6.1	This represents balance maintained in saving accounts with banks. The profit rates on these accounts ranges between 2.76% and 5.50% (2019: 7.01% and 11.25%)		
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)		-	1,218,271
7.1 Particulars of lendings			
In local currency		-	1,218,271
7.2 Securities held as collateral against Lendings to financial institutions			
		----- (Rupees in '000) -----	
Market Treasury Bills		-	1,218,271



8. INVESTMENTS

8.1 Investments by type:

	Note	2020				2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----									
Held-for-trading securities									
Shares		-	-	-	-	20,086	-	2,532	22,618
Available-for-sale securities									
Federal Government Securities		57,721,705	-	115,699	57,837,404	28,275,163	-	231,052	28,506,215
Shares		2,832,708	(124,008)	(19,284)	2,689,416	2,862,438	(278,253)	259,378	2,843,563
Non Government Debt Securities		5,626,867	(33,638)	(5,264)	5,587,965	3,913,486	(33,638)	(3,304)	3,876,544
		66,181,280	(157,646)	91,151	66,114,785	35,051,087	(311,891)	487,126	35,226,322
Associates	8.1.1	24,344,147	-	-	24,344,147	21,092,192	-	-	21,092,192
Total Investments		90,525,427	(157,646)	91,151	90,458,932	56,163,365	(311,891)	489,658	56,341,132

8.1.1 Movement in investments in associates

	2020	2019
	------(Rupees in '000)-----	
Investments at beginning of the year	21,092,192	15,197,136
Share in (deficit) / surplus on revaluation of 'available-for-sale' securities of associates	(1,153,609)	2,836,726
Share of surplus / (deficit) on revaluation of non - banking assets of associates	2,046	(1,908)
Share of remeasurement of defined benefit obligation of associates	6,750	28,673
Share of profit from associates recognized in profit and loss account	7,050,046	4,903,795
Dividend received from associates	(2,653,278)	(1,872,230)
Investments at end of the year	24,344,147	21,092,192

The cost of investments in associates as at December 31, 2020 amounted to Rs.2,895 million (December 31, 2019: 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. 3,729 million (December 31, 2019: Rs. 2,559 million).

8.1.2 Investment in Associates

The Company's associates are:	Note	Nature of Activities	Country of Incorporation	Percentage holding
Associates				
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	5.87
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

2020	MBL	GTR	AMIM	AMMF	NCCPL
	----- (Rupees in '000) -----				
Current Assets	875,144,407	7,694,432	4,261,167	4,962,120	24,504,844
Non-Current Assets	651,416,429	5,235,305	400,718	-	554,855
Total Assets	1,526,560,836	12,929,737	4,661,885	4,962,120	25,059,699
Current Liabilities	602,580,503	7,592,887	1,048,994	184,769	23,197,139
Non-Current Liabilities	850,749,315	1,976,630	-	-	26,625
Total Liabilities	1,453,329,818	9,569,517	1,048,994	184,769	23,223,764
Net Assets	73,231,018	3,360,220	3,612,891	4,777,351	1,835,935
Fair Value of Investment	44,326,094	3,033,200	1,083,867	280,239	323,990
Dividend Received	2,469,334	-	150,000	7,603	26,341
Revenue	64,829,322	1,433,549	1,822,937	425,459	1,231,464
Profit from continuing operations	37,790,128	97,939	1,118,390	273,987	519,645
Tax	(15,115,265)	(53,391)	(323,780)	-	(148,550)
Profit after tax from continuing operations	22,674,863	44,548	794,610	273,987	371,095
Other Comprehensive Income	(3,818,676)	22,181	(24,040)	-	(6,665)
Total Comprehensive Income	18,856,187	66,729	770,570	273,987	364,430

The financial statements upto December 31, 2020 have been used for all 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.



8.1.4 Reconciliation of Summarized information of Associates

2020	MBL	GTR	AMIM	AMMF	NCCPL
	------(Rupees in '000)-----				
Net Assets of the associate	73,231,018	3,360,220	3,612,891	4,777,351	1,835,935
Company's proportionate interest in associate	21,969,305	1,008,066	1,083,867	280,431	324,043
Other adjustments	(390,116)	71,403	281	(445)	(2,688)
Carrying amount of the Company's interest in associate	21,579,189	1,079,469	1,084,148	279,986	321,355
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

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	2020				2019			
			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	15,318,702	-	10,733	15,329,435	9,116,032	-	(2,920)	9,113,112
	Pakistan Investment Bonds	8.2.2	42,403,003	-	104,966	42,507,969	19,159,131	-	233,972	19,393,103
			57,721,705	-	115,699	57,837,404	28,275,163	-	231,052	28,506,215
Shares:										
	Listed Companies		2,728,682	(20,782)	(19,284)	2,688,616	2,778,498	(175,027)	261,910	2,865,381
	Unlisted Companies		93,736	(92,936)	-	800	93,736	(92,936)	-	800
			2,822,418	(113,718)	(19,284)	2,689,416	2,872,234	(267,963)	261,910	2,866,181
Non Government Debt Securities										
	Listed		3,828,706	-	13,855	3,842,561	3,415,219	-	1,327	3,416,546
	Unlisted		1,798,161	(33,638)	(19,119)	1,745,404	498,267	(33,638)	(4,631)	459,998
			5,626,867	(33,638)	(5,264)	5,587,965	3,913,486	(33,638)	(3,304)	3,876,544
Foreign Securities										
	Unlisted equity securities		10,290	(10,290)	-	-	10,290	(10,290)	-	-
Associates										
	Meezan Bank Limited	8.2.3	21,579,189	-	-	21,579,189	18,472,577	-	-	18,472,577
	General Tyre and Rubber Company of Pak. Ltd.		1,079,469	-	-	1,079,469	1,059,451	-	-	1,059,451
	Al Meezan Mutual Funds		279,986	-	-	279,986	273,802	-	-	273,802
	Al Meezan Investment Management Ltd.	8.2.4	1,084,148	-	-	1,084,148	1,002,977	-	-	1,002,977
	National Clearing Company of Pakistan Ltd.		321,355	-	-	321,355	283,385	-	-	283,385
			24,344,147	-	-	24,344,147	21,092,192	-	-	21,092,192
	Total Investments		90,525,427	(157,646)	91,151	90,458,932	56,163,365	(311,891)	489,658	56,341,132

- 8.2.1** The investments in market treasury bills are maturing between January 14, 2021 and May 06, 2021 (2019: September 24, 2020) and the effective mark-up rates range between 7.20 and 13.13 (2019: 13.74) percent per annum.
- 8.2.2** The investments in Pakistan Investment Bonds are maturing between July 12, 2021 and September 19, 2029 (2019: July 12, 2021 and August 22, 2029) and the effective mark-up rates range between 7.61 and 14.47 (2019: 13.55 and 14.47) percent per annum.
- 8.2.3** Investments in shares of Meezan Bank Limited costing Rs. 2,422 million and market value of Rs. 44,326 million (2019: Cost Rs. 2,422 million and market value of Rs. 36,704 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. 47,639 million (2019: Rs. 39,017 million).

8.2.6 Investments given as collateral	2020	2019
	----- (Rupees in '000) -----	
Pakistan Investment Bonds	32,182,514	18,928,419
Market Treasury Bills	5,371,156	6,703,423
	<u>37,553,670</u>	<u>25,631,842</u>

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	311,891	739,846
Charge / reversals		
Charge for the year	756,914	463,645
Reversal on disposals	(911,159)	(891,600)
	<u>(154,245)</u>	<u>(427,955)</u>
Closing balance	<u>157,646</u>	<u>311,891</u>

8.3.2 Particulars of provision against debt securities
Category of classification

	2020		2019	
	*NPI	Provision	*NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	33,638	33,638	33,638	33,638
	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>
Overseas	-	-	-	-
Total	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</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

Market Treasury Bills
Pakistan Investment Bonds

2020	2019
Cost	
------(Rupees in '000)-----	
15,318,702	9,116,032
42,403,003	19,159,131
<u>57,721,705</u>	<u>28,275,163</u>

8.4.2 Shares

Listed Companies

- Cement
- Commercial Banks
- Fertilizer
- Leasing
- Oil and Gas Exploration Companies
- Oil and Gas Marketing Companies
- Power Generation and Distribution
- Technology & Communication

130,542	-
785,033	805,537
455,967	433,369
7,407	7,407
477,288	394,215
13,101	349,188
819,832	768,697
39,512	-
<u>2,728,682</u>	<u>2,758,413</u>

Unlisted Companies

Arabian Sea Country Club
Axel Products Limited
Dadabhoy Padube Limited
Engine Systems Limited
FTC Management Company (Private) Limited
Innovative Investment Bank Limited
Pakistan Mercantile Exchange Limited
Pakistan Textile City Limited
Trans Mobile Limited
TCC Management Company Limited

2020		2019	
Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----			
2,150	-	2,150	-
4,043	-	4,043	-
200	-	200	-
10,000	-	10,000	-
500	37,786	500	36,998
4,770	-	4,770	-
11,773	-	11,773	-
50,000	-	50,000	-
10,000	-	10,000	-
300	1,381	300	877
<u>93,736</u>	<u>39,167</u>	<u>93,736</u>	<u>37,875</u>

8.4.3 Non Government Debt Securities

Listed

- AAA
AA+, AA, AA-
A+, A, A-

Unlisted

- AAA
AA+, AA, AA-
A+, A, A-
Unrated

2020	2019
Cost	
------(Rupees in '000)-----	
250,000	-
2,640,005	2,476,342
938,701	938,877
<u>3,828,706</u>	<u>3,415,219</u>
999,999	-
564,524	464,629
200,000	-
33,638	33,638
<u>1,798,161</u>	<u>498,267</u>

8.4.4 Foreign Securities Equity Securities

Unlisted Shares

Islamic International Rating Agency Limited

10,290	10,290
--------	--------

9. ADVANCES	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
------(Rupees in '000)-----							
Loans, cash credits, running finances, etc.	9.1	14,516,074	6,613,113	1,065,341	1,092,317	15,581,415	7,705,430
Provision against advances							
- Specific	9.4	-	-	(1,024,568)	(1,050,828)	(1,024,568)	(1,050,828)
- General	9.5	(300,000)	-	-	-	(300,000)	-
		(300,000)	-	(1,024,568)	(1,050,828)	(1,324,568)	(1,050,828)
Advances - net of provision		14,216,074	6,613,113	40,773	41,489	14,256,847	6,654,602

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2020				2019			
	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	594,318	483,985	-	1,078,303	481,782	144,464	-	626,246
Residual value	40,773	20,000	-	60,773	41,490	-	-	41,490
Minimum lease payments	635,091	503,985	-	1,139,076	523,272	144,464	-	667,736
Financial charges for future periods	37,301	56,016	-	93,317	7,446	13,190	-	20,636
Present value of minimum lease payments	597,790	447,969	-	1,045,759	515,826	131,274	-	647,100

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 (2019: 5.00 and 16.52) percent per annum.

9.1.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 60.773 million (2019: Rs. 41.490 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

9.2 Particulars of advances (Gross)	2020	2019
	------(Rupees in '000)-----	
In local currency	15,581,415	7,705,430



Pak Kuwait

- 9.3 Advances include Rs. 1,065.341 million (2019: Rs 1,092.317 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,065,341	1,024,568	1,092,317	1,050,828
Total	1,065,341	1,024,568	1,092,317	1,050,828

Provision is recorded net of security deposit of Rs. 60.773 million (2019: Rs. 41.49 million).

9.4 **Particulars of provision against advances**

	2020			2019		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	1,050,828	-	1,050,828	1,071,860	-	1,071,860
Charge for the year	-	300,000	300,000	-	-	-
Reversals	(26,260)	-	(26,260)	(21,032)	-	(21,032)
	(26,260)	300,000	273,740	(21,032)	-	(21,032)
Closing balance	<u>1,024,568</u>	<u>300,000</u>	<u>1,324,568</u>	<u>1,050,828</u>	<u>-</u>	<u>1,050,828</u>

9.4.1 **Particulars of provision against advances**

	2020			2019		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	<u>1,024,568</u>	<u>300,000</u>	<u>1,324,568</u>	<u>1,050,828</u>	<u>-</u>	<u>1,050,828</u>

- 9.5 The company has made a general provision of Rs. 300 million (2019: Nil) against advances on prudent basis, in view of prevailing economic conditions, which approximate to 1.93% of gross advances. This general provision is in addition to the requirement of Prudential Regulations.

9.6 **Particulars of loans and advances to staff included in advances**

	Note	2020	2019
------(Rupees in '000)-----			
Opening balance		84,572	85,488
Disbursements during the year		38,019	13,392
Repayments during the year		(17,118)	(14,308)
		20,901	(916)
Balance at end of the year		<u>105,473</u>	<u>84,572</u>

10. **FIXED ASSETS**

	Note	2020	2019
Capital work-in-progress	10.1	27,403	-
Property and equipment	10.2	256,819	197,900
		<u>284,222</u>	<u>197,900</u>

10.1 **Capital work-in-progress**

Civil works	17,413	-
Equipment	5,271	-
Furniture & Fixtures	4,719	-
	<u>27,403</u>	<u>-</u>

10.2 Property and Equipment

2020					
Leasehold land	Buildings on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Motor Vehicles	Total

..... (Rupees in '000)

At January 1, 2020

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	-	173,064	741	15,886	8,209	197,900

Year ended December 31, 2020

Opening net book value	-	173,064	741	15,886	8,209	197,900
Additions	-	49	5,414	27,833	66,180	99,476
Cost of assets disposed off	-	-	(1,338)	(2,142)	(2,485)	(5,965)
Depreciation charge	-	(6,139)	(469)	(14,856)	(19,086)	(40,550)
Accumulated depreciation on disposal	-	-	1,338	2,135	2,485	5,958
Closing net book value	-	166,974	5,686	28,856	55,303	256,819

At December 31, 2020

Cost	-	246,377	19,152	97,809	86,447	449,785
Accumulated depreciation	-	(79,403)	(13,466)	(68,953)	(31,144)	(192,966)
Net book value	-	166,974	5,686	28,856	55,303	256,819

Rate of depreciation (percentage)

-	2.50 - 20	20	20 - 33.3	20 - 63	-
---	-----------	----	-----------	---------	---

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	4,604	179,200	55	17,989	2,324	204,172

Year ended December 31, 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	-	173,064	741	15,886	8,209	197,900

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	-	173,064	741	15,886	8,209	197,900

Rate of depreciation (percentage)

-	2.50 - 20	20	20 - 33.3	20	-
---	-----------	----	-----------	----	---



10.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2020	2019
	----(Rupees in '000)----	
Building on leasehold land	3,981	3,981
Furniture and fixtures	12,944	14,282
Electrical, office and computer equipment	43,118	43,623
Motor vehicles	10,312	10,592

11. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2020
	(Rupees in '000)
At January 1, 2020	
Cost	92,579
Accumulated amortisation	(73,331)
Net book value	<u>19,248</u>
Year ended December 31, 2020	
Opening net book value	19,248
Additions	-
Amortisation charge	(5,458)
Closing net book value	<u>13,790</u>
At December 31, 2020	
Cost	92,579
Accumulated amortisation	(78,789)
Net book value	<u>13,790</u>
Rate of amortisation (percentage)	<u>20</u>
Useful life	<u>5 years</u>
	2019
	(Rupees in '000)
At January 1, 2019	
Cost	82,086
Accumulated amortisation	(68,876)
Net book value	<u>13,210</u>
Year ended December 31, 2019	
Opening net book value	13,210
Additions	10,493
Amortisation charge	(4,455)
Closing net book value	<u>19,248</u>
At December 31, 2019	
Cost	92,579
Accumulated amortisation	(73,331)
Net book value	<u>19,248</u>
Rate of amortisation (percentage)	<u>20</u>
Useful life	<u>5 year</u>

12. OTHER ASSETS	Note	2020 ----- <i>(Rupees in '000)</i> -----	2019
Income / Mark-up accrued in local currency - net		1,370,249	1,126,658
Advances, deposits, advance rent and other prepayments		24,418	125,465
Advance taxation (payments less provisions)		258,944	-
Other receivable		53,284	62,759
Non-current asset 'held for sale'	12.1	-	135,000
		<u>1,706,895</u>	<u>1,449,882</u>
Less: Provision held against other assets	12.2	<u>(46,259)</u>	<u>(178,233)</u>
		<u>1,660,636</u>	<u>1,271,649</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 were initiated. Based on the Company's intention this associate was accordingly classified as 'non-current asset held-for-sale'. On November 2, 2020, this non-current asset held-for-sale having carrying value less cost to sell value of zero were sold to "Overseas Investment Pte Ltd." for Rupee. 1. Other assets includes receivable from Pakistan Kuwait Takaful Company Limited amounting Rs. 20.771 million (December 31, 2019: Rs. 17.745 million) that has been fully provided.

12.2 Provision held against other assets	Note	2020 ----- <i>(Rupees in '000)</i> -----	2019
Non-current asset held-for-sale		-	135,000
Other receivables		46,259	43,233
		<u>46,259</u>	<u>178,233</u>

12.2.1 Movement in provision held against other assets

Opening balance	178,233	170,378
Charge for the year	3,026	7,855
Amount Written off	(135,000)	-
Closing balance	<u>46,259</u>	<u>178,233</u>

13. BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Under Long Term Finance Facility (LTFF)	13.1	3,550,202	1,265,259
Under Financing Scheme for Renewable Energy	13.2	693,622	179,924
Under Temporary Economic Refinance Facility	13.3	292,633	-
		<u>4,536,457</u>	<u>1,445,183</u>
Bai Muajjal	13.4	37,653,706	25,692,879
Repurchase agreement borrowings	13.5	8,948,364	-
Term Finance Facility	13.6	5,000,000	-
Total secured		<u>56,138,527</u>	<u>27,138,062</u>

Unsecured

Bai Muajjal	13.4	6,014,445	1,815,181
Total unsecured		<u>6,014,445</u>	<u>1,815,181</u>
		<u>62,152,972</u>	<u>28,953,243</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 July 1, 2020 to June 30, 2021 is Rs. 3,365 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 July 01, 2020 to June 30, 2021 is Rs. 1,097 million.

13.3 Borrowing from SBP under Temporary Economic Refinance Facility

This represents Long Term Finance Facility on concessional rates to support sustainable economic growth especially in the backdrop of challenges being faced by the industry in post pandemic scenario SBP has introduced Temporary Economic Refinance Facility (TERF). The loans availed under this facility shall be repayable within a minimum period of ten years including maximum grace period upto two years, with mark-up payable at maximum of 1 percent per annum. The sanctioned limit for the Company till March 31, 2021 is Rs. 3,632 million.

13.4 Bai Muajjal

This represents borrowings from financial institutions at mark-up rates between 6.15 and 12.60 (December 31, 2019: 12.73 and 13.14) percent per annum and having maturities between January 04, 2021 and June 29, 2021 (December 31, 2019: April 14, 2020 and September 22, 2020).

13.5 Repurchase agreement borrowings

The Company has arranged borrowing from financial institutions against sale and repurchase of government securities. The mark-up rates on these borrowings are 6.75 and 7.10 (December 31, 2019: Nil) percent per annum with maturity in four days (December 31, 2019: Nil).

13.6 Term Finance Facility

The Company has availed Long Term Finance Facility from a bank. The interest rate on this facility is 7.370 (December 31, 2019: Nil) percent per annum and is due for maturity on September 30, 2025 (December 31, 2019: Nil)

13.7 Particulars of borrowings with respect to Currencies

2020 2019
----- (Rupees in '000) -----

In local currency

62,152,972 28,953,243

14. DEPOSITS AND OTHER ACCOUNTS

2020			2019		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

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

Customers

Term deposits (COI)

<u>2,820,000</u>	<u>-</u>	<u>2,820,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
------------------	----------	------------------	----------	----------	----------

14.1 Composition of deposits

2020 2019
----- (Rupees in '000) -----

- Public Sector Entities
- Private Sector

2,120,000 -
700,000 -
2,820,000 -

14.2 The profit rates on these COIs are between 6.95 and 7.35 (December 31, 2019: Nil) percent per annum. These COIs have maturities on February 01, 2021 and September 07, 2021 (December 31, 2019: Nil).

15. DEFERRED TAX LIABILITIES

2020				
At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020	
------(Rupees in 000)-----				
Deductible temporary differences on				
- Post retirement employee benefits	17,843	5,878	4,459	28,180
- Provision against non-performing advances	304,740	79,385	-	384,125
	322,583	85,263	4,459	412,305
Taxable temporary differences on				
- Surplus on revaluation of investments	(26,333)	380	18,305	(7,648)
- Accelerated tax depreciation	(35,352)	(12,621)	-	(47,973)
- Finance lease arrangements	(132,868)	(50,896)	-	(183,764)
- Share of profits from Associates	(2,656,203)	(668,124)	172,288	(3,152,039)
	(2,850,756)	(731,261)	190,593	(3,391,424)
	(2,528,173)	(645,998)	195,052	(2,979,119)

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)
	(1,462,940)	(501,514)	(563,719)	(2,528,173)

16. OTHER LIABILITIES

	Note	2020	2019
------(Rupees in '000)-----			
Mark-up / return / interest payable in local currency		123,946	7,376
Accrued expenses		859,216	578,445
Current taxation (provisions less payments)		-	69,016
Payable to defined benefit obligation	34.4	64,404	49,027
Security deposits against lease	9.1.2	60,773	41,490
Employees' compensated absences		32,769	12,501
Unearned Income		4,394	-
Payable to share brokers on account of purchase of marketable securities		-	2,925
Others		10,827	3,924
		1,156,329	764,704

17. SHARE CAPITAL
17.1 Authorized Capital

2020	2019		2020	2019
------(Number of shares)-----			------(Rupees in '000)-----	
400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000



17.2 Issued, subscribed and paid up

2020	2019		2020	2019
----- (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	374,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	9,351,250	9,351,250
400,000	400,000		10,000,000	10,000,000

State Bank of Pakistan (SBP) on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 200,000 (2019: 200,000) ordinary shares of the Company as at December 31, 2020.

18. RESERVES

Note	2020	2019
	----- (Rupees in '000) -----	
18.1	8,217,424	6,948,688
18.2	935,264	935,264
18.3	1,659,468	1,659,468
	10,812,156	9,543,420

18.1 Statutory reserve

At beginning of the year	6,948,688	6,000,000
Add: Transfer during the year	1,268,736	948,688
	8,217,424	6,948,688

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. 1,268.736 million (2019: Rs. 948.688 million).

18.2 Non-distributable reserve

	2020	2019
	----- (Rupees in '000) -----	
At beginning of the year	935,264	935,264
Add: Addition during the year	-	-
	935,264	935,264

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

	2020	2019
	----- (Rupees in '000) -----	
At beginning of the year	1,659,468	1,257,738
Add: Addition during the year	-	401,730
	1,659,468	1,659,468

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 30.27% of the capital market portfolio at cost.

19. SURPLUS ON REVALUATION OF ASSETS	Note	2020	2019
----- (Rupees in '000) -----			
Surplus on revaluation of			
- Available for sale securities	8.1	91,151	487,126
- Associates		<u>1,633,141</u>	<u>2,784,704</u>
		<u>1,724,292</u>	<u>3,271,830</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		<u>(46,837)</u>	<u>(65,142)</u>
- Associates		<u>(202,648)</u>	<u>(375,382)</u>
		<u>(249,485)</u>	<u>(440,524)</u>
		<u>1,474,807</u>	<u>2,831,306</u>
20. CONTINGENCIES AND COMMITMENTS			
-Guarantees	20.1	436,201	500,000
-Commitments	20.2	<u>12,259,467</u>	<u>7,584,576</u>
		<u>12,695,668</u>	<u>8,084,576</u>
20.1 Guarantees:			
Financial guarantees		<u>436,201</u>	<u>500,000</u>
20.2 Commitments			
Undisbursed sanctions for financial assistance in the form of:			
- Loans and advances		11,122,328	7,270,076
- TFCs and Sukuks		-	314,500
Underwriting of Shares		350,000	-
Letter of Comfort		<u>787,139</u>	<u>-</u>
		<u>12,259,467</u>	<u>7,584,576</u>
20.3 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 amount 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 of 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 decided in the company's favour through the order dated October 29, 2018. Recently, in the tax order dated June 30, 2020 for tax year 2015 the Officer has again not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the appeal before CIR(A) has been preferred by the Company which is pending.

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. 1,374 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	2020	2019
		----- (Rupees in '000) -----	
On:			
loans and advances		854,256	183,474
investments		5,721,698	1,478,844
lendings to financial institutions		87,085	455,241
balances with banks		1,945	1,124
		<u>6,664,984</u>	<u>2,118,683</u>
22. MARK-UP / RETURN / INTEREST EXPENSED			
On:			
deposits		191,084	614
borrowings		4,199,504	754,678
securities sold under repurchase agreements - government securities		183,786	12,653
		<u>4,574,374</u>	<u>767,945</u>
23. FEE & COMMISSION INCOME			
Participation Fee		25,075	5,000
Commission on guarantees		5,357	542
Commission on Letter of Comfort		2,100	-
Commitment Fee		567	-
Advisory Fee		-	12,500
Underwriting Commission		-	625
		<u>33,099</u>	<u>18,667</u>
24. GAIN ON SECURITIES			
Realised gain	24.1	641,485	271,113
Unrealised gain on held-for-trading	8.1	-	2,532
		<u>641,485</u>	<u>273,645</u>
24.1 Realised (loss) / gain on:			
Federal Government Securities		(84,100)	-
Shares		725,585	271,113
		<u>641,485</u>	<u>271,113</u>

25. SHARE IN RESULT OF ASSOCIATES	Note	2020	2019
		----- (Rupees in '000) -----	
Quoted Associates		6,746,176	4,698,956
Un-quoted Associates		303,870	204,839
		<u>7,050,046</u>	<u>4,903,795</u>
26. OTHER INCOME			
Space / arrangement income		4,797	6,931
Gain on sale of fixed assets		2,786	200,333
Late payment charges		6,710	947
Nominee directors fee		8,875	5,857
Others		25	591
		<u>23,193</u>	<u>214,659</u>
27. OPERATING EXPENSES			
Total compensation expense	27.1	574,936	391,105
Property expense			
Rent & taxes		13,702	12,390
Insurance		512	388
Utilities cost		4,372	5,109
Security expense		63	599
Repairs & maintenance		36,748	27,082
Depreciation		6,139	6,137
		61,536	51,705
Information technology expenses			
Software maintenance		1,379	284
Hardware maintenance		69	69
Depreciation		12,196	7,871
Amortisation		5,458	4,455
Network charges		5,193	1,569
		24,295	14,248
Other operating expenses			
Directors' fees and allowances		84,995	53,691
Legal & professional charges		87,229	56,815
Outsourced services costs	27.2	19,896	16,568
Travelling & conveyance		2,459	16,960
Depreciation		22,215	2,488
Training & development		3,322	2,799
Postage & courier charges		315	283
Communication		6,365	6,153
Stationery & printing		3,257	2,555
Marketing, advertisement & publicity		3,780	2,447
Donations	27.3	37,000	19,000
Auditors' Remuneration	27.4	4,292	4,147
Newspaper, periodicals and subscription dues		7,184	3,858
Repairs & maintenance (others)		2,689	1,249
Bank charges		279	252
Entertainment expense		2,721	2,947
Others		18,008	11,313
		306,006	203,525
		<u>966,773</u>	<u>660,583</u>



27.1 Total compensation expense	Note	2020	2019
----- (Rupees in '000) -----			
Fee and allowance		65,527	43,072
Managerial remuneration - fixed		243,371	191,481
Managerial remuneration - variable (bonus)		177,841	102,270
Charge for defined benefit plan	34.8.1	23,800	22,310
Contribution to defined contribution plan		31,216	18,492
Medical		12,048	9,037
Pilgrimage sponsorship		-	1,330
Compensated absences		20,556	2,603
Others		577	510
Total		574,936	391,105
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:	Note	2020	2019
----- (Rupees in '000) -----			
Donee			
Prime Minister's Covid-19 Pandemic Relief Fund 2020		10,000	-
The Citizens Foundation		6,000	6,000
The Indus Hospital		3,000	1,500
Shaukat Khanum Memorial Trust		2,000	1,500
Roshni Homes Trust		1,500	1,500
The Tahzibul Akhlaq Trust		1,500	1,000
Family Educational Services Foundation		1,500	1,000
Sahara for Life Trust		1,500	-
Aziz Jehan Begum Trust for the Blind		1,000	1,000
Karigar Training Institute		1,000	1,000
Society for Human & Environmental Development		1,000	1,000
Karwan-e-Hayat		1,000	1,000
Developments in Literacy		1,000	1,000
Rural Education and Development Foundation		1,000	-
People's Primary Healthcare Initiative Balochistan		1,000	-
Afzaal Memorial Thalassemia Foundation		1,000	-
Karachi Down Syndrome Program		1,000	-
Kaarvan Crafts Foundation		1,000	-
The Kidney Centre		-	1,500
		37,000	19,000
27.3.1 None of the directors or their spouse had any interest in the donations made.			
27.4 Auditors' remuneration		2020	2019
----- (Rupees in '000) -----			
Audit fee		1,719	1,719
Fee for half yearly review		688	688
Special certifications and sundry advisory services		1,507	1,507
Out-of-pocket expenses		378	233
		4,292	4,147
28. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		250	915
29. PROVISIONS / (REVERSAL OF PROVISION) & WRITE OFFS - NET			
Provisions for diminution in value of investments	8.3.1	756,914	463,645
Provision / (Reversal) of provisions against loans & advances	9.4	273,740	(21,032)
Provision for impairment in other assets	12.2.1	3,026	7,855
		1,033,680	450,468

30. TAXATION	Note	2020	2019
		----- (Rupees in '000) -----	
Current		828,445	523,094
Deferred		645,998	501,514
		<u>1,474,443</u>	<u>1,024,608</u>
30.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>7,818,125</u>	<u>5,768,046</u>
Tax at the applicable rate of 29% (2019: 29%)		2,267,256	1,672,733
Net tax effect on income taxed at reduced rates		(800,914)	(655,407)
Others		8,101	7,282
		<u>1,474,443</u>	<u>1,024,608</u>
31. BASIC / DILUTED EARNINGS PER SHARE		2020	2019
		----- (Rupees in '000) -----	
Profit for the year		<u>6,343,682</u>	<u>4,743,438</u>
		----- (Numbers in '000) -----	
Weighted average number of ordinary shares		<u>400</u>	<u>400</u>
		----- Rupees -----	
Basic / diluted earnings per share		<u>15,859</u>	<u>11,859</u>
32. CASH AND CASH EQUIVALENTS		2020	2019
		----- (Rupees in '000) -----	
Cash and Balance with Treasury Banks	5	137,120	54,209
Balance with other banks	6	14,095	23,762
		<u>151,215</u>	<u>77,971</u>

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

	2020								
	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, 2020	28,953,243	-	764,704	10,000,000	9,543,420	2,827,279	4,027	11,159,927	33,534,653
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	(800,000)	(800,000)
Other Changes									
Liability related									
Changes in borrowings	33,199,729	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	2,820,000	-	-	-	-	-	-	-
Changes in other liabilities									
- Cash based	-	-	373,326	-	-	-	-	-	-
- Non-cash based	-	-	18,299	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	-	1,268,736	-	-	(1,268,736)	-
Deficit on revaluation of investment	-	-	-	-	-	(1,358,238)	-	-	(1,358,238)
Surplus on revaluation of non-banking assets of associates	-	-	-	-	-	-	1,739	-	1,739
Profit after tax	-	-	-	-	-	-	-	6,343,682	6,343,682
Other comprehensive income	-	-	-	-	-	-	-	(4,614)	(4,614)
	33,199,729	2,820,000	391,625	-	1,268,736	(1,358,238)	1,739	5,070,332	4,982,569
Balance as at December 31, 2020	62,152,972	2,820,000	1,156,329	10,000,000	10,812,156	1,469,041	5,766	15,430,259	37,717,222
------(Rupees in '000)-----									
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
	27,581,769	(35,000)	206,201	-	1,350,418	2,665,625	(1,622)	3,420,923	7,435,344
Balance as at December 31, 2019	28,953,243	-	764,704	10,000,000	9,543,420	2,827,279	4,027	11,159,927	33,534,653

33. STAFF STRENGTH

	2020	2019
	-----Number-----	
Permanent	68	58
On Company contract	1	1
Company's own staff strength at the end of the year	69	59

33.1 In addition to the above, 29 (2019: 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, 2020.

34.2 Number of Employees under the scheme

	2020	2019
	-----Number-----	
The number of employees covered under the defined benefit schemes are:	<u>69</u>	<u>58</u>

34.3 Principal actuarial assumptions

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

	Note	2020	2019
		----- Per annum-----	
Discount rate		<u>9.75%</u>	<u>11.25%</u>
Expected rate of return on plan assets		<u>9.75%</u>	<u>11.25%</u>
Expected rate of salary increase			
For first two years following valuation		<u>9.75%</u>	<u>11.25%</u>
For third year and onward		<u>9.75%</u>	<u>11.25%</u>

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

		2020	2019
		----- (Rupees in '000)-----	
Present value of obligations	34.5	<u>207,687</u>	160,869
Fair value of plan assets	34.6	<u>(143,283)</u>	(111,842)
		<u>64,404</u>	<u>49,027</u>

34.5 Movement in defined benefit obligations

Obligations at the beginning of the year		<u>160,869</u>	146,290
Current service cost		<u>18,290</u>	15,858
Interest cost		<u>18,418</u>	19,430
Benefits paid by the Company		<u>(6,164)</u>	(13,775)
Re-measurement loss / (gain)		<u>16,274</u>	(6,934)
Obligations at the end of the year		<u>207,687</u>	<u>160,869</u>

34.6 Movement in fair value of plan assets

Fair value at the beginning of the year		<u>111,842</u>	97,543
Interest income on plan assets		<u>12,909</u>	12,978
Contribution by the Company - net		<u>23,799</u>	16,953
Benefits paid during the year		<u>(6,164)</u>	(13,775)
Re-measurements: Net return on plan assets	34.8.2	<u>897</u>	(1,857)
Fair value at the end of the year		<u>143,283</u>	<u>111,842</u>

34.7 Movement in payable to defined benefit plan

Opening balance		<u>49,027</u>	48,747
Charge for the year	34.8.1	<u>23,800</u>	22,310
Contribution by the Company - net		<u>(23,800)</u>	(16,953)
Re-measurement: loss / (gain) recognised in OCI during the year	34.8.2	<u>15,377</u>	(5,077)
Closing balance		<u>64,404</u>	<u>49,027</u>



34.8 Charge for defined benefit plans

34.8.1 Cost recognised in profit and loss

	2020	2019
	----- (Rupees in '000) -----	
Current service cost	18,290	15,858
Net interest on defined benefit assets	5,510	6,452
	<u>23,800</u>	<u>22,310</u>

34.8.2 Re-measurements recognised in OCI during the year

Gain on obligation		
-Financial assumptions	(1,414)	(1,440)
-Experience adjustment	17,688	(5,494)
Return on plan assets over interest income	(897)	1,857
Total re-measurements recognised in OCI	<u>15,377</u>	<u>(5,077)</u>

34.9 Components of plan assets

Cash and cash equivalents - net	26,738	19,209
Government Securities	115,499	91,682
Investment in Mutual Fund	1,046	951

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

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

	2020	2019
	----- (Rupees in '000) -----	
1% increase in discount rate	191,101	147,663
1% decrease in discount rate	226,627	175,970
1 % increase in expected rate of salary increase	227,473	176,615
1 % decrease in expected rate of salary increase	190,086	146,886

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

33,513

34.12 Expected charge for the next financial year

33,513

34.13 Maturity profile

	2020	2019
	-----Years-----	
The weighted average duration of the present value of defined benefit obligation	8.52	8.76
Benefit Payments	2020	2019
Distribution of timing of benefit payments	----- (Rupees in '000) -----	
Years		
1	7,899	12,430
2	44,690	7,301
3	23,872	27,840
4	11,123	23,668
5	11,509	10,325
6 - 10	235,951	91,094

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

	2020				
	Directors		Chief Executive	Key Management Personnel	Other Material Risk Takers / Controllers
Chairman	Non-Executives				
	------(Rupees in '000)-----				
Fees and allowances etc.	5,425	21,062	-	-	-
Managerial Remuneration	-	-	49,200	139,225	43,332
Charge for defined benefit plan	-	-	-	6,566	1,982
Contribution to defined contribution plan	-	-	4,920	11,466	3,366
Rent & house maintenance	-	-	5,880	-	-
Utilities	-	-	3,420	-	-
Medical	-	-	620	846	451
Bonus Paid	-	-	20,000	44,790	6,366
Others	-	-	4,755	9,458	2,572
Total	5,425	21,062	88,795	212,351	58,069
Number of persons	1	4	1	12	5

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

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

	2019				
	Directors		Chief Executive	Key Management Personnel	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 Personnel 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

2020						
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	4,125	-	-	1,300	5,425
2.	Faisal Adnan Al-Hunaif	3,315	1,300	-	-	4,615
3.	Abdullah Salah A. Al-Sayer	3,315	1,300	1,300	-	5,915
4.	Rana Assad Amin	3,316	-	1,300	-	4,616
5.	Naveed Alauddin	3,316	1,300	1,300	-	5,916
		<u>17,387</u>	<u>3,900</u>	<u>3,900</u>	<u>1,300</u>	<u>26,487</u>

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>

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

37.1 On balance sheet financial instruments

2020										
	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	-	15,329,435	-	-	-	15,329,435	-	15,329,435	-	15,329,435
- Pakistan investment bonds	-	42,507,969	-	-	-	42,507,969	-	42,507,969	-	42,507,969
- Shares of listed companies	-	2,688,616	-	-	-	2,688,616	2,688,616	-	-	2,688,616
- Listed sukuk / term finance certificates	-	3,842,561	-	-	-	3,842,561	-	3,842,561	-	3,842,561
- Unlisted sukuk / term finance certificates	-	1,745,404	-	-	-	1,745,404	-	1,745,404	-	1,745,404
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	137,120	-	137,120	-	-	-	-
Balances with other banks	-	-	-	14,095	-	14,095	-	-	-	-
Investments										
- Investments in associates - listed	-	22,938,644	-	-	-	22,938,644	47,639,302	-	-	47,639,302
- Shares in unlisted companies	-	800	-	-	-	800	-	-	-	-
- Shares of unlisted associates	-	1,405,503	-	-	-	1,405,503	-	-	-	-
Advances	-	-	-	14,256,847	-	14,256,847	-	-	-	-
Other assets	-	-	-	1,339,389	-	1,339,389	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(62,152,972)	(62,152,972)	-	-	-	-
Deposits and other accounts	-	-	-	-	(2,820,000)	(2,820,000)	-	-	-	-
Other liabilities	-	-	-	-	(1,091,925)	(1,091,925)	-	-	-	-
	-	90,458,932	-	15,747,451	(66,064,897)	40,141,486				

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				

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:

	2020					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
------(Rupees in '000)-----						
Profit & Loss						
Net mark-up/return/profit	1,274,759	812,716	-	-	3,135	2,090,610
Non mark-up / return / interest income	27,709	(84,100)	7,062,146	862,344	16,482	7,884,581
Total Income	1,302,468	728,616	7,062,146	862,344	19,617	9,975,191
Segment direct expenses	(86,167)	(29,801)	(30,793)	(14,280)	(308,227)	(469,268)
Segment indirect expenses	(132,720)	(28,440)	(18,960)	(18,960)	(455,038)	(654,118)
Total expenses	(218,887)	(58,241)	(49,753)	(33,240)	(763,265)	(1,123,386)
(Provisions) / Reversals	(273,740)	-	-	(756,914)	(3,026)	(1,033,680)
Profit before tax	809,841	670,375	7,012,393	72,190	(746,674)	7,818,125
------(Rupees in '000)-----						
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
Balance Sheet						
Cash & Bank balances	-	151,165	-	-	50	151,215
Investments	5,587,966	57,837,404	24,344,947	2,688,615	-	90,458,932
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	14,110,601	-	-	-	105,473	14,216,074
Advances - non-performing	40,773	-	-	-	-	40,773
Others	263,408	1,102,795	-	10,172	582,273	1,958,648
Total Assets	20,002,748	59,091,364	24,344,947	2,698,787	687,796	106,825,642
Borrowings	53,204,607	8,948,365	-	-	-	62,152,972
Deposits & other accounts	-	2,820,000	-	-	-	2,820,000
Others	563,060	27,637	3,152,038	(7,731)	400,444	4,135,448
Total liabilities	53,767,667	11,796,002	3,152,038	(7,731)	400,444	69,108,420
Equity	796,569	729,527	1,430,493	64,023	34,696,610	37,717,222
Total Equity & liabilities	54,564,236	12,525,529	4,582,531	56,292	35,097,054	106,825,642
Contingencies & Commitments	12,695,668	-	-	-	-	12,695,668

	2019					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
(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
(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

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	
		2020	2019	2020	2019
----(Rupees in '000)----					
Related parties:					
PKIC Staff Provident Fund	Market Treasury Bills			216,100	180,700
	Pakistan Investment Bond	1	1	43,700	-
PKIC Staff Gratuity Fund	Market Treasury Bills			116,500	92,600

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:

	2020				2019			
	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	-	-	6,341	-	-	-	21,601	-
Investments								
Opening balance	-	-	21,092,192	500	-	-	15,197,136	500
Equity method accounting adjustments	-	-	3,251,955	-	-	-	5,895,056	-
Closing balance	-	-	24,344,147	500	-	-	21,092,192	500
Advances								
Opening balance	-	50,383	-	-	-	48,324	-	-
Addition during the year	-	20,800	-	-	-	6,792	-	-
Repaid during the year	-	(8,836)	-	-	-	(4,733)	-	-
Transfer in / (out) - net	-	(37)	-	-	-	-	-	-
Closing balance	-	62,310	-	-	-	50,383	-	-
Other Assets								
Interest / mark-up accrued	-	-	45	-	-	-	126	-
Receivable from Pak Kuwait Takaful Company	-	-	-	20,771	-	-	-	17,745
Non-current asset held for sale	-	-	-	-	-	-	-	135,000
Provision against other assets	-	-	-	(20,771)	-	-	-	(152,745)
	-	-	45	-	-	-	126	-
Borrowings								
Opening balance	-	-	25,692,879	-	-	-	-	-
Borrowings during the year	-	-	72,425,976	9,192,399	-	-	27,239,766	-
Settled during the year	-	-	(34,152,196)	(4,322,449)	-	-	-	-
Transfer in / (out) - net	-	-	(26,312,953)	(29,723)	-	-	(1,546,887)	-
Closing balance	-	-	37,653,706	4,840,227	-	-	25,692,879	-
Other Liabilities								
Payable to Staff Gratuity Fund	-	-	-	64,404	-	-	-	49,027
Payable to NCCPL	-	-	204	-	-	-	67	-
	-	-	204	64,404	-	-	67	49,027

	2020				2019			
	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	-	1,859	660	-	-	1,942	685	-
Dividend income	-	-	2,653,278	-	-	-	1,872,230	-
Other income								
- Nominee Director Fee	-	-	12,895	280	-	-	9,562	195
Expense								
Mark-up / return / interest paid / accrued	-	-	3,177,944	440,392	-	-	707,502	-
Operating expenses								
- Directors Fee	24,375	-	-	-	21,440	-	-	-
- Remuneration to key management personnel (including retirement benefits)	-	301,147	-	-	-	176,574	-	-
- Nominee Director Fee payment	-	-	-	4,300	-	-	-	3,855
- NCCPL Charges	-	-	1,134	-	-	-	724	-
- FMCL Office Maintenance Charges	-	-	-	30,595	-	-	-	27,701
- Contribution made to Staff Provident Fund	-	-	-	31,216	-	-	-	18,492
- Contribution made to Staff Gratuity Fund	-	-	-	23,800	-	-	-	22,310

41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020	2019
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>10,000,000</u>	<u>10,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	17,873,961	13,394,614
Eligible Tier 2 Capital	<u>1,774,806</u>	<u>2,831,306</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>19,648,767</u>	<u>16,225,920</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>39,303,393</u>	<u>29,634,786</u>
Market Risk	<u>5,814,020</u>	<u>6,133,412</u>
Operational Risk	<u>12,635,318</u>	<u>8,627,487</u>
Total	<u>57,752,731</u>	<u>44,395,685</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>30.95%</u>	<u>30.17%</u>
Tier 1 Capital Adequacy Ratio	<u>30.95%</u>	<u>30.17%</u>
Total Capital Adequacy Ratio	<u>34.02%</u>	<u>36.55%</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 was implemented by December 31, 2019. Under Basel III guidelines Banks / DFIs are required to maintain the following ratios on an ongoing basis.



Pak Kuwait

Capital Adequacy Ratio

	2020		2019	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	30.95%	6.00%	30.17%
Tier 1 Capital to total RWA	7.50%	30.95%	7.50%	30.17%
Total Capital to total RWA	12.50%	34.02%	12.50%	36.55%

Leverage Ratio (LR):

	2020	2019
	----- (Rupees in '000) -----	
Eligible Tier-1 Capital	17,873,961	13,394,614
Total Exposures	101,564,985	56,674,820
Leverage Ratio	17.60%	23.63%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	10,719,565	5,920,120
Total Net Cash Outflow	5,176,924	546,320
Liquidity Coverage Ratio	207%	1084%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	49,953,650	39,709,455
Total Required Stable Funding	43,969,945	32,659,182
Net Stable Funding Ratio	114%	122%

- 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 within risk capacity, 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. Further, information security risk is also being measured and monitored by providing regular training to all team members which helps them to highlight the risk and issues timely. Risk Management Department (RMD) performs the full fledge 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.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months affecting the earnings and cash flows of businesses.

The Company's Board and management remained fully aware of the challenges posed by the COVID-19 outbreak. From the onset company has taken all required measures in line with the instructions received from World Health Organization (WHO), State Bank of Pakistan (SBP), Government of Pakistan (GOP), Provincial Government, advice from medical experts and ongoing industry practice. Apart from office, Company has also initiated work from home concept and closely monitored the situation to ensure safety and security of its staff and providing uninterrupted service to its customers.

In respect of COVID-19's impact on economy and PKIC ongoing activities, Risk Management remained cautious and monitored all applicable risks as per SBP guidelines.

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, externally 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).

With respect to COVID-19, Risk Management had performed detailed exercise Rapid-Portfolio-Review on its entire credit portfolio with respect to COVID-19 to assess financial health of its borrowers and respective sectors of the economy. Due to on going Covid-19 pandemic, Risk Management will remain cautious and monitor financial health of credit portfolio.

PKIC regularly submits monthly update on entire portfolio to SBP as per prescribed format and also apprise senior management and BOD. PKIC credit portfolio remained fully compliant under risk management and its appetite framework during this period.

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	
	2020	2019	2020	2019	2020	2019
	------(Rupees in '000)-----					
Public / Government	-	-	-	-	-	-
Private	-	1,218,271	-	-	-	-
	-	1,218,271	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Textile	512,500	512,500	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	2,040,006	1,776,343	-	-	-	-
Financial	3,053,223	1,603,505	-	-	-	-
	5,626,867	3,913,486	33,638	33,638	33,638	33,638

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-	-
Private	5,626,867	3,913,486	33,638	33,638	33,638	33,638
	5,626,867	3,913,486	33,638	33,638	33,638	33,638

42.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Textile	4,934,484	1,938,526	644,908	671,884	631,095	657,355
Chemical and Pharmaceuticals	212,861	-	-	-	-	-
Cement	1,093,333	93,333	93,333	93,333	93,333	93,333
Sugar	785,822	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	996,071	596,071	196,071	196,071	169,111	169,111
Power (electricity), Gas, Water, Sanitary	3,470,834	2,648,319	-	-	-	-
Transport, Storage and Communication	2,000,000	2,000,000	-	-	-	-
Petroleum	187,330	213,580	-	-	-	-
Manufacturing	372,846	72,846	72,846	72,846	72,846	72,846
Individuals	105,473	84,572	-	-	-	-
Others	1,411,250	11,250	11,250	11,250	11,250	11,250
	15,581,415	7,705,430	1,065,341	1,092,317	1,024,568	1,050,828

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Public / Government	2,000,000	2,000,000	-	-	-	-
Private	13,581,415	5,705,430	1,065,341	1,092,317	1,024,568	1,050,828
	15,581,415	7,705,430	1,065,341	1,092,317	1,024,568	1,050,828

42.1.4 Contingencies and Commitments

	2020	2019
	----- (Rupees in '000) -----	
Credit risk by industry sector		
Power (electricity), Gas, Water, Sanitary	5,054,315	4,634,576
Textile	2,204,214	1,500,000
Chemical and Pharmaceuticals	2,137,139	-
Cement	300,000	-
Construction	-	400,000
Sugar	-	750,000
Footwear and Leather garments	500,000	-
Glass and Ceramics	200,000	500,000
Others	2,300,000	300,000
	<u>12,695,668</u>	<u>8,084,576</u>
Credit risk by public / private sector		
Public/ Government	-	-
Private	12,695,668	8,084,576
	<u>12,695,668</u>	<u>8,084,576</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. 10,333 million (2019: Rs. 6,748 million).

	2020	2019
	----- (Rupees in '000) -----	
Funded	9,896,634	6,247,770
Non Funded	436,201	500,000
Total Exposure	<u>10,332,835</u>	<u>6,747,770</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 8,768 million (2019: Rs. 8,768 million)

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,065,341	1,024,568	1,092,317	1,050,828
Total	<u>1,065,341</u>	<u>1,024,568</u>	<u>1,092,317</u>	<u>1,050,828</u>

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	2020					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----					
Punjab	-	5,145,072	-	-	-	-
Sindh	11,764,930	-	6,419,858	-	-	-
KPK including FATA	-	-	200,000	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	<u>11,764,930</u>	<u>5,145,072</u>	<u>6,419,858</u>	<u>200,000</u>	-	-

Province / Region	2019					
	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
------(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	-	-	-

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

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
------(Rupees in '000)-----						
Cash and balances with treasury banks	137,120	-	137,120	54,209	-	54,209
Balances with other banks	14,095	-	14,095	23,762	-	23,762
Lendings to financial institutions	-	-	-	1,218,271	-	1,218,271
Investments	87,551,922	2,907,010	90,458,932	53,274,426	3,066,706	56,341,132
Advances	14,256,847	-	14,256,847	6,654,602	-	6,654,602
Fixed assets	284,222	-	284,222	197,900	-	197,900
Intangible assets	13,790	-	13,790	19,248	-	19,248
Deferred tax assets	-	-	-	-	-	-
Other assets	1,660,636	-	1,660,636	1,271,649	-	1,271,649
Total	103,918,632	2,907,010	106,825,642	62,714,067	3,066,706	65,780,773

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.

41.2.3 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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	145,350	-	153,335
- Other comprehensive income	1,206,328	-	1,044,583	-

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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 1% change in interest rates on				
- Profit and loss account	88,493	-	80,180	-
- Other comprehensive income	-	-	2,307	-

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2020											
Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-Interest bearing financial instruments
	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)-----											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	137,120	-	-	-	-	-	-	-	-	137,120
Balances with other banks	6.00	14,095	12,289	-	-	-	-	-	-	-	1,806
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	10.95	90,458,932	21,118,680	18,402,763	4,957,329	2,000,622	1,000,000	2,738,688	10,194,200	3,013,089	27,033,561
Advances	6.9	14,256,847	4,680,681	4,753,381	371,566	191,894	534,040	635,021	1,240,912	1,789,212	48,115
Other assets	-	1,339,389	-	-	-	-	-	-	-	-	1,339,389
		106,206,383	25,811,650	23,156,144	5,328,895	2,192,516	1,534,040	3,373,709	11,435,112	4,802,301	48,115
Liabilities											
Borrowings	7.19	62,152,972	23,278,685	17,363,935	17,059,326	191,245	541,645	643,703	1,256,629	1,808,794	9,010
Deposits and other accounts	7.23	2,820,000	-	1,100,000	1,520,000	200,000	-	-	-	-	-
Other liabilities	-	1,091,925	-	-	-	-	-	-	-	-	1,091,925
		66,064,897	23,278,685	18,463,935	18,579,326	391,245	541,645	643,703	1,256,629	1,808,794	9,010
On-balance sheet gap		40,141,486	2,532,965	4,692,209	(13,250,431)	1,801,271	992,395	2,730,006	10,178,483	2,993,507	39,105
Off-balance sheet financial instruments											
Guarantee		436,201	-	-	-	436,201	-	-	-	-	-
Other commitments		12,259,467	-	-	-	-	-	-	-	-	12,259,467
Off-balance sheet gap		12,695,668	-	-	-	436,201	-	-	-	-	12,259,467
Total Yield/Interest Risk Sensitivity Gap			2,532,965	4,692,209	(13,250,431)	2,237,472	992,395	2,730,006	10,178,483	2,993,507	39,105
Cumulative Yield/Interest Risk Sensitivity Gap			2,532,965	7,225,174	(6,025,257)	(3,787,784)	(2,795,389)	(65,383)	10,113,100	13,106,607	13,145,712

2019											
Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-Interest bearing financial instruments
	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)-----											
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	414,199	338,422	43,117
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
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
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-
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
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
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
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

Reconciliation of financial assets and financial liabilities with total assets and liabilities	2020	2019
	----- (Rupees in '000) -----	
Total financial assets as per note 42.2.5	106,206,383	65,418,092
Add: Non-financial assets		
Fixed assets	284,222	197,900
Intangibles	13,790	19,248
Other assets	321,247	145,533
Total assets as per statement of financial position	<u>106,825,642</u>	<u>65,780,773</u>
Total financial liabilities as per note 42.2.5	66,064,897	29,668,920
Add: Non-financial liabilities		
Deferred tax liability	2,979,119	2,528,173
Other liability	64,404	49,027
Total financial liabilities as per statement of financial position	<u>69,108,420</u>	<u>32,246,120</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.

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel III requirements for capital adequacy calculation.

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. The Company has successfully and continuously performed BCP testing exercise (mainly from work at home) and all business and operational activities were performed uninterrupted and smoothly to cater internal and external customer.

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.



42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

		2020													
		Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		------(Rupees in '000)-----													
Assets															
Cash and balances with treasury banks		137,120	-	38,120	33,000	66,000	-	-	-	-	-	-	-	-	-
Balances with other banks		14,095	-	14,095	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments		90,458,932	63,425,369	-	88	-	53	-	-	2,670,785	-	280,267	-	2,573,533	21,508,837
Advances		14,256,847	-	-	216,368	216,369	29,254	29,255	223,594	1,939,479	1,939,480	1,406,494	1,771,733	3,212,977	3,271,844
Fixed assets		284,222	-	585	585	1,170	2,339	2,340	7,018	7,020	7,020	28,081	17,151	40,833	170,080
Intangible assets		13,790	-	57	57	115	230	230	690	689	690	2,758	2,758	5,516	-
Other assets		1,660,636	256,333	7,793	11,628	46,023	599,938	599,938	123,729	4,318	-	131	-	3,080	7,725
		106,825,642	63,681,702	60,650	261,726	329,677	631,814	631,763	355,031	4,622,291	1,947,190	1,717,731	1,791,642	5,835,939	24,958,486
Liabilities															
Borrowings		62,152,972	-	-	11,639,342	11,639,343	8,681,967	8,681,968	17,059,326	95,623	95,622	541,645	643,703	1,256,629	1,817,804
Deposits and other accounts		2,820,000	-	-	-	-	300,000	800,000	1,520,000	200,000	-	-	-	-	-
Deferred tax liabilities		2,979,119	2,979,119	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		1,156,329	-	298,007	9,199	454,905	145,534	145,535	3,108	-	-	3,108	3,108	93,825	-
		69,108,420	2,979,119	298,007	11,648,541	12,094,248	9,127,501	9,627,503	18,582,434	295,623	95,622	544,753	646,811	1,350,454	1,817,804
Net assets		37,717,222	60,702,583	(237,357)	(11,386,815)	(11,764,571)	(8,495,687)	(8,995,740)	(18,227,403)	4,326,668	1,851,568	1,172,978	1,144,831	4,485,485	23,140,682
Share capital		10,000,000													
Reserves		10,812,156													
Surplus on revaluation of assets		1,474,807													
Unappropriated profit		15,430,259													
		37,717,222													
		<hr/>													
		2019													
		Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		------(Rupees in '000)-----													
Assets															
Cash and balances with treasury banks		54,209	-	16,709	12,500	25,000	-	-	-	-	-	-	-	-	-
Balances with other banks		23,762	-	23,762	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions		1,218,271	-	1,218,271	-	-	-	-	-	-	-	-	-	-	-
Investments		56,341,132	23,958,373	-	-	-	-	-	-	9,113,112	-	1,855,648	91,379	3,382,602	17,940,018
Advances		6,654,602	-	-	32,019	32,019	35,803	35,803	1,035,625	776,008	776,008	386,071	843,134	1,520,279	1,181,833
Fixed assets		197,900	-	237	237	473	947	947	2,840	2,841	2,841	11,365	11,365	12,379	151,428
Intangible assets		19,248	-	80	80	161	321	321	962	962	963	3,850	3,850	7,698	-
Other assets		1,271,649	-	114,059	4,680	4,117	523,493	523,493	97,644	-	921	121	-	3,121	-
		65,780,773	23,958,373	1,373,118	49,516	61,770	560,564	560,564	1,137,071	9,892,923	780,733	2,257,055	949,728	4,926,079	19,273,279
Liabilities															
Borrowings		28,953,243	-	-	4,232	4,232	25,316	25,317	17,234,034	5,231,792	5,231,793	237,227	212,470	392,318	354,512
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities		2,528,173	2,528,173	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		764,704	-	205,714	1,521	398,252	110,196	-	-	-	-	-	-	49,021	-
		32,246,120	2,528,173	205,714	5,753	402,484	135,512	25,317	17,234,034	5,231,792	5,231,793	237,227	212,470	441,339	354,512
Net assets		33,534,653	21,430,200	1,167,404	43,763	(340,714)	425,052	535,247	(16,096,963)	4,661,131	(4,451,060)	2,019,828	737,258	4,484,740	18,918,767
Share capital		10,000,000													
Reserves		9,543,420													
Surplus on revaluation of assets		2,831,306													
Unappropriated profit		11,159,927													
		33,534,653													

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

		2020									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks		137,120	137,120	-	-	-	-	-	-	-	-
Balances with other banks		14,095	14,095	-	-	-	-	-	-	-	-
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-
Investments		90,458,932	10,372,195	53	4,957,329	4,671,407	1,335,323	3,362,686	23,378,731	19,840,126	22,541,082
Advances		14,256,847	432,737	58,510	223,594	3,879,922	1,406,494	1,771,733	3,212,977	3,185,926	84,954
Fixed assets		284,222	2,339	4,679	7,018	14,040	17,151	28,081	40,834	24,297	145,783
Intangible assets		13,790	230	460	690	1,379	2,758	2,758	5,515	-	-
Other assets		1,660,636	65,444	1,199,876	123,729	260,651	131	-	3,080	7,725	-
		106,825,642	11,024,160	1,263,578	5,312,360	8,827,399	2,761,857	5,165,258	26,641,137	23,058,074	22,771,819
Liabilities											
Borrowings		62,152,972	23,278,685	12,363,935	17,059,326	191,245	541,645	643,703	6,256,629	1,808,794	9,010
Deposits and other accounts		2,820,000	-	1,100,000	1,520,000	200,000	-	-	-	-	-
Deferred tax liabilities		2,979,119	109,492	-	-	23,838	166,364	-	188,311	(149,643)	2,640,757
Other liabilities		1,156,329	762,111	291,069	3,108	-	3,108	3,108	93,825	-	-
		69,108,420	24,150,288	13,755,004	18,582,434	415,083	711,117	646,811	6,538,765	1,659,151	2,649,767
Net assets		37,717,222	(13,126,128)	(12,491,426)	(13,270,074)	8,412,316	2,050,740	4,518,447	20,102,372	21,398,923	20,122,052
Share capital		10,000,000									
Reserves		10,812,156									
Surplus on revaluation of assets		1,474,807									
Unappropriated profit		15,430,259									
		37,717,222									

		2019									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks		54,209	54,209	-	-	-	-	-	-	-	-
Balances with other banks		23,762	23,762	-	-	-	-	-	-	-	-
Lending to financial institutions		1,218,271	1,218,271	-	-	-	-	-	-	-	-
Investments		56,341,132	88	22,671	-	11,921,459	3,189,180	91,661	4,630,729	17,039,988	19,445,356
Advances		6,654,602	64,038	71,605	1,035,625	1,552,016	386,071	843,134	1,520,279	1,138,422	43,412
Fixed assets		197,900	947	1,893	2,840	5,682	11,364	11,364	12,381	21,633	129,796
Intangible assets		19,248	321	642	962	1,925	3,850	3,850	7,698	-	-
Other assets		1,271,649	122,856	1,046,986	97,643	921	122	-	3,121	-	-
		65,780,773	1,484,492	1,143,797	1,137,070	13,482,003	3,590,587	950,009	6,174,208	18,200,043	19,618,564
Liabilities											
Borrowings		28,953,243	8,464	50,633	17,234,034	10,463,585	237,227	212,470	392,318	293,660	60,852
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities		2,528,173	37,930	-	-	60,980	159,808	-	187,944	(132,667)	2,214,178
Other liabilities		764,704	536,472	110,196	-	69,015	-	-	49,021	-	-
		32,246,120	582,866	160,829	17,234,034	10,593,580	397,035	212,470	629,283	160,993	2,275,030
Net assets		33,534,653	901,626	982,968	(16,096,964)	2,888,423	3,193,552	737,539	5,544,925	18,039,050	17,343,534
Share capital		10,000,000									
Reserves		9,543,420									
Surplus on revaluation of assets		2,831,306									
Unappropriated profit		11,159,927									
		33,534,653									



43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 24, 2021.

44. GENERAL AND NON-ADJUSTING EVENT

44.1 The Board of Directors of the Company has proposed cash dividend of Rs. 1,000 million (2019: Rs. 800 million) for the year ended December 31, 2020 in their meeting held on February 24, 2021. 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

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2020**

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						
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:												



Pak Kuwait

KARACHI HEAD OFFICE

4th Floor, Block-C, Finance & Trade Centre, Shahrah-e-Faisal, G.P.O. Box 901, Karachi-74400 Pakistan.
Ph: (92-21) 35630901-07, 35631031, 54-62 UAN: (92-21) 111-611-611 Fax: (92-21) 35630939, 35630940

LAHORE REPRESENTATIVE OFFICE

Office # 601, 6th Floor, Tricon Corporate Centre, Main Jail Road, Gulberg-II, Lahore.
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611 Fax: (92-42) 35781725

Email: info@pkic.com Website: www.pkic.com