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PAK-CHINA INVESTMENT COMPANY LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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Chairman's & Directors' Report 2021

We present the combined Chairman's and Directors' Report of Pak China Investment Company Limited (PCICL – the Company) along with the audited financial statements of the Company and Auditors' report thereon, for the year ended 31 December 2021.

Economy overview

Economic growth rebounded to 5.7% in FY 2020-21 and is expected to surpass it in FY 2021-22 as business activities have gradually resumed. Current Account Deficit and Fiscal Deficit have been under control in FY 2020-21 which helped easing the pressure on forex reserves and Government spending on Covid related matters.

Government and State Bank of Pakistan (SBP) took many monetary and fiscal policy initiatives to bolster economic activities in Pakistan. These policy efforts proved instrumental in driving the sharp recovery in real GDP growth in FY 2020-21, exceeding expectations. The growth was broad-based, with major shares from industry, and wholesale and retail trade services. Led by the conducive supply and demand dynamics as well as a low base effect from Covid-led contraction last year.

This rebound in economic growth was facilitated by a significant expansion in credit off take by the private sector. The demand for fixed investment loans was high, and these rose close to the levels seen during the previous high-growth years of FY 2017-18. The SBP's concessionary refinance schemes, particularly for long-term investment under the Temporary Economic Refinance Facility (TERF), played a major role in increasing the long terms loans.

During the year under review, to counter inflationary pressures and ensure that growth remains sustainable Monetary Policy Committee increased the policy rate by 275 bps in nearly three months' time scale which repriced the existing loans on a higher side.

Pakistan's economy is expected to continue recovering, supported by stronger private investment, improving business activity, a steady vaccine rollout, and economic stimulus measures introduced in FY 2020-21. Headline inflation has been on higher side due to base effects and energy prices and is not likely to be contained amidst the global conflict going on. Future Monetary Policy decisions will majorly base on inflation surge and CAD figures.

Operating Results

PCICL's profit after tax for financial year 2021 was Rs. 773.16 million as compared to Rs. 773.20 million in 2020, almost the same. Thus, EPS in both years 2021 and 2020 was Re. 0.80. Detailed analysis is given in below paragraphs.

In order to provide stimulus to economy after Covid-19, SBP had reduced policy rate from 13.25% to 7% in first half of the financial year 2020, which has in fact reduced the net mark-up income in 2021 as compared to 2020, however rising inflation during the year under review forced SBP to increase policy rate from 7% to 9.75% in the last quarter of the year 2021 and thus impacting the slight increase in top line. The major impact of this increase in policy rate would culminate into increased net mark-up income in year 2022. The reduction in net mark-up income due to reduction in policy rate was wholly off-set by full recovery of suspended mark-up of one of the syndicate clients.

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The fee and commission income increased by 33% i.e. Rs. 31.68 million, depicting our business divisions' commitment towards advisory and unfunded portfolio. Exchange income increased from Rs. 56.92 million in 2020 to Rs. 251.43 million in 2021, a massive increase due to pressure on Rupee against US Dollar caused by continuous CAD figure. This all increase in non-fund income was partly offset by net loss on securities which have come down from net gain of Rs. 110.73 million in 2020 to net loss of Rs. 42.65 million in 2021. Due to macroeconomics factors, PSX's performance remained lacklustre the whole year, coupled with down-gradation from Emerging Markets to Frontier Markets by Morgan Stanley Capital International (MSCI).

PCICL followed the same principles of austerity measures as it followed during the outbreak of Covid-19 and lock down. Operating expenses grew by only 8.64% thus helping in offsetting the impact of decreased policy rate during the first three quarters of the financial year 2021 to support the bottom line.

On Balance Sheet front, investments decreased as compared to last year due to maturity of Market Treasury Bills. This reduction was partially offset by fresh investments in debt securities and a commercial paper. The gross advances grew by handsome 36.76% as compared to last year. With the enhanced focus on close monitoring of our relationships, PCICL had no new NPL during 2021. Concerted efforts of our Business and SAM to collect overdue amounts has borne fruit in current year under review as a chronic defaulted client had come forward for out-of-court settlement, and PCICL succeeded in recovering partial principal amount. Resultantly, NPL to gross advances ratio decreased from 13.55% as of year-end to 9.66% at the end of current year. Short term borrowings have decreased substantially with the maturity of Market Treasury Bills, however long term borrowings from SBP and other Banks have increased to fund the disbursements.

Appropriations

The Board of Directors recommends the appropriations of Rs. 154.63 million from unappropriated profit to statutory reserve for the year ended 31 December 2021, as per instructions of SBP.

Entity Ratings

During the year, the Company's long-term entity rating was maintained at 'AAA' by VIS Credit Rating Company Limited. The medium to long-term rating of 'AAA' is the highest rating rank and denotes highest credit quality, with negligible risk factors, being only slightly more than for risk-free debt of Government of Pakistan. The short-term rating of 'A-1+' denotes highest certainty of timely payment, liquidity factors are outstanding and safety is just below risk free short-term obligations of Government of Pakistan. Outlook on the assigned ratings is 'Stable'.

The assigned ratings of PCICL incorporate implicit support of its two sovereign sponsors, Government of Pakistan (GoP) and People's Republic of China (PRC), with equal shareholding held through Ministry of Finance (MoF) and China Development Bank (CDB), respectively. The ratings also take into account strong capitalization, diversified revenue stream, sound liquidity, and conservative risk appetite.

Risk Management

The risk management framework encompasses multi-tier management supervision, efficient monitoring and clearly articulated risk appetite, policies and procedures. The Company is exposed to credit risk, market risk, liquidity risk and operational risk over the course of its core operations. Given the current macroeconomic scenario in Pakistan, foreign exchange risk and interest rate risk are also important factors affecting the Company's on and off balance sheet activities. Details about these principal risks faced by the company along with their mitigants are given in note 42 of attached financial statements.

The Company remains adequately capitalised as at 31 December 2021 with a capital adequacy ratio reported at 62.84% (2020: 70.68%) and leverage ratio at 41.08% (2020: 39.22%).

Associated Companies

During 2017, the Company invested in 40,073,830 shares of Pakistan Stock Exchange Limited (PSX) thus owning 5% of total share capital of the PSX. The Company has a representation in the Board of Directors of PSX, making it an associated company. Management has carried out an impairment analysis based on future free cash flows of PSX discounted at the Company's cost of equity as of year-end. The recoverable value as at the year-end calculated through impairment model showed that it is more than the carrying value and hence no impairment is warranted at the year end.

The Company also holds 15,000,000 shares of Central Depository Company of Pakistan Limited owning 5% of the total share capital of CDC. The Company has a representation in the Board of Directors of CDC, making it an associated company.

Till date, the Company has disbursed equity contribution of Rs. 201.1 million (2020: Rs. 201.1 million) in Deli JW Glassware Company Limited. In 2019, Deli-JW issued 10,000 ordinary shares to its sponsors; with the Company receiving 5% of the issued share capital. The Company is entitled to 9% share in the ordinary share capital of Deli-JW and is represented on the Deli-JW Board of Directors (BOD) by an employee of the Company, and hence carried in the books as investment in associate.

Investments in associates have been carried in the books on equity method as per International Accounting Standard 28 'Investment in Associates and Joint Ventures'.

Customer Complaint Management

PCICL has a procedure in place for customer complaints. However, no customer complaint was lodged during the year under review.

Corporate Governance

As per BPRD Circular No. 14 of 2016 dated 20 October 2016, Code of Corporate Governance issued by the SECP is not applicable on DFIs, however SBP expects DFIs to follow the best

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practices on corporate governance. The Company as a good governance practice has complied with the relevant requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019 for the year ended 31 December 2021. A statement to this effect is given below:

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of these 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 departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;

Rs. in millions

	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
P&L						
Net Interest Income	1,468	1,439	1,713	1,082	954	697
Non Interest Income	352	284	263	405	277	435
Profit before tax	1,133	1,166	1,066	912	970	858
Profit after tax	773	773	760	619	671	615
EPS (Re)	0.80	0.80	0.78	0.68	0.74	0.67
Balance Sheet						
Assets	37,971	31,409	33,403	19,762	24,421	22,518
Advances – net	15,842	11,550	9,291	7,620	7,900	6,040
Investments – net	12,843	15,658	19,130	9,976	13,848	7,734
Net Assets	18,275	17,482	16,632	15,361	14,669	14,126

- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2021, except as disclosed in annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in note 36 to the financial statements;

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- Following is the fair value of investments as at 31 December 2021:
 - Provident Fund: Rs. 82.96 million, based on un-audited financial statements
 - Gratuity Fund: Rs. 74.33 million, based on un-audited financial statements
- During 2021, attendance of directors in Board and its committee meetings was as follows:

Sr. No.	Name of Directors	Number of Board meetings attended / held	Number of Board committee meetings attended / held		
			BAC	BHRC	BRMC
1.	Mr. Noor Ahmed	4/4	4/4	1/1	2/2
2.	Ms. Wang Li	4/4	4/4	1/1	2/2
3.	Mr. Wang Baojun	4/4	-	-	1/1
4.	Mr. Jiang Ketao	1/1	-	-	1/1

Board Structure and Performance Evaluation

The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and all other employees of the Bank. Board constitutes members from diverse professional backgrounds who bring a wealth of experience, and has established independent committees to ensure the highest standards in transparency, compliance and the efficacy of business and risk management strategies in order to oversee the discharge of stewardship.

Total number of male and female directors, composition of Board into executive and non-executive directors and names of members of Board committees are disclosed in statement of compliance with Code of Corporate Governance, annexed in this annual report.

The Board of Directors of PCICL is cognizant of its responsibilities and carry out its fiduciary duties with a sense of objective judgement in the best interest of the Company. During the year, four Board meetings were held along with meetings of different committees from time to time, as and when legally or operationally required. All the significant matters, as per TORs of respective committees, were brought to the attention of committees and recommendations were made to the Board. Besides deciding on recommendations of its committees, Board also discharged its statutory responsibilities as required by the law, regulations and code.

The role of Board is evaluated as per SBP guidelines. The Company has put in place an evaluation framework for evaluation of the Board. The performance of the Board is assessed on select parameters, undertaken through a questionnaire, relating to Board's composition, working procedure, role of the Board, Board's oversight and relationship with the management. Evaluation is done on annual basis. Last year's evaluation was carried out in the Board meeting held on 30 March 2021. This year's evaluation will be done in the meeting to be held for approval of annual financial statements.

Pattern of Shareholding

The pattern of shareholding at the close of 31 December 2021 is as under:

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

Statement on Internal Controls

The Board of Directors of the Company is responsible for ensuring that an adequate and effective internal control system exists in the Company and that the management of the Company assumes responsibility of establishing and maintaining effective internal controls throughout the Company and has made a statement on internal control in this regard. The management's statement on internal control is being endorsed by the Board of Directors through this report.

Auditors

The present auditors, M/s EY Ford Rhodes & Co., Chartered Accountants have completed their assignment for the year ended 31 December 2021 and shall retire at the conclusion of the Meeting.

The Board of Directors, on the recommendation of the Board Audit Committee, has recommended M/s A.F. Fergusons & Co, Chartered Accountants, who have consented for appointment as statutory auditor for the year 2022; in place of retiring auditors. M/s A.F. Fergusons & Co, Chartered Accountants, have confirmed that they have been given satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountant's (IFAC) Guideline on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under the applicable laws.

Events after the Date of Statement of Financial Position

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

Looking Ahead

The foremost challenges for Pakistan's policy makers are to ensure consolidation of economic stability and improvement in the fiscal regime through a higher tax to GDP ratio, expenditure restraint, control of the inflationary pressures, and continued enhancement of the competitiveness of our exports. The risks to the economy are multifaceted including global uncertainties and hence Pakistan would have to wade through rough times ahead. Given the

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challenges on hand, 2022 is expected to be a year to watch for measures of consolidation and economic stabilization. We will be focusing on the growth of quality assets and business, backed by our efficient and robust operating platform.

Outgoing and Incoming Directors of the Company

Mr. Wang Baojun tenure as Managing Director of the Company ended during the year, after serving more than three years. The Company achieved new heights during his tenure and adopted cautious and enhanced control and monitoring environment in his leadership. Likewise, tenure of Mr. Noor Ahmed ended during the year as non-executive director of the Company. We wish to place on record our deepest appreciation for the contributions made by them towards achieving the objectives of the Company. Mr. Wang Baojun has now been nominated as Chairman Board of Directors of the Company, and Mr. Jiang Ketao has been designated as Deputy Managing Director of the Company. We welcome both of them on board.

Acknowledgements

The Board expresses its gratitude for the support and commitment extended by our main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.



Hassan Raza
Managing Director
Pak China Investment Co. Ltd.



Wang Baojun
Chairman Board of Directors
Pak China Investment Co. Ltd.

25 October 2023
Islamabad



چیزمین اور ڈائریکٹرز رپورٹ

ہم پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ (PCICL) کی 31 دسمبر 2021 کو ختم ہونے والے سال کی چیزمین اور ڈائریکٹرز کی مشترکہ رپورٹ مع کمپنی کے آڈٹ شدہ مالیاتی گوشوارے اور اس پر آڈیٹرز رپورٹ پیش کرتے ہیں۔

معاشی جائزہ

مالی سال 2020-21 میں معاشی نمو 5.7 فیصد تک پہنچ گئی اور کاروباری سرگرمیاں بتدریج دوبارہ شروع ہونے کی وجہ سے مالی سال 2020-21 میں اس سے بہتر ہونے کی توقع ہے۔ مالی سال 2020-21 میں کرنٹ اکاؤنٹ خسارہ اور مالیاتی خسارہ کنٹرول میں رہا جس سے غیر ملکی زرمبادلہ کے ذخائر اور کووڈ سے متعلقہ معاملات پر حکومتی اخراجات پر دباؤ کو کم کرنے میں مدد ملی۔

حکومت اور سٹیٹ بینک آف پاکستان (SBP) نے پاکستان میں معاشی سرگرمیوں کی بحالی کے لئے بہت سے دانشمندانہ مانیٹری اور مالیاتی پالیسی اقدامات کیے۔ یہ کوششیں مالی سال 2020-21 میں جی ڈی پی کی ترقی میں تیزی سے بحالی کے لئے توقع سے زیادہ اہم ثابت ہوئیں۔ وسیع اہلیا دہی ترقی کی بڑی وجہ صنعتی ترقی، ہول سیل اور خوردہ تجارتی خدمات ہیں، علاوہ ازیں، سازگار رسد اور طلب کے ساتھ ساتھ Covid کی وجہ سے گزشتہ سال کا ایک کم بنیاد ہونا بھی ہے۔

معاشی ترقی کی اس بحالی کو کئی شعبے میں قرضہ جات کو نمایاں توسیع کے ذریعے سہولت فراہم کی گئی۔ مقررہ سرمایہ کاری کے قرضوں کی مانگ زیادہ تھی اور ان کی سطح پچھلے اعلیٰ نمو کے سال 2017-18 میں زیادہ بڑھتے ہوئے دیکھی گئی۔ اسٹیٹ بینک کی رعایتی ری فنانس سکیموں، خاص طور پر عارضی اقتصادی ری فنانس سہولت (TERF) کے تحت طویل سرمایہ کاری کے لئے طویل مدتی قرضوں کو بڑھانے میں اہم کردار ادا کیا۔

زیر نظر سال کے دوران، افراط زر کے دباؤ کا مقابلہ کرنے اور ترقی کو برقرار رکھنے کے لئے، مانیٹری پالیسی کمیٹی نے تقریباً تین ماہ کے نام سکیل میں پالیسی ریٹ میں 275 bps کا اضافہ کیا جس سے موجودہ قرضوں کی قیمت میں اضافہ ہو گیا۔

مضبوط ٹی سرمایہ کاری، کاروباری سرگرمیوں میں بہتری، ایک مستحکم و یکسین رول آؤٹ، اور مالی سال 2020-21 میں متعارف کرائے گئے معاشی متحرک اقدامات کی مدد سے توقع ہے کہ پاکستان کی ترقی جاری رہے گی۔ بنیادی اثرات اور توانائی کی قیمتوں کی وجہ سے مہنگائی کی شرح زیادہ رہی ہے اور عالمی تنازعہ کی وجہ سے اس پر قابو پانے کے امکانات کم ہیں۔ مستقبل کی مالیاتی پالیسی کے فیصلے زیادہ تر مہنگائی میں اضافے اور CAD کے اعداد و شمار پر مبنی ہونگے۔

آپریٹنگ نتائج

سال 2021 میں PCICL کے بعد از ٹیکس منافع 773.16 ملین روپے رہا جو کہ گزشتہ سال یعنی 2020 میں 773.20 ملین روپے کی نسبت تقریباً اتنا ہی رہا۔ اسی طرح 2021 اور 2020 میں فی حصص آمدنی 0.80 روپے تھی۔ تفصیلی تجزیہ درج ذیل پیرا گراف میں دیا گیا ہے۔

کووڈ کے بعد معیشت کو بحال کرنے کے لئے SBP نے مالی سال 2020 کی پہلی ششماہی میں پالیسی ریٹ کو 13.25 فیصد سے کم کر کے 7 فیصد کر دیا تھا۔ جس سے درحقیقت 2020 کے مقابلے میں نیٹ مارک اپ آئٹم میں کمی واقع ہوئی ہے تاہم زیر جائزہ سال کے دوران بڑھتی ہوئی مہنگائی نے نیٹ بینک کو سال 2021 کی آخری سہ ماہی میں پالیسی ریٹ 7 فیصد سے بڑھا کر 9.75 کرنے پر مجبور کیا اور اسی طرح ٹاپ لائن میں معمولی اضافہ ہوا۔ پالیسی ریٹ میں اضافے کا بڑا اثر 2022 میں بڑھتی ہوئی نیٹ مارک اپ آئٹم میں دکھائی دے گا۔ خالص مارک اپ آمدنی میں کمی جو کہ پالیسی ریٹ کی وجہ سے واقع ہوئی، سنڈیکیٹ کلائنٹس میں سے ایک کے معطل شدہ مارک اپ کی مکمل وصولی سے مکمل طور پر زائل ہو گئی تھی۔ فیس اور کمیشن میں 33 فیصد اضافہ یعنی 31.88 ملین روپے۔ ہمارے Business Divisions کی ایڈوائزی اور غیر فنڈڈ پورٹ فولیو پر مرکوز توجہ کو غماہر کرتا ہے۔ زرمبادلہ کی آمدنی 2020 میں 56.92 ملین سے بڑھ کر 2021 میں 251.43 ملین روپے ہو گئی لگا تار CAD اعداد و شمار کی وجہ سے امریکی ڈالر کے مقابلے روپے پر دباؤ کی وجہ سے ایک زبردست اضافہ ہوا۔ غیر فنڈڈ آمدنی میں یہ اضافہ جزوی طور پر سیکورٹیز پر ہونے والے نیٹ لاس سے ختم ہوا جو کہ 2020 میں 110.73 ملین روپے منافع سے گر کر 2021 میں 42.65 ملین روپے نقصان پر آ گیا۔ میکرو اکنامکس عوامل اور اس کے ساتھ ساتھ مورگن اسٹینڈی کیٹیوئل انڈیکس (MSCI) کی جانب سے ابھرتی مارکیٹس سے فرنیچر مارکیٹس میں تنزلی سارا سال PSX کی ناقص کارکردگی کی وجہ تھی۔

پی سی آئی سی ایل نے کفایت شعار کی انہی اصولوں پر عمل کیا جیسا کہ اس نے کووڈ 19 کے پھیلنے اور لاک ڈاؤن کے دوران کیا تھا۔ پالیسی ریٹ میں کمی کے اثرات کو پورا کرنے کے لئے 2021 کی پہلی تین سہ ماہیوں کے دوران آپریٹنگ اخراجات میں صرف 8.64 فیصد اضافہ ہوا۔

بیلنس شیٹ کو اگر دیکھا جائے تو گزشتہ سال کی نسبت سرمایہ کاری میں کمی ہوئی۔ جس کی بڑی وجہ مارکیٹ ٹریڈری بلز کی مدت کا مکمل ہونا ہے اس کی سے جزوی طور پر ڈیٹ سیکورٹیز اور ترجیحی شیئرز میں تازہ سرمایہ کاری سے تلافی ہوئی۔ مجموعی ایڈوانسز میں 36.76% کا نمایاں اضافہ ہوا، صارفین کے ساتھ تعلقات پر توجہ مرکوز کرنے کی وجہ سے سال 2021 میں کوئی نیا (NPL) نمودار نہیں ہوا۔ واجب الادا رقم کے حصول کے لیے برنس اور SAM کی مشترکہ کاوشوں کے ثمرات ایک دائمی ڈیٹا کا نیٹ کی عدالت کے باہر تصفیے پر آمدگی کی صورت میں نظر آئے اور PCICL جزوی طور پر اصل رقم کی وصولی میں کامیاب ہوا نتیجتاً NPL کی مجموعی ترقی کا تناسب سال کے آخر تک 13.550 فیصد سے کم ہو کر رواں مالی سال کے آخر میں 9.66 فیصد ہو گیا۔ مارکیٹ ٹریڈری بلز کی مدت پوری ہونے کی وجہ سے قلیل مدتی قرضوں میں خاطر خواہ کمی آئی ہے۔ تاہم اسٹیٹ بینک آف پاکستان اور دیگر بینکوں سے طویل مدتی قرضوں میں ادائیگیوں کے لیے اضافہ ہوا ہے۔

تصرفات

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، 31 دسمبر 2021 کیلئے بورڈ آف ڈائریکٹرز غیر تصرفاتی منافع سے قانونی ریزرو کے لئے 154.63 ملین روپے کی تجویز کرتا ہے۔

ادارہ جاتی درجہ بندی

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سال کے دوران کمپنی کی طویل مدتی ایٹینیٹی ریٹنگ 'AAA' برقرار رکھی۔ وسط مدتی اور طویل مدتی ریٹنگ میں 'AAA' بلند ترین ریٹنگ ہے جو کہ غیر اہم رسک کے عناصر کے ساتھ سب سے اعلیٰ ترین کریڈٹ کے معیار کی طرف اشارہ کرتی ہے جو کہ حکومت پاکستان کے رسک فری قرضہ سے تھوڑا سا زیادہ ہوتا ہے۔ مختصر مدت کی ریٹنگ کو 'A-1+' برقرار رکھا گیا ہے جو کہ بروقت ادائیگی کے بلند ترین یقین، لیکویڈیٹی کے عوامل کے غیر معمولی ہونے اور حکومت پاکستان کے رسک فری مختصر مدتی واجبات سے تھوڑا سا نیچے ہیں۔ تقویض شدہ ریٹنگز میں آؤٹ لک مستحکم ہے۔ PCICL کو تقویض کردہ ریٹنگ کی بنیاد اس کے دو خود مختار سپانسر، حکومت پاکستان اور عوامی جمہوریہ چین ہیں جس میں وزارت خزانہ اور چین ڈیولپمنٹ بینک کے مساوی شیئرز ہیں۔ اس ریٹنگ میں مضبوط سرمایہ متنوع اور یونیورسٹی جتنوں اور مستحکم لیکویڈیٹی اور خطرات سے پاک تحفظاتی عوامل کا بھی خیال رکھا جاتا ہے۔

رسک مینجمنٹ

رسک مینجمنٹ فریم ورک میں کثیر جہتی انتظامی گمرانی، موثر مانیٹرنگ اور مجتمع خطرات کا احاطہ، پالیسیاں اور طریقہ کار شامل ہیں۔ کمپنی کو بنیادی ذمہ داریوں کی انجام دہی کے دوران کریڈٹ رسک، مارکیٹ رسک، لیکویڈیٹی رسک اور آپریشنل رسک کا سامنا ہوتا ہے۔ پاکستان میں موجودہ معاشی صورتحال کے پیش نظر، فارن ایکسچینج رسک اور شرح سود کا رسک بھی کمپنی کی بیلنس شیٹ کو بالواسطہ یا بلاواسطہ طور پر متاثر کرنے میں شامل ہے۔ کمپنی کو درپیش ان اہم رسکس کی تفصیلات اور ان میں تخفیف کا طریقہ کار منسلک شدہ مالیاتی گوشوارے کے نوٹ 42 میں وضاحت سے دیا گیا ہے۔

کمپنی نے 31 دسمبر 2021 کو کیپٹل ایڈیکویٹی تناسب 62.84 فیصد (2020:70.68) اور لیوریج تناسب 41.08 فیصد (2020:39.22) کے ساتھ سرمائے کے موزوں استفادے کو برقرار رکھا ہوا ہے۔

شریک کمپنیاں

مالی سال 2017 کے دوران کمپنی نے پاکستان اسٹاک ایکسچینج لمیٹڈ میں 40,073,830 حصص کی سرمایہ کاری کی اور اس طرح پی ایس ایکس کے کل شیئرز کیپٹل کا پانچ فیصد حاصل کیا۔ کمپنی کی پاکستان اسٹاک ایکسچینج لمیٹڈ کے بورڈ آف ڈائریکٹرز میں نمائندگی بھی ہے جو اسے شریک کمپنی بناتی ہے۔ انتظامیہ نے کمپنی کے کاسٹ آف ایکویٹی کی قیمت پر پی ایس ایکس کے مستقبل کے فری کیش فلوز کو ڈسکاؤنٹ کر کے نقصان کا تجزیہ کیا ہے۔ اس جائزے سے معلوم ہوا کہ سال کے آخر میں PSX حصص کی حامل کنندہ قدر اس کی موجودہ قدر سے زیادہ ہے لہذا نقصان کا کوئی اندیشہ نہیں ہے۔

کمپنی کے پاس سنٹرل ڈیپازٹری کمپنی آف پاکستان کے 15,000,000 حصص ہیں جو سی ڈی سی کے کل حصص کیپٹل کے پانچ فیصد ہیں۔ سی ڈی سی کے بورڈ آف ڈائریکٹرز میں کمپنی کی نمائندگی ہے جو اسے ایک شریک کمپنی بناتی ہے۔

موجودہ تاریخ تک کمپنی نے ڈیلی جے ڈبلیو گلاس ویز کمپنی میں مساوی شراکت کے لئے 201.1 ملین (201.1 ملین روپے: 2020) روپے تقسیم کئے ہیں۔ 2019 میں ڈیلی جے ڈبلیو نے اپنے سپانسرز کو 10,000 عام شیئرز جاری کئے، جاری کردہ حصص کیپٹل کا 5 فیصد کمپنی کو جاتا ہے۔ کمپن

ی Deli-JW کے عام حصص میں 9 فیصد حصص کی حقدار ہے اور کمپنی کے ایک ملازم کے ذریعے Deli-JW کے بورڈ آف ڈائریکٹرز میں اسکی نمائندگی کی جاتی ہے اور اسے بطور ایسوی ایٹ میں سرمایہ کاری کے طور پر درج ہوتا ہے۔

چیمبرمین اور ڈائریکٹرز رپورٹ

صارفین کی شکایات کا ازالہ

صارفین کی شکایات کیلئے کمپنی نے طریقہ کار وضع کر رکھا ہے، تاہم زیر نظر پورے سال کے دوران کوئی شکایت درج نہیں کرائی گئی۔

کارپوریٹ گورننس

بی پی آر ڈی کے سرکلر نمبر 14 آف 2016 بتاریخ 20 اکتوبر 2016 کے مطابق ایس ای سی پی کے جاری کردہ کارپوریٹ گورننس کے کوڈ کا اطلاق DFIs پر نہیں ہوتا، تاہم سٹیٹ بینک آف پاکستان توقع کرتا ہے کہ DFIs کارپوریٹ گورننس کے بہترین طریقہ کار پر عمل کریں گے۔ کمپنی نے سال کے اختتام 31 دسمبر 2021 کے لئے گڈ گورننس (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے متعلقہ تقاضوں میں شامل اچھی گورننس کی پریکٹسز پر عمل کیا ہے۔ اس ضمن میں ایک بیانیا اس سالانہ رپورٹ کے ساتھ لف ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس کی مناسب کتابیں بنائی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیز کا اطلاق تسلسل سے کیا جا رہا ہے اور اکاؤنٹنگ تخمینہ موزوں اور دانشمندانہ فیصلوں پر مبنی ہوتا ہے۔
- انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز جیسے کہ پاکستان میں قابل اطلاق ہیں، ان پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے گئے ہیں اور اعتراف کی صورت میں اس کی وضاحت کی گئی ہے۔
- اندرونی انضباط کا نظام بہت مضبوط و خدو خال کا حامل ہے جس پر موزوں عملداری اور نگرانی کی گئی ہے۔
- کمپنی کے کاروباری معاملات جاری رہنے کی صلاحیت پر کوئی نمایاں شک و شبہ نہیں ہے۔
- گزشتہ چھ سالوں کیلئے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ درج ذیل ہے۔

ملین روپے میں

دسمبر-2016	دسمبر-2017	دسمبر-2018	دسمبر-2019	دسمبر-2020	دسمبر-2021	بی اینڈ ایل
						خالص سودی آمدن
697	954	1,082	1,713	1,439	1,468	
435	277	405	263	284	352	بلا سود آمدن
858	970	912	1,066	1,166	1,133	ٹیکس سے قبل منافع
615	671	619	760	773	773	ٹیکس کے بعد منافع
0.67	0.74	0.68	0.82	0.80	0.80	فی حصص آمدنی (روپے)
						بیلنس شیٹ
22,518	24,421	19,762	33,403	31,409	31,971	اثاثہ جات
6,040	7,900	7,620	9,291	11,550	15,842	قرضہ جات خالص
7,734	13,848	9,976	19,130	15,457	12,843	سرمایہ کاری خالص
14,126	14,669	15,361	16,632	17,482	18,275	خالص اثاثے

■ 31 دسمبر 2021 کو ٹیکسز، ڈیوٹی، بیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بھایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔

■ مالیاتی گوشواروں کے نوٹس میں ایگزیکٹوز اور نان ایگزیکٹوز ڈائریکٹرز کے مشاہیروں کی مجموعی تفصیلات دی گئی ہیں۔

■ 31 دسمبر 2021 تک کی گئی سرمایہ کاری کی درج ذیل فیچر ویلیو ہیں۔

- پروڈیٹس فنڈ 82.96 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
- گریجویٹ فنڈ: 74.33 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
- 2021 کے دوران، بورڈ اور اس کی کمیٹی کے اجلاسوں میں ڈائریکٹرز کی حاضری حسب ذیل رہی:

بورڈ کمیٹی کے اجلاس میں شرکت کی تعداد / منعقدہ			بورڈ میٹنگ میں شرکت کی تعداد / منعقدہ	ڈائریکٹرز کی تعداد	سیریل نمبر
BRMC	BHRC	BAC			
2/2	1/1	4/4	4/4	جناب نور احمد	1
2/2	1/1	4/4	4/4	مس وانگ لی	2
1/1	-	-	4/4	جناب وانگ باؤ جن	3
1/1	-	-	1/1	مسٹر جیا ٹنگ کھیواؤ	4

بورڈ کا ڈھانچہ اور جائزہ

بورڈ اعلیٰ سطح پر پیشہ ورانہ معیار اور کارپوریٹ اقدار کے فروغ کے رجحان کا تعین کرتا ہے جو بینک کی سینئر مینجمنٹ سے کمیٹی کے دوسرے ملازمین تک اثر پذیر ہوتا ہے۔ اس بورڈ میں متنوع پیشہ ورانہ پس منظر کے افراد شامل ہیں جو وسیع تجربے سے مالا مال ہوتے ہیں اور کئی آزاد کمپنیاں تشکیل دیتے ہیں تاکہ شفافیت کے اعلیٰ ترین معیارات قائم کئے جائیں، کاروباری اور رسک مینجمنٹ کی حکمت عملیوں کی تعمیل اور افادیت کا جائزہ لینا ان کی ذمہ داریوں میں شامل ہے تاکہ کمیٹی کا کاروباروں اور دواں رہے۔

مرد اور خواتین ڈائریکٹرز کی کل تعداد، ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کی بورڈ میں تشکیل اور بورڈ کمیٹی کے ممبران کے نام کوڈ آف کارپوریٹ گورننس مع کمپلائنس کے بیانیہ میں شامل ہے جو کہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

PCICL بورڈ کے ڈائریکٹرز اپنی ذمہ داریوں سے آگاہ ہیں اور کمیٹی کے بہترین مفاد کو پیش نظر رکھ کر فیصلے کرتے اور اپنے فرائض کی بجا آوری کو یقینی بناتے ہیں۔ اس سال کے دوران چار بورڈ آف ڈائریکٹرز اور اس کے ذیلی کمیٹیوں کے اجلاس قانونی اور آرٹیکل تھریٹنل تقاضوں کے پیش نظر کمیٹی کی سفارشات کے ساتھ وقتاً فوقتاً منعقد ہوتے رہے جس میں بنیادی شرائط کی پاسداری کمیٹیوں کے سامنے جا کر کی گئی اور بورڈ کو سفارشات بھی کمیٹیوں کی جانب سے پیش کی گئیں۔ کمیٹیوں کی سفارشات کے ساتھ ساتھ بورڈ نے قانونی ضوابط اور کوڈ کے تقاضوں کے تحت اپنے فرائض کی بجا آوری کو یقینی بنایا۔

اسٹیٹ بینک آف پاکستان کی گائیڈ لائنز کے مطابق بورڈ کے کردار کا جائزہ لیا جاتا ہے۔ کمیٹی نے بورڈ کے جائزے کیلئے ایک فریم ورک مرتب کیا ہے۔ بورڈ کی کارکردگی کی تشخیص پہلے سے طے شدہ معیارات پر کی جاتی ہے جو سوانامے کے ذریعے لیا جاتا ہے، بورڈ کی تشکیل، کام کے طریقہ کار، بورڈ کے کردار، بورڈ کی نگرانی اور انتظامیہ کے ساتھ تعلقات سے متعلق ہوتا ہے۔ یہ جائزہ سالانہ کی بنیاد پر کیا جاتا ہے۔ گزشتہ سال کا جائزہ 30 مارچ 2021 کو منعقدہ بورڈ کے اجلاس میں کیا گیا تھا۔ اس سال کا جائزہ سالانہ مالیاتی گوشوارے کی منظوری کیلئے منعقد ہونے والے اجلاس میں لیا جائے گا۔

شیئر حالمین کی ترتیب

31 دسمبر 2021 کے اختتام پر شیئر حالمین کی ترتیب درج ذیل ہے۔

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ، حکومت پاکستان	50 فیصد
چائنا ڈیولپمنٹ بینک	50 فیصد

اندرونی انضباط کا احوال

کمیٹی کے بورڈ آف ڈائریکٹرز اس بات کو یقینی بنانے کے ذمہ دار ہیں کہ کمیٹی کے اندر کنٹرول کا ایک مناسب اور موزوں نظام قائم رہے اور یہ کمیٹی اور کمیٹی کی انتظامیہ پوری کمیٹی کے اندر ایک منوٹر اندرونی کنٹرول کے قیام اور تسلسل کی ذمہ داری لے رہی ہے اور اس سلسلے میں اندرونی کنٹرول کے بارے میں اپنا بیان جاری کرتی ہے۔ اندرونی کنٹرول سے متعلق انتظامیہ کے بیان کی بورڈ آف ڈائریکٹرز نے اس رپورٹ کے ذریعے توثیق کی ہے۔

چیزمین اور ڈائریکٹرز رپورٹ

آڈیٹرز

موجودہ آڈیٹرز Ms EY Ford Rhodes Chartered Accountants نے 31 دسمبر 2021 کو ختم ہونے والے سال کے دوران اپنی اسائنمنٹ مکمل کر لی ہے اور اجلاس کے اختتام پر ریٹائر ہو جائیں گے۔ موجودہ آڈیٹرز نے تنظیم نو اور اپنے عملے کی کمی کی وجہ سے مالی سال 2022 کے لیے کمپنی کے قانونی آڈیٹرز کی حیثیت سے ذمہ داری نبھانے سے معذرت کی ہے۔

بورڈ آف ڈائریکٹرز کی سفارش پر بورڈ آف ڈائریکٹرز نے سبکدوش ہونے والے آڈیٹرز کی جگہ پر میسرز ایف۔ایف۔فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو ان کی باہمی رضامندی سے مقرر کیا ہے۔ میسرز ایف۔ایف۔فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اس بات کی تصدیق کی ہے کہ انہیں انٹرنیشنل آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوائلیفائیڈ کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی ملی ہوئی ہے، اور (یہ کہ) فرم اور اس کے شراکت دار آئی ایف اے سی (IFAC) کے ضابطہ اخلاق سے متعلق راہنما اصول پر عمل پیرا ہیں کیونکہ انہی راہنما اصولوں کو آئی سی اے پی (ICAP) نے بھی اپنایا ہوا ہے، اور یہ کہ (وہ) قابل اطلاق قوانین کے تحت تقرری کے حوالے سے تمام تقاضے پورے کرتے ہیں۔

مالی پوزیشن کے بیان کی تاریخ کے بعد کے واقعات

مالی گوشواروں کی تاریخ کے بعد بظاہر کوئی نمایاں واقعات رونما نہیں ہوئے جن کی بنیاد پر منسلک مالی گوشواروں میں کوئی ردوبدل کرنے کی ضرورت پیش آئے۔

مستقبل پر نگاہ

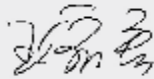
پاکستان کے پالیسی سازوں کے لیے ایک بڑا چیلنج معاشی استحکام اور مالی معاملات میں بہتری لانا ہے جس کے لیے جی ڈی پی اور ٹیکس میں بلند شرح، اخراجات میں کمی، مہنگائی میں کمی اور ہماری برآمدات میں مقابلے کی سکت میں مسلسل اضافہ شامل ہیں۔ معیشت کو کئی طرح کے چیلنجز درپیش ہیں، جن میں عالمی سطح پر غیر یقینی صورتحال کے سبب پاکستان کو کئی مشکلات کا سامنا ہوگا۔ ان مشکلات کے پیش نظر 2022 کا سال ہمیں معاشی استحکام اور اقتصادی مضبوطی کے اقدامات اٹھانے کی توقع ہے۔ ہم آئندہ سال معیاری اثاثوں اور کاروبار میں بڑھوتری کے ساتھ ساتھ اپنے موثر اور فعال آپریشن پر توجہ مرکوز کیے رکھیں گے۔

کمپنی سے سبکدوش ہونے والے اور نئے آنے والے ڈائریکٹرز

کمپنی کے نیچر ڈائریکٹرز کے طور پر تین سال سے زائد عرصے تک خدمات انجام دینے والے مسز وانگ باؤ جن کی مدت اس سال ختم ہو گئی ہے۔ ان کی قیادت میں کمپنی نے ترقی و کارکردگی کی نئی بلندیوں کو چھوا اور کمپنی نے زیادہ محتاط اور موثر کنٹرول اور نگرانی کو اپنایا۔ اسی طرح مسز نور احمد کی مدت بھی کمپنی کے نان ایگزیکٹو ممبر کے طور پر ختم ہو رہی ہے۔ ہم ان عہدیداروں کی جانب سے کمپنی میں ان کی کامیابیوں اور کردار کا تبادلے سے تحسین و اعتراف کرتے ہیں جن کی قیادت رہنمائی اور دورانہ پیشی سے کمپنی نے اپنے اہداف حاصل کرنے میں کامیاب رہی۔ مسز وانگ باؤ جن کو اب کمپنی کے بورڈ آف ڈائریکٹرز کے چیئرمین کی ذمہ داری سونپی جا رہی ہے۔ جب کہ مسز جیا تک کیناؤ کو کمپنی کے ڈائریکٹرز کا ڈپٹی چیف ڈائریکٹر نامزد کیا گیا ہے۔ ہم دونوں کو کمپنی میں نئی ذمہ داریاں سنبھالنے پر انہیں خوش آمدید کہتے ہیں۔

کلمات تشکر

بورڈ اپنے سپانسرز، وزارت خزانہ، حکومت پاکستان اور چائنا ڈیولپمنٹ بینک کی جانب سے مکمل لگن اور بھرپور معاونت پر ان کا شکریہ ادا کرتا ہے۔ بورڈ کمپنی کی انتظامیہ اور ملازمین کی جانب سے کی جانے والی کوششوں کو بھی سراہتا ہے جس سے کمپنی نے مختصر مدت میں اپنا نام کمایا۔ بورڈ ٹیسٹ بینک آف پاکستان اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مسلسل رہنمائی پر ان کا بھی تہمدل سے شکریہ ادا کرتا ہے۔



وانگ باؤ جن
چیئرمین بورڈ آف ڈائریکٹرز
پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ



حسن رضا
چیئف ڈائریکٹر
پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

125 اکتوبر 2023

اسلام آباد



ANNUAL STATEMENT OF INTERNAL CONTROLS 2021

An internal control system is a set of procedures and activities designed to identify and mitigate the risk in processes and operations in order to support the overall business objectives of the Company. It is the responsibility of the Company's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The Management of Pak China Investment Company Limited assumes full responsibility for establishing and maintaining an adequate and effective system of internal controls throughout the company that provides reasonable assurance regarding the reliability of financial reporting. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

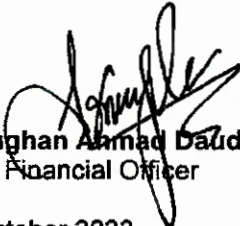
The management of PCICL, has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Company.

The Company follows the SBP's instructions on Internal Controls over Financial Reporting (ICFR) and has complied with the SBP's stage wise implementation roadmap. As part of this exercise, the Company has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. The Company's external auditors are engaged annually to provide a Long Form Report on ICFR, which is submitted to the SBP within the required timelines. During the year, the Company conducted testing of financial reporting controls for ensuring the effectiveness of ICFR in the last quarter of 2021.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and is being effectively implemented and monitored, though room for improvement always exists.

During the year under review, PCICL endeavored to follow the guidelines issued by the SBP on internal controls, for evaluation and management of significant risks, and will continue to endeavor for further improvements in the Internal Controls System. While an Internal Controls System will be effectively implemented and monitored, however, due to inherent limitations, the Internal Controls System is designed to manage rather than eliminate the risks of failure to achieve desired objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors of PCICL is ultimately responsible for ensuring that an adequate and effective Internal Control System exists in the Company and endorses the above management evaluation.


Armughan Ahmad Daud
Chief Financial Officer
25 October 2023


Hassan Raza
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pak China Investment Company Limited

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

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

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

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

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

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

We draw your attention towards the following matters as per the Statement of Compliance for the year ended 31 December 2021.

Requirements	Mandatory/Non-Mandatory	Regulation No	Explanation
<p>Appointment of Independent Directors:</p> <p>It is mandatory that each company shall have at least two or one third members of the Board, whichever is higher, as independent directors.</p> <p>The Company does not have any independent directors.</p>	Mandatory	6 and 27	SBP has, vide BPRD Circular No. 14 of 2016 has, however, instructed Development Financial Institutions (DFIs) established as Joint Venture Companies, including the Company, to continue to ensure compliance with all provisions of Prudential Regulations in respect of Corporate Governance as long as any provision thereof does not conflict with any provision of their Joint Venture





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			Agreements. The Joint Venture Agreement (JVA) dated 18 July 2007, under which the Company has been established, require that the Company's Board of Directors shall consist of six (6) members, to be appointed equally by respective shareholders. Accordingly, the Company is not required to appoint any independent director.
Non-Compliance of Constitution of Board Committees: Refer to paras 6, 7, 12 & 14 of the Statement of Compliance, the Regulations requires that the Company's audit (mandatory) and human resource (HR, non-mandatory) committees to consist of at least 3 directors. As of reporting date, there was only one member of these committees. For the same reason, requirements regarding holding of specified meetings of these committees could not be met.	Mandatory (& non-mandatory)	27 and 28	Under the requirements of the Joint Venture Agreement, mentioned above, the concerned Joint Venture Partner has been making efforts to find suitable candidates to appoint Managing Director and two Nominee Directors on the Board of Directors of the Company. Accordingly, as of reporting date, the Board of Directors of the Company have not been constituted in accordance with the Joint Venture Agreement and mandatory (and non-mandatory) requirements of the Regulations relating to the Board, audit and HR committees, respectively, could not be fulfilled.
Non-Compliance of Directors' Training programme: By 30 June 2021, at least 75% of the directors on the boards of the companies were required to have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by Securities and Exchange Commission of Pakistan and approved by it. None of the Company's directors have acquired the requisite certification.	Non-Mandatory	19 (iii)	The directors appointed by the Government of China were not available in Pakistan due to lock down situation in Pakistan after break-out of Covid-19 pandemic and the office of directors to be appointed by Government of Pakistan remained vacant during the year; accordingly, the Company could not comply with the above requirement.

EY Ford Rhodes
Chartered Accountants
Place: Islamabad
Date: 30 October 2023

UDIN: CR202110079BHnmW80YP



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

Name of the Company: Pak China Investment Company Limited
Year ending: December 31, 2021

This Statement of Compliance (the Statement) is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (hereinafter called "the Regulations"), issued by the Securities and Exchange Commission of Pakistan (SECP), voluntarily adopted by the Company to follow the best practices on corporate governance, under the Prudential Regulations issued by the State Bank of Pakistan (SBP). SBP has, vide BPRD Circular No. 14 of 2016, however, instructed Development Financial Institutions (DFIs) established as Joint Venture Companies, including the Company, to continue to ensure compliance with all provisions of Prudential Regulations in respect of Corporate Governance as long as any provision thereof does not conflict with any provision of their Joint Venture Agreements.

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

1. The total number of Directors are 3 as per the following:

	Category	Number of Directors*
A	Male Director	2
B	Female Director	1

* During the year, Mr. Zuo Kun and Mr. Noor Ahmed left the office, with effect from 22 February 2021 and 22 November 2021, respectively. Me. Jiang Ketao had joined as Director on 4 August 2021. Refer to para 18 below.

2. The Composition of the Board is as follows:

Categories	Names
Independent Directors*	-
Chairman	Mr. Wang Baojun
Executive Director/ (Acting) Managing Director	Mr. Jiang Ketao
Non-Executive Director	Ms. Wang Li
Female Director	Ms. Wang li

* The Joint Venture Agreement (JVA), dated 18 July 2007 under which the Company has been established, requires that the Board of Directors (the Board) shall consist of six (6) members, to be appointed equally by respective shareholders. Accordingly, the Company is not required to appoint any independent director. Further, the Regulations require that the chairman of the Audit Committee and Human Resource Committee should be an independent director. As explained above, the Company does not have independent directors on its Board of Directors, therefore the Company cannot appoint independent director as Chairman of the Audit Committee and Human Resource Committee. Refer to para 18 below.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this, Company.
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant polices along with their date of approval or updating is maintained by the Company.

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6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations, except as described in para 18 below.
7. The meetings of the Board were presided by Chairman (the director elected by the Board for this purpose). The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board, except as described in para 18 below.
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and the Regulations.
9. The Board has arranged Directors' Training program for none of the directors during the year. The training for directors could not be arranged, during the year, mainly due to non-availability of Chinese directors in Pakistan due to health and safety measures prescribed by Government of Pakistan to combat impact of Covid-19 pandemic and vacant offices of Directors to be appointed by Government of Pakistan. The Company intends to fulfill this requirement in Financial Year 2022.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with the relevant requirements of the Regulations.
11. Chief Financial Officer and (Acting) Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Committee	Name of Chairman / Members	
Audit Committee*	Ms. Wang Li	Member
HR Committee*	Ms. Wang Li	Member
Risk Management Committee	Ms. Wang Li	Member

* Refer to discussion of non-compliances in para 18 below.

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.
14. The frequency of meetings of the committees were as following:

Name of Committee	Number of Meetings held	Number of Meetings required
Board Audit Committee (BAC)*	4	Quarterly
Board Human Resource and Remuneration Committee (BHR & RC) *	1	As and when required
Board Risk Management Committee (BRMC)	2	Half Yearly

* Refer to discussion of non-compliances in para 18 below.



15. The Board has set up an effective Internal Audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm are in compliance with International Federation of Accountants 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 close relative (spouses, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except for matter discussed below.

Requirements	Mandatory/Non-Mandatory	Regulation No	Explanation
<p>Appointment of Independent Directors:</p> <p>It is mandatory that each company shall have at least two or one third members of the Board, whichever is higher, as independent directors.</p> <p>The Company does not have any independent directors.</p>	Mandatory	6 and 27	<p>SBP has, vide BPRD Circular No. 14 of 2016 has, however, instructed Development Financial Institutions (DFIs) established as Joint Venture Companies, including the Company, to continue to ensure compliance with all provisions of Prudential Regulations in respect of Corporate Governance as long as any provision thereof does not conflict with any provision of their Joint Venture Agreements. The Joint Venture Agreement (JVA) dated 18 July 2007, under which the Company has been established, require that the Company's Board of Directors shall consist of six (6) members, to be appointed equally by respective shareholders. Accordingly, the Company is not required to appoint any independent director.</p>



<p>Non-Compliance of Constitution of Board Committees:</p> <p>Refer to paras 6, 7, 12 & 14 above, the Regulations requires that the Company's audit (mandatory) and human resource (HR, non-mandatory) committees to consist of at least 3 directors. As of reporting date, there was only one member of these committees. For the same reason, requirements regarding holding of specified meetings of these committees could not be met.</p>	<p>Mandatory (& non-mandatory)</p>	<p>27, 28</p>	<p>Under the requirements of the Joint Venture Agreement, mentioned in first paragraph above, the concerned Joint Venture Partner has been making efforts to find suitable candidates to appoint Managing Director and two Nominee Directors on the Board of Directors of the Company. Accordingly, the Board of Directors of the Company have not been constituted in accordance with the Joint Venture Agreement and mandatory and non-mandatory requirements of the Regulations relating to the Board, audit and HR committees, respectively, could not be fulfilled.</p>
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19. Explanations for Non-Compliance with regulations other than 3, 6, 7, 8, 27, 32, 33 and 36 are given below:

Requirements	Mandatory/Non-Mandatory	Regulation No	Explanation
<p>Non-Compliance of Directors' Training programme:</p> <p>By 30 June 2021, at least 75% of the directors on the boards of the companies were required to have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by Securities and Exchange Commission of Pakistan and approved by it.</p> <p>None of the Company's directors have acquired the requisite certification.</p>	<p>Non-Mandatory</p>	<p>19 (iii)</p>	<p>The directors appointed by the Government of China were not available in Pakistan due to lock down situation in Pakistan after break-out of Covid-19 pandemic and the office of directors to be appointed by Government of Pakistan remained vacant during the year; accordingly, the Company could not comply with the above requirement.</p>


Wang Baojun
Chairman

25 October 2023



EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Pak China Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pak China Investment Company Limited (the Company), which comprise the statement of financial position as at 31 December 2021, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit and 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 Report Thereon

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

Our opinion on the financial statements does not cover the other information and we will 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 Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



EY Ford Rhodes
Chartered Accountants
Place: Islamabad
Date: 30 October 2023

UDIN: AR202110079GXhk6nrC2

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		2021	2020
	Note	-----Rupees-----	
ASSETS			
Cash and balances with treasury banks	5	2,067,463,832	2,223,116,872
Balances with other banks	6	6,546,094,679	35,230,054
Lendings to financial institutions	7	-	1,149,985,152
Investments	8	12,842,681,679	15,657,891,368
Advances	9	15,841,552,779	11,550,098,344
Fixed assets	10	195,131,273	233,362,517
Intangible assets	11	217,988	494,736
Deferred tax assets	12	36,208,892	105,401,492
Other assets	13	441,250,303	453,464,170
		37,970,601,425	31,409,044,705
LIABILITIES			
Bills payable		-	-
Borrowings	14	14,694,377,694	12,902,913,838
Deposits and other accounts	15	4,750,000,000	512,400,000
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	251,125,550	511,476,256
		19,695,503,244	13,926,790,094
NET ASSETS			
		18,275,098,181	17,482,254,611
REPRESENTED BY			
Share capital	17	9,696,637,540	9,696,637,540
Advance against issue of shares	18	9,881,237	9,881,237
Statutory reserve		1,693,599,200	1,538,966,655
Surplus on revaluation of assets	19	104,092,310	83,193,433
Unappropriated profit		6,770,887,894	6,153,575,746
		18,275,098,181	17,482,254,611
CONTINGENCIES AND COMMITMENTS			
	20		

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

Signature

Signature

MANAGING DIRECTOR

Signature

CHIEF FINANCIAL OFFICER

Signature

CHAIRMAN

Signature

DIRECTOR

Signature


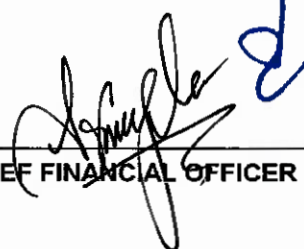
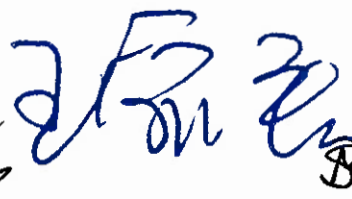


DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	----- Rupees -----	
MARK-UP/ RETURN/ INTEREST EARNED	21	2,683,452,483	3,204,977,386
MARK-UP/ RETURN/ INTEREST EXPENSED	22	<u>(1,215,192,501)</u>	<u>(1,765,751,729)</u>
Net mark-up/ interest income		1,468,259,982	1,439,225,657
NON MARK-UP/INTEREST INCOME			
Fee and commission income	23	129,124,698	97,448,314
Dividend income		-	6,000,000
Foreign exchange income		251,434,203	56,924,623
Income / (loss) from derivatives		-	-
(Loss) / Gain on securities - net	24	(42,649,144)	110,731,039
Other income	25	13,591,315	13,227,272
Total non-markup/ interest income		351,501,072	284,331,248
Share in profit of associated companies	26	67,938,788	51,573,136
Total income		<u>1,887,699,842</u>	<u>1,775,130,041</u>
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	27	534,215,092	491,725,224
Workers welfare fund		-	-
Other charges	28	4,692	30,000
Total non-markup / interest expenses		534,219,784	491,755,224
Profit before provisions		1,353,480,058	1,283,374,817
Provisions and write offs - net	29	220,313,268	116,889,809
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>1,133,166,790</u>	<u>1,166,485,008</u>
Taxation	30	360,004,067	393,282,101
PROFIT AFTER TAXATION		<u>773,162,723</u>	<u>773,202,907</u>
Basic and diluted earnings per share	31	<u>0.80</u>	<u>0.80</u>

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

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MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

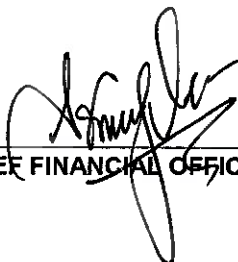
	2021	2020
	-----Rupees-----	
Profit after taxation	773,162,723	773,202,907
Items that will not be reclassified to profit and loss account in subsequent periods:		
Re-measurement loss on defined benefit plan - net of tax	(1,080,483)	(1,531,100)
Share of other comprehensive profit from Associate	(62,950)	151,900
Related tax	(74,597)	(22,785)
	(137,547)	129,115
Items that may be reclassified to profit and loss account in subsequent periods:		
Net change in fair value of available-for-sale securities - net of tax	20,744,833	78,327,558
Company's share of equity accounted investees' OCI:		
Available-for-sale securities financial assets - Net change in fair value - net of tax	154,044	114,198
	20,898,877	78,441,756
TOTAL COMPREHENSIVE INCOME	792,843,570	850,242,678

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

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MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR




DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Advance against issue of shares	Statutory reserve	Surplus on revaluation of Investments	Unappropriated profit	Total
	Rupees					
Balance as at 01 January 2020	9,696,637,540	9,881,237	1,384,606,471	4,751,677	5,536,135,008	16,632,011,933
Profit after taxation for the year	-	-	-	-	773,202,907	773,202,907
Other comprehensive loss	-	-	-	78,441,756	(1,401,985)	77,039,771
Total comprehensive income	-	-	-	78,441,756	771,800,922	850,242,678
Transfer to statutory reserve	-	-	154,360,184	-	(154,360,184)	-
Balance as at 31 December 2020	9,696,637,540	9,881,237	1,538,966,655	83,193,433	6,153,575,746	17,482,254,611
Profit after taxation	-	-	-	-	773,162,723	773,162,723
Other comprehensive income	-	-	-	20,898,877	(1,218,030)	19,680,847
Total comprehensive income	-	-	-	20,898,877	771,944,693	792,843,570
Transfer to statutory reserve	-	-	154,632,545	-	(154,632,545)	-
Balance as at 31 December 2021	9,696,637,540	9,881,237	1,693,599,200	104,092,310	6,770,887,894	18,275,098,181

According to BPD Circular No. 15, dated 31 May 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 of the Company, and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve.

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


 MANAGING DIRECTOR


 CHIEF FINANCIAL OFFICER


 CHAIRMAN


 DIRECTOR


 DIRECTOR

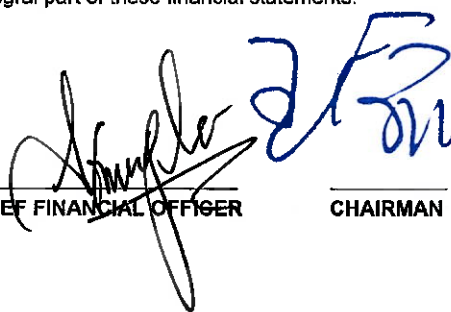
PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,133,166,790	1,166,485,008
Less: Share in profit of associated companies	(67,938,788)	(51,573,136)
Dividend income	-	(6,000,000)
	<u>1,065,228,002</u>	<u>1,108,911,872</u>
Adjustments for:		
Depreciation	27 43,391,380	49,803,769
Amortization	27 276,748	290,170
Provision for gratuity	16,643,504	15,558,359
Provision against non-performing loans and advances - net	29 225,394,564	63,052,019
Reversal of provision for diminution in value of investments	29 (5,081,296)	-
Impairment loss on investment in associate	29 -	53,837,790
Gain on sale of fixed assets	25 (180,232)	(809,603)
Unrealized loss / (gain) on held for trading securities	24.2 81,896,494	(49,218,765)
Interest expense on lease liability	22 2,417,555	5,971,436
Exchange gain	(251,434,203)	(56,924,623)
	<u>113,324,514</u>	<u>81,560,552</u>
	<u>1,178,552,516</u>	<u>1,190,472,424</u>
Decrease / (Increase) in operating assets		
Lendings to financial institutions	1,149,985,152	(1,149,985,152)
Advances	(4,541,408,462)	(2,321,948,891)
Others assets (excluding advance taxation)	(7,677,853)	60,896,000
	<u>(3,399,101,163)</u>	<u>(3,411,038,043)</u>
Increase / (Decrease) in operating liabilities		
Borrowings from financial institutions	1,791,463,856	(3,216,379,149)
Deposits	4,237,600,000	512,400,000
Others liabilities (excluding current taxation)	(116,386,271)	(134,238,540)
	<u>5,912,677,585</u>	<u>(2,838,217,689)</u>
Contribution to plan assets	34.6 (20,215,465)	(13,795,680)
Income tax paid	(277,464,160)	(500,526,236)
Net cash flow from / (used in) operating activities	<u>3,394,449,313</u>	<u>(5,573,105,224)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment realized during the period - net	268,864,062	5,866,951,139
Investment in associate	-	(89,376,000)
Dividend received	27,077,266	15,426,500
Capital expenditure	(5,160,136)	(6,110,441)
Proceeds from sale of fixed assets	180,232	816,923
Net cash flow from investing activities	<u>290,961,424</u>	<u>5,787,708,121</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Lease payments	(40,740,376)	(37,584,721)
Net cash flow used in financing activities	<u>(40,740,376)</u>	<u>(37,584,721)</u>
Effects of exchange rate changes on cash and cash equivalents	251,434,203	56,924,623
Increase in cash and cash equivalents	<u>3,896,104,564</u>	<u>233,942,799</u>
Cash and cash equivalents at beginning of the year	2,258,346,926	2,024,404,127
Cash and cash equivalents at end of the year	32 <u>6,154,451,490</u>	<u>2,258,346,926</u>

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



MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR

DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance, respectively. The Company's objectives include, inter alia, investment and financing in infrastructure projects, and in industrial, manufacturing, non-manufacturing and financial sectors.

The Company commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on 10 January 2008.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the format prescribed by SBP's BPRD Circular No. 2 dated 25 January 2018.

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.1.2 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) (SBP has directed the banks/DFI's in Pakistan to implement IFRS 09 'Financial Instruments' with effect from January 01, 2024 with option to adopt the standard early if possible) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for DFI's. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

2.1.3 The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

2.1.4 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 'Profit & Loss Sharing on Deposits' (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Company.

2.2 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

Following amendments to existing standards that have become applicable to the Company for accounting periods beginning on or after January 1, 2022 but are considered not to be either relevant or not have any significant impact on these financial statements:

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

These amendments had no impact on the financial statements of the Company. 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. The Company intends to use the practical expedients, available under (IBOR) reform, in future periods if they become applicable.

- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2022:

- **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 amendment is not likely to have an impact on the Company's financial statements.
- **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. The amendment is not likely to have an impact on the Company's financial statements.



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

- Reference to the 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, effective for the annual period beginning on or after January 01, 2022. 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 References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendment is not likely to have an impact on the Company's financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2023. 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. The amendment is not likely to have an impact on the Company's financial statements.

- IAS 41 Agriculture – Taxation in fair value measurements. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Definition of Accounting Estimates - Amendments to IAS 8. In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- The Securities and Exchange Commission of Pakistan (SECP), in accordance with SRO 229(I)/2019 dated February 14, 2019, has officially declared the applicability of IFRS 9 "Financial Instruments" for accounting periods ending on or after June 30, 2019. As per the BPRD Circular Letter No. 7 of 2023 dated April 13, 2023, issued by the State Bank of Pakistan (SBP), however, the effective date of IFRS 9 implementation for a Development Finance Institutions (DFIs) is January 01, 2024. Nevertheless, the SBP has encouraged financial institutions to adopt the standard earlier if possible. The Company intends to adopt IFRS 9 with effect from January 01, 2023, without restating the comparatives.

IFRS 9 prescribes detail guidance relating to recognition, classification and measurement of financial instruments. This guidance will replace the Company's existing accounting policies relating to financial instruments, base on prudential regulations and other directives issued by SBP. Based upon the Company's initial assessment of detailed implementation guidance issued by SBP, the Company expects that its allowance for impairment against advances and debt investments will increase, resulting in lowering of the Company's capital adequacy ratio. At this stage, however, the Company is in the process of finalizing its assessment of the impact on the financial statements, primarily relating additional expected credit losses on the Company's financial assets not held at fair value through profit and loss, and operations of the Company.



**PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2004
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are revalued to their fair values, the defined benefit plan which is measured at present value and investments in associates which are stated measured by applying equity accounting.

3.1 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

3.1.1 Provision against non-performing loans and advances and debt securities classified as investments

The Company reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

3.1.2 Classification / valuation of investments (note 8)

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

3.1.3 Valuation and impairment of 'available-for-sale' equity investments

The Company determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

3.1.4 Provision for income taxes (notes 12 and 30)

In making estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Company's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

3.1.5 Operating fixed assets/ right of use assets (notes 10)

The Company reviews the useful lives and residual value of fixed assets/ right of use assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets/ right of use assets, with a corresponding effect on the depreciation charge/ amortization and impairment.

3.1.6 Contingencies (notes 20)

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

3.1.7 Provision for gratuity (notes 34)

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognized gains and losses.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in these financial statements of the Company. Significant accounting policies are enumerated as follows:

4.1 Functional and presentation currencies

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4.2 Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents include cash on hand, non-restricted balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

4.3 Lendings to / borrowings from financial institutions

The Company enters into transactions of reverse repos and repos at contracted rates for a specified period of time. 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 recognized 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 the sale and repurchase price, is amortized as an expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased under agreement to resell (reverse repo) are included in lending to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowing from financial institutions.

Other borrowings

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lendings

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipt basis.

4.4 Investments

Investments of the Company, excluding investments in associates, are classified as held to maturity, available-for-sale or held-for-sale.

Investment in associates

Interests in equity-accounted investees: The Company's interests in equity-accounted investees comprise of interests in associate. Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence.



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Held-To-Maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Company has a positive intent and ability to hold till maturity.

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity, and investment in associate categories.

Held-For-Trading

These are securities included in a portfolio in which a pattern of short-term trading exists, or which are acquired for generating a profit from short-term fluctuations in market prices or interest rate movements.

Initial measurement

All regular way purchases and sales of investments are recognized on the trade date .i.e., the date that the Company commits to purchase or sell the investment. Regular way purchases or sales of investment that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which includes transaction costs.

Subsequent measurement

Held-To-Maturity

These are measured at original recorded amounts less any subsequent impairment loss, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

Available-For-Sale

Quoted securities classified as available for sale investments are measured at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to profit and loss account when realized upon disposal or when the investment is considered to be impaired.

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

Provision for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by SBP. Provision for diminution in the value of other securities are made for impairment, if any.

Held-For-Trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealized surplus / deficit arising on revaluation is taken to the profit and loss account.

4.5 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision.

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Company have availed the SBP enabled deferment / restructuring and rescheduling. The borrowers who availed the SBP enabled deferment / restructuring paid the due amount as per restructuring terms. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The management is also maintaining 1.5% (2020: 1.5%) general provision against performing loans and advances.

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4.6 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

Intangible assets

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

4.7 Impairment

Impairment of available for sale equities investments

Available for sale quoted equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account.

4.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Where the Company is Lessee:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.



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Lease liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4.9 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account 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 realization, 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 realized 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 recognized for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

4.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

4.11 Revenue recognition

Advances and investments

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized on time proportion method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

Gain / (loss) on sale of securities, is recognized in the profit and loss account at the time of sale of relevant securities.

Dividend income

Dividend income is recognized when the right to receive the dividend is established.

Fee, brokerage and commission income

Fee, Commission and Brokerage income is recognized on an accrual basis to the extent it is highly likely that significant reversal will not occur upon conclusion of related uncertainty.



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Rental income

Rental income is recognized over the period of the rent agreement.

4.12 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2021. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and any changes in the effect of the asset ceiling are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

The Company recognizes the following changes in the defined benefit obligation under 'administrative expenses' in the profit and loss account:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- interest expense

Defined contribution plan

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

4.13 Foreign currency transactions

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

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if

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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 approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 3.1.

4.16 Earnings per share

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

4.17 Dividend and appropriations to reserves

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognized as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

4.18 Segment information

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

Business Segments

(a) Corporate Banking & SME

Corporate Banking & SME includes services provided in connection with funded & non-funded facilities.

(b) Investment Banking

Investment Banking includes services provided in connection with mergers & acquisitions, privatization and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(c) Treasury

Treasury includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Head Office

Head Office includes functions which cannot be classified in any of the above segments.

Geographical Segments

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



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		2021	2020
	Note	-----Rupees-----	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		13,885	2,735
With State Bank of Pakistan in			
Local currency current account	5.1	67,181,336	36,401,019
With National Bank of Pakistan in			
Local currency current account		72,886	358,887
Local currency deposit account	5.2	2,000,000,000	-
Foreign currency current account		195,725	172,071
Foreign currency deposit account		-	2,186,182,160
		<u>2,067,463,832</u>	<u>2,223,116,872</u>

5.1 This mainly represents the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21 dated 5 October 2012.

5.2 This represents two local currency term deposits of Rs.1,000 million each carrying mark-up at the rate of 12% per annum (2020: Nil) and will mature on 24 January 2022.

		2021	2020
	Note	-----Rupees-----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account - Local currency	6.1	4,086,334,535	31,485,761
In current account - Local currency		304,449	3,443,212
In deposit account - Foreign currency	6.2	2,459,107,021	-
In current account - Foreign currency		348,674	301,081
		<u>6,546,094,679</u>	<u>35,230,054</u>

6.1 This includes three local currency term deposits of Rs. 1,300 million, 700 million and 2,000 million each with two commercial banks (2020: nil) carrying mark-up rate of 12.00 % to 12.50% (2020 : Nil) per annum and will mature on 24 January 2022 & 21 January 2022. The local currency deposit accounts other than mention above, carry interest rates ranging from 4% to 7.25% (2020: 2.75% to 5.51%) per annum.

6.2 This mainly represents a foreign currency term deposit of USD 13,861,000 (2020: Nil) carrying mark-up rate of 3.75% (2020: Nil) per annum and will mature on 23 June 2022.

		2021	2020
	Note	-----Rupees-----	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lending (reverse repo)		-	1,149,985,152

		2021	2020
	Note	-----Rupees-----	
7.1 Particulars of lending			
In local currency		-	1,149,985,152

	2021			2020		
	-----Rupees-----					
	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
7.2 Security held as collateral against lendings to financial institutions						
Market Treasury Bills	-	-	-	1,149,985,152	-	-

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8 INVESTMENTS

8.1 Investments by type	Note	2021				2020			
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		-----Rupees-----				-----Rupees-----			
Held-for-trading securities									
Shares		255,530,666	-	(62,137,729)	193,392,937	145,328,000	-	49,218,765	194,546,765
Available-for-sale securities									
Federal Government Securities		4,496,780,170	-	(1,006,170)	4,495,774,000	7,973,121,890	-	(1,177,890)	7,971,944,000
Shares		27,333,834	-	17,512,597	44,846,431	27,333,834	-	33,131,941	60,465,775
Non Government Debt Securities		6,261,908,305	(339,793,303)	77,843,713	5,999,958,715	6,175,105,522	(369,434,062)	1,057,122	5,806,728,582
Preference shares		315,000,000	-	36,225,000	351,225,000	315,000,000	-	69,930,000	384,930,000
		11,101,022,309	(339,793,303)	130,575,140	10,891,804,146	14,490,561,246	(369,434,062)	102,941,173	14,224,068,357
Held to maturity securities									
Commercial Paper		477,233,728	-	-	477,233,728	-	-	-	-
Associates		1,280,250,868	-	-	1,280,250,868	1,239,276,246	-	-	1,239,276,246
Total Investments		13,114,037,571	(339,793,303)	68,437,411	12,842,681,679	15,875,165,492	(369,434,062)	152,159,938	15,657,891,368
		-----Rupees-----				-----Rupees-----			
8.2 Investments by segments									
Federal Government Securities									
Market Treasury Bills		4,496,780,170	-	(1,006,170)	4,495,774,000	7,973,121,890	-	(1,177,890)	7,971,944,000
Shares									
Listed Companies		282,864,500	-	(44,625,132)	238,239,368	172,661,834	-	82,350,706	255,012,540
Non Government Debt Securities									
Listed		2,931,740,000	-	13,805,100	2,945,545,100	2,931,740,000	-	(6,893,536)	2,924,846,464
Unlisted		3,330,168,305	(339,793,303)	64,038,613	3,054,413,615	3,243,365,522	(369,434,062)	7,950,658	2,881,882,118
		6,261,908,305	(339,793,303)	77,843,713	5,999,958,715	6,175,105,522	(369,434,062)	1,057,122	5,806,728,582
Preference shares									
Listed Companies		315,000,000	-	36,225,000	351,225,000	315,000,000	-	69,930,000	384,930,000
Commercial Paper		477,233,728	-	-	477,233,728	-	-	-	-
Associates									
Pakistan Stock Exchange Limited	8.4	721,884,374	-	-	721,884,374	693,969,474	-	-	693,969,474
Central Depository Company of Pakistan Limited	8.5	368,462,230	-	-	368,462,230	344,210,772	-	-	344,210,772
Deli JW Glassware Company Limited	8.6	189,904,264	-	-	189,904,264	201,096,000	-	-	201,096,000
		1,280,250,868	-	-	1,280,250,868	1,239,276,246	-	-	1,239,276,246
Total Investments		13,114,037,571	(339,793,303)	68,437,411	12,842,681,679	15,875,165,492	(369,434,062)	152,159,938	15,657,891,368

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	Note	2021	2020
----- Rupees -----			
8.2.1 Investments given as collateral			
Market Treasury Bills		<u>965,817,625</u>	<u>4,987,510,000</u>
8.3 Provision for diminution in value of investments			
8.3.1 Opening balance		369,434,062	369,434,062
Reversal during the period*		(5,081,296)	-
Transfer to specific provision against advances*	9.2.1	(24,559,463)	-
Closing Balance		<u>339,793,303</u>	<u>369,434,062</u>

8.3.2 Particulars of provision against debt securities Category of classification	2021		2020	
	----- Rupees -----			
	NPI	Provision	NPI	Provision
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss*	<u>448,548,303</u>	<u>339,793,303</u>	<u>369,434,062</u>	<u>369,434,062</u>
Total	<u>448,548,303</u>	<u>339,793,303</u>	<u>369,434,062</u>	<u>369,434,062</u>

* Investments classified as "loss" includes zero-rated Term Finance Certificates (TFCs), amounting to Rs. 108.76 million, received pursuant to a court settlement, against overdue mark-up on a classified Non Government Debt Security. Under Prudential Regulations, issued by State Bank of Pakistan, the markup remains suspended/ deferred (refer to note 16.1). As part of this settlement, principal amount of Rs. 5.08 million has been received, whereas, a part of principal, amounting to Rs. 24.56 million, has been converted into an Advance (note 9).



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8.4 Investment in Pakistan Stock Exchange Limited

Pakistan Stock Exchange Limited (PSX) is an associate of the Company due to common directorship. The Company acquired 40,073,830 ordinary shares of PSX on 06 March 2017 and one of the Company's directors was appointed on the board of PSX on 10 March 2017. Investment of the Company in PSX is being accounted for under the equity method of accounting in accordance with International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Pakistan Stock Exchange is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, mudarbah certificates, stocks, bonds, debentures stock, government papers, loans and any other instruments and securities of like nature including but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorized by the Government of Pakistan. The registered address of PSX is Stock Exchange Building, Stock Exchange Road, Karachi - 74000 Pakistan.

The reconciliation of carrying amount is as follows:

	2021	2020
	-----Rupees-----	
Purchase of ordinary shares	<u>1,122,067,240</u>	<u>1,122,067,240</u>
Opening balance	693,969,474	730,505,114
Share of profit for the year	<u>35,816,566</u>	<u>17,015,900</u>
Dividend from associate	<u>(8,014,766)</u>	<u>-</u>
	27,801,800	17,015,900
Share of other comprehensive income	113,100	286,250
Impairment	-	(53,837,790)
Closing balance	<u>721,884,374</u>	<u>693,969,474</u>
Share of other comprehensive income		
Unrealized gain on available for sale securities - net of tax	-	151,900
Actuarial gain / (loss) of employee gratuity fund of associate - net of tax	-	134,350
	<u>-</u>	<u>286,250</u>

The following table summarizes the financial information of PSX as included in its financial statements for the un-audited condensed financial information for the period ended 31 December 2021, adjusted for difference in accounting policies in respect of revaluation of fixed assets. The financial year-end of PSX is 30 June.

	2021	2020
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	11,760,027,000	11,266,420,000
Total liabilities	<u>2,682,168,000</u>	<u>2,746,859,000</u>
Net assets	9,077,859,000	8,519,561,000
Company's share of net assets (5%)	453,892,950	425,978,050
Excess of cost over net assets at the date of investment	721,082,490	721,082,490
Impairment loss	<u>(453,091,066)</u>	<u>(453,091,066)</u>
Carrying amount of interest in associates	<u>721,884,374</u>	<u>693,969,474</u>
Net income	1,578,263,000	1,127,124,000
Profit after tax (100%)	<u>716,331,320</u>	<u>340,318,000</u>
Company's share of net profit for the year (5%)	<u>35,816,566</u>	<u>17,015,900</u>
Other Comprehensive Income (OCI):		
- Profit/ (loss) on re-measurement of defined benefit liability	-	3,038,000
- change in surplus on revaluation of available-for-sale investments	-	2,687,000
Total OCI (100%)	-	5,725,000
Company's share of OCI (5%)	<u>-</u>	<u>286,250</u>



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The quoted share price of PSX as at 31 December 2021 was Rs. 13.75 per share, which is below the current carrying value per share of Rs. 18. During the year, uptill September 2021, the quoted price remained above the carrying value and management is of the view that the decline in market value below its carrying value as of the reporting date is not significant or prolonged considering volume of trading in PSX's share. Hence, management concluded that is not an objective event of impairment. The management has, however, as a matter of prudence, conducted an impairment assessment of its equity investment as of December, 31 2021. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions. The five year cash flow projections used in the calculations are based on inhouse estimate approved by the management of the Company. Cash flows beyond the five year period are extrapolated using estimated real growth rate of economy. The assessment's results demonstrated that there is considerable head room between carrying value and recoverable value of Rs. 21.52/ share (excluding cash and cash equivalents).

Subsequent to reporting date, as a result of geopolitical situation, sovereign defaults by Sri-Lanka and increased pressure on foreign exchange reserve of Pakistan, the economic situation of Pakistan has significantly deteriorated. The country is facing persistent high inflation and interest rates. Accordingly, by December 2022, the Company has assessed that the projected cash flows of PSX, underlying the current valuation of Rs. 21.52/share, will not be met. As per requirements of IAS 36, the Company carried out an impairment assessment as of 31 December 2022 and upon the identification of impairment, the Company has recognized an impairment loss in the financial statements for the year ended on 31 December 2022.

The following table sets out the key assumptions which were used for the determination of value-in-use of equity investment:

	2021	2020
Terminal value growth rate (%)	4%	4.4%
Discount rate (%)	17%	9.77%
Free Cash Flows to Firm (FCFF) per share (average for period between FY 2022 to 2026)	2.16	0.56

The discount rate was pre-tax measure based on the rate of 11.6% (2020: 8.4%), adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specified investment.

Five years of cash flows were included in the discounted cash flow model.

Budgeted FCFF was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account future expectations.

Any significant adverse movement in a key assumptions, such as reduction by 16% in average FCFF/share, would lead to further impairment.

8.5 Investment in Central Depository Company of Pakistan Limited (CDC)

Central Depository Company of Pakistan Limited (CDC) is an associate of the Company due to common directorship. During 2016, the Company acquired 3,250,000 ordinary shares of CDC from Citi Overseas Investment Corporation at Rs. 76.92 per share. Subsequently, the Company also received 11,750,000 bonus shares. Due to appointment of the Company's nominee director on the board of the CDC the investment has been accounted for under the equity method of accounting with International Accounting Standard 28, (IAS 28) "Accounting for Investments in Associates".

CDC is recognized as the infrastructure backbone of the Pakistan's capital market and it is the sole securities depository in the country. In the past two decades, CDC has also evolved as one of the leading and most prestigious infrastructure institutions in Pakistan with a focus on the capital market. CDC is principally engaged in to act as a depository of securities, open securities accounts and act as a registrar to issues of securities. The registered address of the CDC is CDC House, 99-B, Block B, S.M.C.H.S. Karachi, Pakistan.

The reconciliation of carrying amount is as follows:

	2021	2020
	-----Rupees-----	
Purchase of ordinary shares	<u>250,000,000</u>	<u>250,000,000</u>
Opening balance	344,210,772	319,080,036
Share of profit for the year	43,313,958	34,557,236
Dividend from associate	(19,062,500)	(9,426,500)
	<u>24,251,458</u>	<u>25,130,736</u>
Closing balance	<u>368,462,230</u>	<u>344,210,772</u>

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The following table summarizes the financial information of CDC included in its financial statements for the year ended 31 December 2021. The financial year-end of CDC is 30 June.

	2021	2020
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	5,884,020,625	5,344,544,955
Total liabilities	889,358,950	834,912,445
Net assets	4,994,661,675	4,509,632,510
Company's share of net assets (5%)	249,733,084	225,481,626
Excess of cost over net assets at the date of investment	118,729,146	118,729,146
Carrying amount of interest in associates	368,462,230	344,210,772
Net income	2,091,233,890	1,726,606,485
Profit after tax (100%)	866,279,160	691,144,720
Company's share of net profit (5%)	43,313,958	34,557,236

8.6 Investment in Deli JW Glassware Company Limited

Deli Glass Co., Ltd, ("Deli Glass") together with JW SEZ (Pvt) Ltd. ("JW"), PCICL and Mr. Muhammad Rafiq have incorporated a Joint Venture Company, Deli-JW Glassware Company Limited ("Deli-JW") in Pakistan to undertake a Glassware Project. The plant is currently under construction in economic zone, administered by Faisalabad Industrial Estate Development & Management Company, and is expected to commence commercial operations.

Till date, the Company has disbursed equity contribution of Rs. 201.1 million (2020: Rs. 201.1 million). In 2019, Deli -JW issued 10,000 ordinary shares to its sponsors; with the Company receiving 5% of the issued share capital. The Company is entitled to 9% share in the ordinary share capital of Deli-JW and is represented on the Deli-JW Board of Directors (BOD) by an employee of the Company. Accordingly, the investment has been accounted for under the equity method of accounting, under IAS 28.

The reconciliation of carrying amount is as follows:

	2021	2020
	-----Rupees-----	
Purchase of ordinary shares	201,096,000	201,096,000
Opening balance	201,096,000	201,096,000
	201,096,000	201,096,000
Opening balance/ Transfer from available-for-sale investment	201,096,000	201,096,000
Share of profit / (loss) for the year	(11,191,736)	-
Dividend from associate	-	-
	(11,191,736)	-
Closing balance	189,904,264	201,096,000

The following table summarizes the financial information of Deli Jw Glassware Co. Ltd. included in its financial statements for the year ended 31 December 2021. The financial year-end of Deli Jw Glassware Co. Ltd. is 30 June.

	2021	2020
	-----Rupees-----	
Percentage of ownership (%)	9%	9%
Total assets	8,454,389,774	-
Total liabilities	6,344,342,396	-
Net assets	2,110,047,378	-
Company's share of net assets (9%)	189,904,264	-
Excess of cost over net assets at the date of investment	-	-
Carrying amount of interest in associates	189,904,264	-

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	2021	2020
	-----Rupees-----	
Net income	(311,272,198)	-
Profit after tax (100%)	(124,352,622)	-
Company's share of net profit (9%)	(11,191,736)	-
Other Comprehensive Income (OCI):		

8.7 Quality of Available for Sale Securities (At cost)

Details regarding Available for sales securities are as follows:

Federal Government Securities - Government guaranteed

- Market Treasury Bills

	2021	2020
	-----Rupees-----	
	4,496,780,170	7,973,121,890

Shares

- Fertilizer (Listed Company)

	27,333,834	27,333,834
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Preference Shares

- Chemical (Listed Company)

	315,000,000	315,000,000
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Non Government Debt Securities

Categorized based on long term rating by Credit Rating Agency

Listed

- A+, A, A-

	261,165,000	261,165,000
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Unlisted

- AAA

	562,500,000	687,500,000
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- AA+, AA, AA-

	4,269,695,000	3,944,660,000
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- A+, A, A-

	720,000,000	700,000,000
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- CCC and below

- Unrated

	448,548,305	581,780,522
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	6,000,743,305	5,913,940,522
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9 ADVANCES

	Performing		Non performing		Total	
	2021	2020	2021	2020	2021	2020
	----- Rupees -----					
Loans, cash credits, running finances, etc.	12,634,699,029	9,036,290,486	1,359,523,014	1,394,963,551	13,994,222,043	10,431,254,037
Islamic Financing and related assets	2,629,433,359	1,643,832,998	272,493,207	279,653,112	2,901,926,566	1,923,486,110
Advances - gross	<u>15,264,132,388</u>	<u>10,680,123,484</u>	<u>1,632,016,221</u>	<u>1,674,616,663</u>	<u>16,896,148,609</u>	<u>12,354,740,147</u>
Provision against advances						
- Specific	-	-	846,230,182	668,201,172	846,230,182	668,201,172
- General	208,365,648	136,440,631	-	-	208,365,648	136,440,631
	<u>208,365,648</u>	<u>136,440,631</u>	<u>846,230,182</u>	<u>668,201,172</u>	<u>1,054,595,830</u>	<u>804,641,803</u>
Advances - net of provision	<u>15,055,766,740</u>	<u>10,543,682,853</u>	<u>785,786,039</u>	<u>1,006,415,491</u>	<u>15,841,552,779</u>	<u>11,550,098,344</u>

9.1 Particulars of advances (Gross)

In local currency

	2021	2020
	----- Rupees -----	
	<u>16,896,148,609</u>	<u>12,354,740,147</u>

9.2 Advances include Rs.1,632 million (2020: Rs.1,674.6 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees -----			
Domestic				
Other Assets Especially Mentioned	272,493,207	-	279,653,112	-
Substandard	-	-	474,700,530	43,555,567
Doubtful	-	-	217,599,457	44,523,803
Loss	1,359,523,014	846,230,182	702,663,564	580,121,802
	<u>1,632,016,221</u>	<u>846,230,182</u>	<u>1,674,616,663</u>	<u>668,201,172</u>

9.2.1 Particulars of provision against advances

Note	2021			2020		
	Specific	General (Note 9.2.2)	Total	Specific	General	Total
	----- Rupees -----					
Opening balance	668,201,172	136,440,631	804,641,803	592,312,802	149,276,982	741,589,784
Charge for the period	213,469,547	71,925,017	285,394,564	142,919,620	-	142,919,620
Reversals	(60,000,000)	-	(60,000,000)	(67,031,250)	(12,836,351)	(79,867,601)
	153,469,547	71,925,017	225,394,564	75,888,370	(12,836,351)	63,052,019
Transfer from provision for diminution in value of investments	24,559,463	-	24,559,463	-	-	-
Closing balance	<u>846,230,182</u>	<u>208,365,648</u>	<u>1,054,595,830</u>	<u>668,201,172</u>	<u>136,440,631</u>	<u>804,641,803</u>

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9.2.2 General provision is being maintained at the rate of 1.5% (2020: 1.5%) of the performing portfolio of advances other than staff loans and Government of Pakistan guaranteed loan.

9.2.3 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
In local currency	846,230,182	208,365,648	1,054,595,830	668,201,172	136,440,631	804,641,803
	<u>846,230,182</u>	<u>208,365,648</u>	<u>1,054,595,830</u>	<u>668,201,172</u>	<u>136,440,631</u>	<u>804,641,803</u>

9.2.4 Details and impact of Forced Sale Value (FSV) benefit

The net FSV benefit availed during the period is Rs. 251.3 million (2020: Rs. 84.6 million), which has resulted in reduced charge for the period. Had the FSV benefit not availed, before and after tax profit would have been lower by Rs. 251.3 million (2020: Rs. 84.6 million) and Rs. 178.5 million (2020: Rs. 60 million), respectively. Accumulated availed FSV benefit as of 31 December 2021 was 513.3 million (31 December 2020: Rs. 261.9 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.



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	Note	2021	2020
		-----Rupees-----	
10 FIXED ASSETS			
Capital work-in-progress	10.1	8,590,000	4,839,000
Property and equipment	10.2	186,541,273	228,523,517
		<u>195,131,273</u>	<u>233,362,517</u>
10.1 Capital work-in-progress			
Advances to suppliers		<u>8,590,000</u>	<u>4,839,000</u>

	2021								
	Freehold land (Note 10.2.1)	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Lease Hold Improvement	Total
	-----Rupees-----								
At 01 January 2021									
Cost	136,000,000	39,951,307	15,944,185	1,428,575	44,304,384	55,769,036	114,115,953	9,883,890	417,397,330
Accumulated depreciation	-	(20,998,464)	(13,917,935)	(1,428,574)	(38,356,054)	(41,759,834)	(62,529,063)	(9,883,889)	(188,873,813)
Net book value	<u>136,000,000</u>	<u>18,952,843</u>	<u>2,026,250</u>	<u>1</u>	<u>5,948,330</u>	<u>14,009,202</u>	<u>51,586,890</u>	<u>1</u>	<u>228,523,517</u>
Opening net book value as at 01 January 2021	136,000,000	18,952,843	2,026,250	1	5,948,330	14,009,202	51,586,890	1	228,523,517
Additions- Cost	-	-	145,000	-	1,264,136	-	-	-	1,409,136
Disposals- Cost	-	-	-	-	(1,802,472)	-	-	-	(1,802,472)
Other adjustments	-	-	-	-	501,940	-	-	-	501,940
Depreciation charge	-	(1,598,052)	(590,098)	-	(3,270,853)	(5,626,585)	(32,305,792)	-	(43,391,380)
Accumulated depreciation on disposals	-	-	-	-	1,802,472	-	-	-	1,802,472
Other adjustments	-	-	-	-	(501,940)	-	-	-	(501,940)
Closing net book value as at 31 December 2021	<u>136,000,000</u>	<u>17,354,791</u>	<u>1,581,152</u>	<u>1</u>	<u>3,941,613</u>	<u>8,382,617</u>	<u>19,281,098</u>	<u>1</u>	<u>186,541,273</u>
At 31 December 2021									
Cost	136,000,000	39,951,307	16,089,185	1,428,575	44,267,988	55,769,036	114,115,953	9,883,890	417,505,934
Accumulated depreciation	-	(22,596,516)	(14,508,033)	(1,428,574)	(40,328,375)	(47,386,419)	(94,834,855)	(9,883,889)	(230,964,661)
Net book value	<u>136,000,000</u>	<u>17,354,791</u>	<u>1,581,152</u>	<u>1</u>	<u>3,941,613</u>	<u>8,382,617</u>	<u>19,281,098</u>	<u>1</u>	<u>186,541,273</u>
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%	

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	2020								
	Free hold land	Building on Free hold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Leasehold Improvements	Total
	-----Rupees-----								
At 01 January 2020									
Cost	136,000,000	39,951,307	17,317,266	5,382,535	47,791,824	55,827,926	113,947,818	12,197,515	428,416,191
Accumulated depreciation	-	(19,400,412)	(14,976,316)	(5,382,534)	(43,958,357)	(36,192,141)	(23,913,887)	(12,197,514)	(156,021,161)
Net book value	<u>136,000,000</u>	<u>20,550,895</u>	<u>2,340,950</u>	<u>1</u>	<u>3,833,467</u>	<u>19,635,785</u>	<u>90,033,931</u>	<u>1</u>	<u>272,395,030</u>
Opening net book value as at 01 January 2020	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	1	272,395,030
Additions- Cost	-	-	257,520	-	5,513,921	-	168,135	-	5,939,576
Disposals- Cost	-	-	(1,630,601)	(3,953,960)	(9,001,361)	(58,890)	-	(2,313,625)	(16,958,437)
Depreciation charge	-	(1,598,052)	(572,219)	-	(3,391,737)	(5,626,585)	(38,615,176)	-	(49,803,769)
Accumulated depreciation on disposals	-	-	1,630,600	3,953,960	8,994,040	58,892	-	2,313,625	16,951,117
Closing net book value as at 31 December 2020	<u>136,000,000</u>	<u>18,952,843</u>	<u>2,026,250</u>	<u>1</u>	<u>5,948,330</u>	<u>14,009,202</u>	<u>51,586,890</u>	<u>1</u>	<u>228,523,517</u>
At 31 December 2020									
Cost	136,000,000	39,951,307	15,944,185	1,428,575	44,304,384	55,769,036	114,115,953	9,883,890	417,397,330
Accumulated depreciation	-	(20,998,464)	(13,917,935)	(1,428,574)	(38,356,054)	(41,759,834)	(62,529,063)	(9,883,889)	(188,873,813)
Net book value	<u>136,000,000</u>	<u>18,952,843</u>	<u>2,026,250</u>	<u>1</u>	<u>5,948,330</u>	<u>14,009,202</u>	<u>51,586,890</u>	<u>1</u>	<u>228,523,517</u>
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%	

10.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 25 of these financial statements.

10.2.2 Costs of fully depreciated property & equipment still in use are:

	2021	2020
	-----Rupees-----	
Leasehold improvements	9,883,890	9,883,890
Electrical fittings	1,428,575	1,428,575
Furniture and fixtures	12,962,838	12,962,838
Computers and office equipment	34,785,262	35,148,517
Vehicles	27,636,109	27,636,109
	<u>86,696,674</u>	<u>87,059,929</u>

10.2.3 Following disposals were made to Key management personnel.

Particulars of the asset	Cost	Book Value	Sale Price	Mode of Disposal	Particulars of purchaser
	-----Rupees-----				
Laptops	234,500	1	23,450		Mr. Wang Baojun - Ex Managing Director
Laptops	113,850	1	11,385		Mr. Tariq Mahmood - Group Head Investment Banking
Laptops	113,850	1	11,385	Sold as per Company approved policy	Ms. Yasmin Akbar - Ex Group Head Risk Management
Laptops	113,850	1	11,385		Mr. Nabeel Abbas Tirmizi - Head Treasury



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		2021
		Computer Software
		Rupees
11	INTANGIBLE ASSETS	
	At 01 January 2021	
	Cost	6,450,807
	Accumulated amortization	<u>(5,956,071)</u>
	Net book value	<u>494,736</u>
	Opening net book value 01 January 2021	494,736
	Additions- Cost	-
	Disposals- Cost	-
	Other adjustments	(501,940)
	Amortization charge	27 (276,748)
	Other adjustments	<u>501,940</u>
	Closing net book value	<u>217,988</u>
	At 31 December 2021	
	Cost	5,948,867
	Accumulated amortization	<u>(5,730,879)</u>
	Net book value	<u>217,988</u>
	Rate of amortization (percentage)	<u>33%</u>
	Useful life (Years)	<u>3</u>
		2020
		Computer Software
		Rupees
	At 01 January 2020	
	Cost	6,450,807
	Accumulated amortization	<u>(5,665,901)</u>
	Net book value	<u>784,906</u>
	Opening net book value 01 January 2020	784,906
	Additions- Cost (Directly Purchased)	-
	Disposals- Cost	-
	Amortization charge	27 (290,170)
	Closing net book value	<u>494,736</u>
	At 31 December 2020	
	Cost	6,450,807
	Accumulated amortization	<u>(5,956,071)</u>
	Net book value	<u>494,736</u>
	Rate of amortization (percentage)	<u>33%</u>
	Useful life (Years)	<u>3</u>

11.1 Cost of fully amortized intangible assets still in use amounts to Rs. 5.2 million (2020:Rs. 5 million)

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12 DEFERRED TAX ASSETS

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Provision against advances, off balance sheet etc.
- Liabilities against assets subject to lease
- Revaluation of investments - HFT
- Impairment loss on available for sale & associates

Taxable Temporary Differences on

- Accelerated tax depreciation
- Revaluation of investments - AFS
- Accrued Interest on T- Bills
- Share of profit of associated companies
- Unrealized exchange gain

2021			
01 January 2021	Recognised in profit and loss account	Recognised in OCI	31 December 2021
----- Rupees -----			
4,386,446	(1,035,869)	441,324	3,791,901
107,135,878	(8,595,820)	-	98,540,058
143,392,427	75,386,668	-	218,779,095
11,113,618	(11,113,618)	-	-
(7,382,815)	15,150,031	-	7,767,216
123,184,129	(66,547,746)	-	56,636,383
381,829,683	3,243,646	441,324	385,514,653
(11,144,608)	9,725,152	-	(1,419,456)
(20,062,742)	-	(6,889,134)	(26,951,876)
-	(670,226)	-	(670,226)
(17,966,311)	(2,030,840)	(96,603)	(20,093,754)
(227,254,530)	(72,915,919)	-	(300,170,449)
(276,428,191)	(65,891,833)	(6,985,737)	(349,305,761)
105,401,492	(62,648,187)	(6,544,413)	36,208,892

2020

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Provision against advances, off balance sheet etc.
- Liabilities against assets subject to lease
- Impairment loss on available for sale & associates

Taxable Temporary Differences on

- Accelerated tax depreciation
- Revaluation of investments - HFT
- Revaluation of investments - AFS
- Accrued Interest on T- Bills
- Share of profit of associated companies
- Unrealized exchange gain

2020			
01 January 2020	Recognised in profit and loss account	Recognised in OCI	31 December 2020
----- Rupees -----			
3,249,890	511,177	625,379	4,386,446
107,135,878	-	-	107,135,878
97,600,716	45,791,711	-	143,392,427
20,232,712	(9,119,094)	-	11,113,618
115,108,460	8,075,669	-	123,184,129
343,327,656	45,259,463	625,379	389,212,498
(22,144,455)	10,999,847	-	(11,144,608)
-	(7,382,815)	-	(7,382,815)
3,206,148	-	(23,268,890)	(20,062,742)
(49,525,882)	49,525,882	-	-
(11,601,379)	(6,321,995)	(42,937)	(17,966,311)
(210,746,389)	(16,508,141)	-	(227,254,530)
(290,811,957)	30,312,778	(23,311,827)	(283,811,006)
52,515,699	75,572,241	(22,686,448)	105,401,492

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
		-----Rupees-----	
13	OTHER ASSETS		
	Income / mark-up accrued in local currency	298,351,450	299,765,997
	Income / mark-up accrued in foreign currency	2,049,118	242,909
	Advances, deposits, advance rent and other prepayments	9,006,107	8,103,273
	Receivable against fee, commission and advisory services	32,080,498	5,893,832
	Advance taxation (payments less provisions)	91,785,864	111,677,584
	Receivable from provident fund	7,973,522	-
	Receivable against disposal of shares	-	27,778,595
	Others	3,744	1,981
		441,250,303	453,464,170
14	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan		
	Renewable Energy Power Projects (REPP)	14.1 59,053,401	80,527,361
	Long Term Finance Facility (LTFF)	14.2 806,527,000	231,418,000
	Temporary Economic Relief Facility (TERF)	14.3 915,722,556	401,740,000
	Repurchase agreement borrowings	14.4 965,532,750	-
	Borrowing from financial institutions	-	4,847,913,238
	Other borrowings	14.5 7,455,500,000	5,036,500,000
	Total secured	10,202,335,707	10,598,098,599
	Unsecured		
	Borrowing from financial institutions	14.6 4,492,041,987	2,304,815,239
	Total unsecured	4,492,041,987	2,304,815,239
		14,694,377,694	12,902,913,838

14.1 This represents an SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme is payable in maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.

14.2 This represents an SBP Long Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery. The loan availed under the said scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 2.00%.

14.3 This represents an SBP Refinance Facility under Temporary Economic Refinance Facility (TERF) for imported and local manufactured plant & machinery, during COVID-19 pandemic. The loan availed under the said scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 1.00%.

14.4 This is secured against pledge of Government securities having maturity up to 4 days (2020 : Nil) These carry mark-up at the rate of 10.70% per annum (2020 : Nil)

14.5 This represents secured long term & short term finance facilities from commercial banks. The principal term & conditions of each facility are given below.

14.5.1 A term loan facility having outstanding principal balance of of Rs. 1 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.

14.5.2 A drawdown of Rs. 1,455.5 million from term loan facility of Rs. 2 billion from a commercial bank, payable in a maximum of 4 years with an inclusive grace period of maximum of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.

14.5.3 The long term loan facility of Rs. 2 billion from a commercial bank, payable in a maximum of 4 years with an inclusive grace period of maximum of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.

14.5.4 The long term loan facility of Rs. 2 billion from a commercial bank, payable in maximum of 5 years with an inclusive grace period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14.5.5 A Running Finance facility of Rs. 1 billion from a commercial bank payable in a maximum of 1 year on roll over basis. Mark-up payable is on quarterly basis at the rate of 3MK + 0.12% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 1,333 million inclusive of 25% margin.

14.6 This represent un-secured borrowings from financial institutions carrying mark-up rate of 11.15% to 11.32%(2020: 6.75% to 7.00%) per annum having maturity up to 356 to 364 days (2020: 88-92 days)

	2021	2020
14.7 Particulars of borrowings with respect to Currencies	-----Rupees-----	
In local currency	<u>14,694,377,694</u>	<u>12,902,913,838</u>

15 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees -----						
Customers						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	4,750,000,000	-	4,750,000,000	512,400,000	-	512,400,000
Others	-	-	-	-	-	-
	<u>4,750,000,000</u>	-	<u>4,750,000,000</u>	<u>512,400,000</u>	-	<u>512,400,000</u>
Financial Institutions						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>4,750,000,000</u>	-	<u>4,750,000,000</u>	<u>512,400,000</u>	-	<u>512,400,000</u>

	2021	2020
15.1 Composition of deposit	-----Rupees-----	
Private sector entities	<u>4,750,000,000</u>	<u>512,400,000</u>

16 OTHER LIABILITIES

	2021	2020
Mark-up / return / interest payable in local currency	57,286,585	187,705,827
Suspended markup	16.1 108,755,000	212,346,460
Accrued expenses	54,967,110	51,543,157
Unearned commission / fee	3,527,268	-
Withholding tax / sales tax payable	8,560,388	2,656,571
Payable to defined benefit plan	34.4 13,075,522	15,125,676
Lease liability against right-of-use assets	16.2 -	38,322,821
Others	4,953,677	3,775,744
	<u>251,125,550</u>	<u>511,476,256</u>

16.1 This represents suspended / deferred mark-up, in the form of zero-rated TFCs, on classified non government debt security (refer to note 8.3.2). The comparative amount of suspended/ deferred mark-up related to a separate restructured/ rescheduled advance. During the period, upon settlement of related zero-rated TFCs, the Company has recognized mark-up income amounting to Rs. 222.76 million in the profit and loss account.

16.2 Lease liability against right-of-use assets

	2021			2020		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
----- Rupees -----						
Not later than one year	-	-	-	40,741,286	2,418,465	38,322,821
Later than one year and up to five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,741,286</u>	<u>2,418,465</u>	<u>38,322,821</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17 SHARE CAPITAL

17.1 Authorized Capital

	2021	2020		2021	2020
	Number of shares			-----Rupees-----	
	1,214,000,000	1,214,000,000	Ordinary shares of Rs. 10 each	12,140,000,000	12,140,000,000

17.2 Issued, subscribed and paid up capital

	2021	2020		2021	2020
	Number of shares			-----Rupees-----	
	969,663,754	969,663,754	Ordinary shares of Rs. 10 each, issued for cash	9,696,637,540	9,696,637,540

17.3 The Ministry of Finance (MOF), Government of Pakistan, and the China Development Bank (CDB) on behalf of the Government of China, each hold 484,831,877 (2020: 484,831,877) ordinary shares of the Company, respectively.

18 ADVANCE AGAINST ISSUE OF SHARES

This represents difference between amount received from MOF of Rs. 300,000,000 and shares issued to MOF amounting to Rs. 290,118,770 during 2019. The shares were issued in the ratio of 50:50 to both the sponsors. As approved by the BOD meeting held on 27 September 2019, this amount will be adjusted against next tranche of equity injection.

		2021	2020
19 SURPLUS ON REVALUATION OF ASSETS	Note	-----Rupees-----	
Surplus on revaluation of			
- Available for sale securities	8.1	130,575,140	102,941,173
Deferred tax on surplus on revaluation of:			
- Available for sale securities	12	(26,951,876)	(20,062,742)
		103,623,264	82,878,431
Company's share of equity-accounted investees' OCI:			
- Change in fair value of available-for-sale financial assets - net of tax		469,046	315,002
		104,092,310	83,193,433

20 CONTINGENCIES AND COMMITMENTS

Guarantees	20.1	2,853,258,592	1,381,350,038
Commitments	20.2	2,617,343,126	8,408,187,260
Other contingent liability	20.3	168,100,000	168,100,000
		5,638,701,718	9,957,637,298

20.1 Guarantees

Financial guarantees		2,853,258,592	1,381,350,038
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20.2 Commitments

Documentary credits and short term trade related transactions			
Letters of credit		182,924,810	299,536,358
Commitments in respect of:			
Forward government securities transactions - Purchase		965,817,625	4,987,510,000
Forward government securities transactions - Sale		-	1,150,804,380
Commitments to extend credits	20.2.1	1,457,179,274	1,970,336,522
Commitment for acquisition of fixed assets		11,421,417	-
		2,617,343,126	8,408,187,260

20.2.1 Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at reporting date, however, the Company's outstanding irrevocable commitments amounts to Rs. 1,457.2 million (2020: Rs. 1,970.34 million).

20.3 Other contingent liability

20.3.1 An ex-employee of the company has lodged a claim of Rs.168.1 million against the Company. The case has been decided in favor of the Company and the complainant has filed an appeal before the High Court against decision of the Civil Judge. Based on internal assessment and legal advice, management is confident that the case will be decided in the favor of the Company and possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

20.3.2 For tax related contingencies, please refer note 30.2 of these financial statements.

21 MARK-UP/RETURN/INTEREST EARNED

	2021	2020
	----- Rupees -----	
On loans and advances	1,169,826,134	996,864,643
On investments	1,349,221,113	1,860,332,779
On lending's to financial institutions	2,194,028	8,281,068
On deposits with banks	77,299,744	119,884,703
On securities purchased under resale agreement	84,911,464	219,614,193
	2,683,452,483	3,204,977,386

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	----- Rupees -----	
22 MARK-UP/RETURN/INTEREST EXPENSED			
On deposits		107,339,111	17,530,302
On borrowings		766,310,340	1,739,205,006
On securities sold under repurchase agreements		339,126,495	3,044,985
Interest expense on lease liability		2,417,555	5,971,436
		<u>1,215,192,501</u>	<u>1,765,751,729</u>
23 FEE AND COMMISSION INCOME			
Credit related fee		60,492,901	48,184,948
Commission on trade		1,628,860	5,525,689
Commission on guarantees		12,195,419	8,405,783
Investment banking fees		54,807,518	35,331,894
		<u>129,124,698</u>	<u>97,448,314</u>
24 GAIN ON SECURITIES			
Realized - net	24.1	39,247,350	61,512,274
Unrealized - held for trading	24.2	(81,896,494)	49,218,765
		<u>(42,649,144)</u>	<u>110,731,039</u>
24.1 Realized gain / (loss) on:			
Federal Government Securities		194,282	3,457,838
Non Government Debt Securities		5,309,727	10,360,773
Shares		32,524,316	30,647,770
Mutual Funds		1,219,025	17,045,893
		<u>39,247,350</u>	<u>61,512,274</u>
24.2 Un-realized gain on:			
Shares		(81,896,494)	49,218,765
		<u>(81,896,494)</u>	<u>49,218,765</u>
25 OTHER INCOME			
Rent on property		13,411,083	12,417,669
Gain on sale of fixed assets-net		180,232	809,603
		<u>13,591,315</u>	<u>13,227,272</u>
26 INCOME FROM INVESTMENT IN ASSOCIATES			
Pakistan Stock Exchange Limited		35,816,566	17,015,900
Central Depository Company of Pakistan Limited		43,313,958	34,557,236
Deli JW Glassware Company Limited		(11,191,736)	-
		<u>67,938,788</u>	<u>51,573,136</u>
27 OPERATING EXPENSES			
Total Compensation expenses	27.1	414,469,849	356,508,749
Property expense			
Rent and taxes		1,571,680	1,575,309
Insurance		73,917	42,816
Utilities cost		4,920,877	5,330,588
Security		4,961,812	5,048,281
Repair and maintenance		2,331,437	4,082,870
Depreciation		33,903,844	40,213,228
		<u>47,763,567</u>	<u>56,293,092</u>
Information technology expenses			
Software maintenance		1,952,956	1,659,558
Hardware maintenance		1,305,312	227,194
Amortization		276,748	290,170
Depreciation		2,030,526	2,320,106
Network charges		949,221	(113,281)
		<u>6,514,763</u>	<u>4,383,747</u>
Other operating expenses			
Directors' fees and allowances		3,750,000	4,000,000
Legal and professional charges		5,446,578	5,564,676
Outsourced services costs	27.2	7,517,520	7,942,884
Travelling and conveyance		16,283,687	19,524,046
Insurance		4,472,843	5,188,115
Repair and maintenance		461,572	762,726
Depreciation		7,457,010	7,270,435
Training and development		1,088,700	402,338
Utilities		-	211,560
Communication		3,237,468	3,312,912
Stationery and printing		2,573,619	4,442,107
Marketing, advertisement and publicity		2,326,336	3,618,038
Auditors remuneration	27.3	3,919,056	2,886,320
Bank charges		488,107	310,146
Entertainment		2,646,637	2,974,467
Donations		-	1,000,000
Miscellaneous		4,797,780	5,128,866
		<u>65,466,913</u>	<u>74,539,636</u>
		<u>534,215,092</u>	<u>491,725,224</u>

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		2021	2020
27.1 Total Compensation expenses	Note	----- Rupees -----	
Managerial Remuneration		287,898,986	234,715,633
i) Fixed			
ii) Variable		31,798,755	32,237,504
- Cash Bonus			
		319,697,741	266,953,137
Charge for defined benefit plan		16,643,504	15,558,359
Contribution to defined contribution plan		11,713,496	10,016,003
EOBI		428,700	364,975
Medical		31,220,697	26,640,957
Leave fair assistance		16,137,945	13,542,930
Leave encashment		3,344,120	2,330,615
Allowances	27.1.1	14,560,500	20,299,565
Others		723,146	802,208
		<u>414,469,849</u>	<u>356,508,749</u>
27.1.1	This mainly includes overseas and vehicle allowance of Rs. Nil (2020: 5.8 million) and Rs. 13.8 million (2020: 13.2 million), respectively.		
27.2	Total cost for the year relating to outsourced activities is Rs 13.8 million (2020: Rs 14.4 million) entirely relating to companies incorporated in Pakistan and on account of security guards, supporting and janitorial staff. This cost includes outsourced service cost, which is disclosed specifically in note 27.		
27.3 Auditors' remuneration	Note	----- Rupees -----	
Annual audit fee		884,268	842,160
Half year review		267,960	255,200
Fee for other statutory certifications		147,378	140,360
Fee for special certifications and other services		2,418,890	1,397,800
Out-of-pocket expenses		200,560	250,800
		<u>3,919,056</u>	<u>2,886,320</u>
28 OTHER CHARGES	Note	----- Rupees -----	
Penalties imposed by State Bank of Pakistan		4,692	30,000
29 PROVISIONS AND WRITE OFFS - NET			
Provisions against loans and advances	9.2.1	225,394,564	63,052,019
Reversal of provision for diminution in value of investments	8.3	(5,081,296)	-
Impairment loss on investment in associate		-	53,837,790
		<u>220,313,268</u>	<u>116,889,809</u>
30 TAXATION			
For the Period			
Current		296,669,009	449,942,739
Deferred		62,648,187	(75,572,241)
For the prior year			
Current		686,871	18,911,603
		<u>360,004,067</u>	<u>393,282,101</u>
30.1 Relationship between current tax expense and accounting profit			
Accounting Profit before taxation		1,133,166,790	1,166,485,008
Applicable tax rate		29%	29%
Tax on accounting profit at applicable rate		328,618,369	338,280,652
Rate change impact		7,756,457	46,224,157
Impact of lower rate & permanent difference		22,942,370	(10,134,311)
Prior year current tax charge		686,871	18,911,603
		<u>360,004,067</u>	<u>393,282,101</u>

30.1.1 In addition to current tax charge recognized in the financial statements, changes introduced in the Income Tax Ordinance, 2001, by the enactment of the Finance Act, 2022 on 30 June 2022, would require the Company to pay Super Tax, at the rate of 4% of the taxable income, in respect of current year. The resultant charge, estimated at approximately Rs. 46.8 million, would be recognized in the financial statements for the year ending 31 December 2022, in accordance with the requirements of the approved accounting and reporting standards, as applicable in Pakistan.



PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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30.2 Tax status

- 30.2.1** For the Tax Year 2011, a tax demand of Rs. 109.22 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an instalment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.11 million in protest on the issue of disallowing "provision against non-performing loan and advances" and submitted appeal before CIR(A). The appeal was decided in favor of the Company and the tax of Rs 15.11 million deposited under protest became refundable. However, the department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against appellate order of CIR(A). The hearing was held on 07 March 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. Subsequent to reporting date, the Company has filed a tax reference before the High Court against the ATIR order which is yet to be fixed for hearing.
- 30.2.2** For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR(A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR(A) and ATIR upheld the contentions of the appellate orders of the CIR(A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and the Company paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.
- 30.2.3** For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the Income tax ordinance, creating an aggregate tax demand amounting to Rs. 128 million on provisions, apportionment, super tax and default surcharge. The Company submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later the Company attained stay form ATIR for 40 days or till the disposal of main appeal subject to deposit of 30% of the total amount. As per directions of the ATIR, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. The Company filed writ petition for interim relief before Islamabad High Court. The High Court has granted stay for recovery of outstanding demand and also restrained the tax department to take extreme measures until decision of the appeal. The hearing was held on 07 March 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. Subsequent to reporting date, both the Company and the tax department filed cross tax references before the High Court against the ATIR order which is yet to be fixed for hearing.
- 30.2.4** For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended mark-up, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits was remanded back. Hearing in respect of remand back proceedings was held and an appeal effect order under Section 124/129 of the Ordinance was passed by the ACIR. The Company filed appeal before CIR(A) against appeal effect order which is yet to be fixed for hearing.
- 30.2.5** For the Tax Year 2017, show cause notices were issued to the Company by the ACIR. The ACIR through the notices proposed to amend the deemed assessment under Section 122(9) read with section 122(5A) of the Ordinance. These notices were duly replied. Subsequent to reporting date, the assessment order was issued by the ACIR by creating demand amounting Rs. 331.21 million. The Company filed appeal before CIR(A) against the assessment order which is yet to be fixed for hearing.
- 30.2.6** Subsequent to reporting date, for the Tax Year 2018, a show cause notice was issued to the Company by the ACIR. The said notice proposed to amend the deemed assessment under Section 122(9) read with Section 122(5A) of the Ordinance. The notice was duly replied and order is still awaited.
- 30.2.7** Subsequent to reporting date, for the Tax Years 2019, 2020 and 2021, show cause notices were issued to the Company by the ACIR. The said notice proposed deemed to amend the assessment under Section 122(9) of the Ordinance. The assessment orders were passed by the ACIR by creating demand amounting Rs. 241.85 million, Rs. 384.47 million and Rs. 652.92 million for Tax Years 2019, 2020 and 2021, respectively. Company has filed appeal before CIR(A) against the assessment order which is yet to be fixed for hearing.
- 30.2.8** On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these financial statements.

	Note	2021	2020
----- Rupees -----			
31 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period - Rupees		<u>773,162,723</u>	<u>773,202,907</u>
Weighted average number of ordinary shares - Numbers		<u>969,663,754</u>	<u>969,663,754</u>
Basic earnings per share - Re		<u>0.80</u>	<u>0.80</u>
31.1 Diluted earning per share has not been separately presented as the Company does not have convertible instruments in issue.			
32 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	5	<u>2,067,463,832</u>	2,223,116,872
Balance with other banks	6	<u>4,086,987,658</u>	35,230,054
		<u>6,154,451,490</u>	<u>2,258,346,926</u>
		<u>2021</u>	<u>2020</u>
33 STAFF STRENGTH			
-----Number-----			
Permanent		<u>48</u>	<u>49</u>
The Company's own staff strength at the end of the year		<u>48</u>	<u>49</u>
Outsourced	33.1	<u>9</u>	<u>11</u>
Total staff strength		<u>57</u>	<u>60</u>

33.1 This excludes outsourced security guards and janitorial staff.

PAK CHINA INVESTMENT COMPANY LIMITED
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34 DEFINED BENEFIT PLAN

34.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2021.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

34.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are 48 as of 31 December 2021 (2020: 49).

34.3 Principal actuarial assumptions

	<u>2021</u>	<u>2020</u>
Discount rate	11.75%	9.75%
Expected rate of return on plan assets	11.75%	9.75%
Expected rate of Salary increase	11.75%	9.75%
Average remaining working lives of employees	6.3 years	5.9 years
Normal retirement age	60 years	60 years

34.4 Reconciliation of amount payable to defined benefit plan

	Note	<u>2021</u>	<u>2020</u>
-----Rupees-----			
Present value of defined benefit obligation	34.5	86,694,421	79,735,068
Fair value of plan assets	34.7	(73,618,899)	(64,609,392)
		<u>13,075,522</u>	<u>15,125,676</u>

34.5 Movement in the present value of the defined benefit obligation

Opening balance	79,735,068	69,661,289
Current service cost	16,189,020	15,073,633
Interest cost	6,753,900	7,060,888
Benefits paid	(20,215,465)	(13,795,680)
Benefits payable	(713,125)	-
Changes in financial assumptions	362,660	(240,344)
Remeasurement loss	4,582,363	1,975,282
Closing balance	<u>86,694,421</u>	<u>79,735,068</u>

34.6 Movement in payable to defined benefit plan

Opening balance	15,125,676	11,206,518
Charge for the year	16,643,504	15,558,359
Remeasurement loss chargeable to the other comprehensive income	1,521,807	2,156,479
Company's contributions for the year	(20,215,465)	(13,795,680)
	<u>13,075,522</u>	<u>15,125,676</u>

34.7 Movement in the fair value of plan assets

Opening balance	64,609,392	58,454,771
Contributions	20,215,465	13,795,680
Interest income on plan assets	6,299,416	6,576,162
Benefits paid	(20,215,465)	(13,795,680)
Benefits payable	(713,125)	-
Return on plan assets excluding interest income	3,423,216	(421,541)
Closing balance	<u>73,618,899</u>	<u>64,609,392</u>
Actual return on plan assets	<u>9,722,632</u>	<u>6,154,621</u>

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	2021	2020
	-----Rupees-----	
34.8 The amounts recognized in profit and loss are as follows:		
Current service cost	16,189,020	15,073,633
Interest cost	6,753,900	7,060,888
Interest income on plan assets	<u>(6,299,416)</u>	<u>(6,576,162)</u>
	<u>16,643,504</u>	<u>15,558,359</u>

34.9 The amounts recognized in the other comprehensive income are as follows:

Remeasurement loss / (gain):

Actuarial loss - experience adjustment	4,582,363	1,975,282
Actuarial loss / (gain) - Changes in financial assumptions	362,660	(240,344)
Return on plan assets, excluding interest income	<u>(3,423,216)</u>	<u>421,541</u>
	<u>1,521,807</u>	<u>2,156,479</u>

	2021	2020		
	-----%-----			
34.10 Components of plan assets				
National Savings account	99.80	99.90	74,186,965	64,542,723
Bank balances	0.20	0.10	145,059	66,669
	<u>100.00</u>	<u>100.00</u>	<u>74,332,024</u>	<u>64,609,392</u>

34.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation

Current liability	86,694,421	79,735,068
Discount rate +100 bps	<u>79,125,926</u>	<u>72,827,678</u>
Discount rate -100 bps	<u>95,436,665</u>	<u>87,701,434</u>
Average salary increase +100 bps	<u>95,543,284</u>	<u>87,793,344</u>
Average salary increase -100 bps	<u>78,890,491</u>	<u>72,615,455</u>

34.12 Based on actuarial advice, the management estimates that P&L charge for the next year would be Rs. 18.5 million.

34.13 Expected contributions to be paid to the funds in the next year would be Rs. 13.1 million.

	2021	2020
	-----Rupees-----	
34.14 Maturity profile		
Particulars	Undiscounted payments	
Year 1	7,424,050	6,640,548
Year 2	8,305,267	7,004,210
Year 3	12,503,772	7,257,040
Year 4	9,081,227	10,936,550
Year 5	9,474,521	7,648,095
Year 6 to Year 10	66,506,465	64,167,209
Year 11 and above	1,553,226,951	873,677,593

At 31 December 2021, the weighted-average duration of the defined benefit obligation was 9 years (2020: 9 years).

34.15 Funding Policy

The Company carries out the actuarial valuation of the defined benefit plan on a periodic basis. Contributions are made annually in accordance with the actuarial recommendations.



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34.16 Risk associated with defined benefit plan

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

Investment risk

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

Mortality risks

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Salary increase risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

35 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2020: 10% per annum) of the employees' basic salary. During the year the Company contributed Rs. 11.7 million (2020: Rs. 10 million) in respect of this fund.

35.1 Funding Policy

Contributions made to the provident fund, during the year, are as follows:

	2021	2020
	-----Rupees-----	
Contribution from the Company	11,713,496	10,016,003
Contribution from the employees	11,713,496	10,016,003
	<u>23,426,992</u>	<u>20,032,006</u>

35.2 Provident fund trust

Size of the trust (Rupees)	<u>84,065,537</u>	<u>84,044,000</u>
Cost of investments made (Rupees)	<u>82,963,000</u>	<u>82,963,000</u>
Percentage of investment made (%)	<u>98.69%</u>	<u>98.71%</u>
Fair value of investment made (Rupees)	<u>82,963,000</u>	<u>82,963,000</u>

	2021	2020	2021	2020
	-----%-----		-----Rupees-----	
Break-up of investments				
National savings account	<u>100.00</u>	<u>100%</u>	<u>82,963,000</u>	<u>82,963,000</u>
	<u>100.00</u>	<u>100%</u>	<u>82,963,000</u>	<u>82,963,000</u>

35.3 Investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.



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36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

Items	2021			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)*	Non-Executives		
Fees and Allowances etc.	-	-	3,750,000	-	-
Managerial Remuneration					
i Fixed	-	12,874,336	-	55,538,726	88,320,904
ii Total Variable	-	-	-	-	12,215,885
of which					
- Cash Bonus / Awards	-	-	-	-	12,215,885
Leave fare assistance / leave encashment	-	911,492	-	1,657,286	5,788,954
Charge for defined benefit plan	-	165,159	-	-	5,677,816
Contribution to defined contribution plan	-	656,032	-	1,299,379	3,592,311
Utilities	-	5,713	-	27,894	-
Medical	-	2,694,917	-	5,401,939	7,767,186
Conveyance	-	-	-	-	3,797,614
Entertainment	-	44,905	-	-	726,916
Boarding and lodging	-	-	-	-	182,995
Daily allowance	-	-	-	-	211,220
Professional training and staff welfare	-	-	-	-	459,930
Insurance	-	-	-	345,827	765,961
Membership Fee & Subscription	-	-	-	103,150	-
Others	-	153,928	-	345,608	237,111
Total	-	17,506,482	3,750,000	64,719,809	129,744,803
Number of Persons	-	1	1	1	13

Items	2020			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
Fees and Allowances etc.	-	-	4,000,000	-	-
Managerial Remuneration					
i Fixed	-	298,831	-	54,478,023	61,225,090
ii Total Variable	-	-	-	-	13,828,843
of which					
- Cash Bonus / Awards	-	-	-	-	13,828,843
Leave fare assistance / leave encashment	-	-	-	1,995,008	3,639,169
Charge for defined benefit plan	-	-	-	1,140,271	5,607,135
Contribution to defined contribution plan	-	18,111	-	1,507,418	2,697,504
Utilities	-	211,560	-	164,346	-
Medical	-	-	-	6,424,212	2,832,563
Conveyance	-	9,261	-	1,585,331	2,726,524
Entertainment	-	-	-	5,772	339,849
Boarding and lodging	-	-	-	374,706	87,575
Daily allowance	-	-	-	863,120	28,000
Professional training and staff welfare	-	-	-	-	18,560
Insurance	-	-	-	313,136	841,464
Membership Fee & Subscription	-	-	-	1,030,800	-
Others *	-	4,658	-	555,593	166,798
Total	-	542,421	4,000,000	70,437,736	94,039,074
Number of Persons	-	1	1	1	10

36.1.1 There are no "Other Material Risk Takers/Controllers" other than "Key Management Personnel" as defined in format of annual financial statements.

36.1.2 State Bank of Pakistan has issued the remuneration guidelines vide BPRD circular number 1, 2017 dated 25 January 2017. The objective of these guidelines was to provide guidance to financial institutions to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities of individuals. Following the guidelines, comprehensive framework has been developed and MRT's and MRC's has been identified. After the performance appraisal process of year 2021, 30% of performance bonus for MRT's and MRC's has been withheld. The total withheld amount in this account is Rs. 6.0 million (2020: Rs. 5.1 million)



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

2021

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			Total Amount Paid
			Audit Committee	HR Committee	Risk Committee	
1	Noor Ahmed	2,000,000	1,000,000	250,000	500,000	3,750,000
	Total Amount Paid	2,000,000	1,000,000	250,000	500,000	3,750,000

2020

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			Total Amount Paid
			Audit Committee	HR Committee	Risk Committee	
1	Noor Ahmed	2,000,000	1,000,000	500,000	500,000	4,000,000
	Total Amount Paid	2,000,000	1,000,000	500,000	500,000	4,000,000

36.3 Disclosure on Board of Directors

2021

Sr. No.	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Noor Ahmed	12/13/2018	11/22/2021	Non executive director	3	-
2	Wang Li	6/27/2018	-	Non executive director	3	-
3	Zuo Kun	5/19/2020	2/22/2021	Non executive director	-	-
4	Wang Baojun*	5/10/2018	-	Non executive director/Chairman	1	2
5	Jiang Ketao	8/4/2021	-	Executive director	2	1

2020

Sr. No.	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Noor Ahmed	12/13/2018	-	Non executive director	3	-
2	Wang Li	6/27/2018	-	Non executive director	3	-
3	Zuo Kun	5/19/2020	-	Non executive director	3	-
4	Deng Shuang	2/26/2017	3/16/2020	Non executive director	-	-
5	Wang Baojun	5/10/2018	-	Executive director	1	2
6	Shahnawaz Mahmood*	1/8/2014	1/8/2020	Executive director	-	-

*Mr. Wang Baojun vacated office on 04 August 2021 and was present on the Board of following entities.

- 1 Pakistan Stock Exchange Limited
- 2 Central Depository Company of Pakistan Limited



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36.4 Directors' Participation in Board and Committee meetings

2021

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Noor Ahmed	4	4	1	2
2	Wang Li	4	4	1	2
3	Zuo Kun	-	-	-	-
4	Wang Baojun	4	-	-	1
5	Jiang Ketao	1	-	-	1

2020

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Noor Ahmed	4	4	2	2
2	Wang Li	4	4	2	2
3	Zuo Kun	1	-	-	-
4	Wang Baojun	4	-	-	2

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PAK CHINA INVESTMENT COMPANY LIMITED
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37 FAIR VALUE MEASUREMENTS

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

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

37.1 Fair value of financial assets

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

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

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

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

37.2 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 categorized:

		2021			
Carrying value		Level 1	Level 2	Level 3	Total
		Rupees			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	4,495,774,000	-	4,495,774,000	-	4,495,774,000
Shares	238,239,368	238,239,368	-	-	238,239,368
Preference Shares	351,225,000	351,225,000	-	-	351,225,000
Non-Government Debt Securities	3,671,203,715	-	3,410,038,715	261,165,000	3,671,203,715
	8,756,442,083	589,464,368	7,905,812,715	261,165,000	8,756,442,083
Financial assets - disclosed but not measured at fair value					
Non-Government Debt Securities	2,328,755,000	-	-	-	-
	11,085,197,083	589,464,368	7,905,812,715	261,165,000	8,756,442,083
Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	965,817,625	-	-	965,817,625	965,817,625
Forward government securities transactions - sale	-	-	-	-	-
		2020			
Carrying value		Level 1	Level 2	Level 3	Total
		Rupees			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	7,971,944,000	-	7,971,944,000	-	7,971,944,000
Shares	255,012,540	255,012,540	-	-	255,012,540
Preference Shares	384,930,000	384,930,000	-	-	384,930,000
Non-Government Debt Securities	4,094,382,122	-	3,833,217,122	261,165,000	4,094,382,122
	12,706,268,662	639,942,540	11,805,161,122	261,165,000	12,706,268,662
Financial assets - disclosed but not measured at fair value					
Non-Government Debt Securities	1,712,346,460	-	-	-	-
	14,418,615,122	639,942,540	11,805,161,122	261,165,000	12,706,268,662
Off-balance sheet financial instruments - measured at fair value					
Forward government securities transactions - purchase	4,987,510,000	-	-	4,987,510,000	4,987,510,000
Forward government securities transactions - sale	1,150,804,380	-	-	1,150,804,380	1,150,804,380

37.3 Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed Securities	Market Prices
Non-Government Debt Securities	MUFAP

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38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	2021				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
	-----Rupees-----				
Profit & Loss					
Net mark-up/return/profit	1,266,514,021	2,187,250	167,823,901	31,734,810	1,488,259,982
Inter segment revenue - net	(841,581,000)	(23,123,000)	(128,035,000)	992,739,000	-
Non mark-up income	73,168,157	42,901,312	1,963,307	301,407,084	419,439,850
Total Income	498,101,178	21,965,562	41,752,208	1,325,880,894	1,887,699,842
Segment direct expenses	(49,365,703)	(50,206,091)	(24,583,142)	(410,064,848)	(534,219,784)
Provisions	(220,313,268)	-	-	-	(220,313,268)
Profit before tax	228,422,207	(28,240,529)	17,169,066	915,816,046	1,133,166,790

	2021				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
	-----Rupees-----				
Balance Sheet					
Cash & Bank balances	4,000,000,000	-	2,000,000,000	2,613,558,511	8,613,558,511
Investments	6,460,873,872	1,164,149,431	4,495,774,000	721,884,376	12,842,681,679
Advances					
Performing	15,118,549,942	-	-	145,582,446	15,264,132,388
General provision	(208,365,648)	-	-	-	(208,365,648)
	14,910,184,294	-	-	145,582,446	15,055,766,740
Non-performing	1,631,352,657	-	-	663,564	1,632,016,221
Specific provision	(845,566,618)	-	-	(663,564)	(846,230,182)
	785,786,039	-	-	-	785,786,039
Others	297,147,400	33,973,960	1,369,863	340,317,233	672,808,456
Total Assets	26,453,991,605	1,198,123,391	6,497,143,863	3,821,342,566	37,970,601,425
Borrowings	8,712,372,685	501,664,000	5,480,341,009	-	14,694,377,694
Deposits	4,750,000,000	-	-	-	4,750,000,000
Others	45,404,647	10,201,560	10,016,019	185,503,324	251,125,550
Total Liabilities	13,507,777,332	511,865,560	5,490,357,028	185,503,324	19,695,503,244
Equity	-	-	-	18,275,098,181	18,275,098,181
Total Equity & Liabilities	13,507,777,332	511,865,560	5,490,357,028	18,460,601,505	37,970,601,425
Contingencies & Commitments	4,493,362,676	-	965,817,625	179,521,417	5,638,701,718

	2020				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
	-----Rupees-----				
Profit & Loss					
Net mark-up/return/profit	1,220,527,921	7,750,194	113,566,047	97,381,495	1,439,225,657
Inter segment revenue - net	(1,020,674,000)	(28,990,000)	(83,899,000)	1,133,583,000	-
Non mark-up income	72,466,420	155,755,664	20,514,504	87,167,796	335,904,384
Total Income	272,320,341	134,515,858	50,181,551	1,318,112,291	1,775,130,041
Segment direct expenses	(38,171,338)	(49,760,748)	(19,833,003)	(383,990,135)	(481,755,224)
Provisions	(58,429,274)	-	-	(58,460,535)	(116,889,809)
Profit before tax	175,719,729	84,755,110	30,348,548	875,661,621	1,166,485,008

	2020				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
	-----Rupees-----				
Balance Sheet					
Cash & Bank balances	-	-	1,149,985,152	2,258,346,926	3,408,332,078
Investments	5,806,029,357	1,185,948,537	7,971,944,000	693,959,474	15,657,891,368
Advances					
Performing	10,596,042,080	-	-	84,081,404	10,680,123,484
General provision	(136,440,631)	-	-	-	(136,440,631)
	10,459,601,449	-	-	84,081,404	10,543,682,853
Non-Performing	1,673,953,099	-	-	663,564	1,674,616,663
Specific provision	(667,537,608)	-	-	(663,564)	(669,201,172)
	1,006,415,491	-	-	-	1,006,415,491
Others	283,928,020	49,071,270	204,807	459,518,818	792,722,915
Total Assets	17,555,974,317	1,235,019,807	9,122,133,959	3,495,916,622	31,409,044,705
Borrowings	5,147,185,361	501,664,000	7,254,064,477	-	12,902,913,838
Deposits	512,400,000	-	-	-	512,400,000
Others	227,844,921	11,035,458	168,347,435	104,248,442	511,476,256
Total Liabilities	5,887,430,282	512,699,458	7,422,411,912	104,248,442	13,926,790,094
Equity	-	-	-	17,482,254,611	17,482,254,611
Total Equity & Liabilities	5,887,430,282	512,699,458	7,422,411,912	17,586,503,053	31,409,044,705
Contingencies & Commitments	3,651,222,918	-	6,138,314,380	168,100,000	9,957,637,298



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38.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021		
	In Pakistan	Outside Pakistan	Total
	-----Rupees-----		
Profit & Loss			
Net mark-up/return/profit	1,468,259,982	-	1,468,259,982
Non mark-up / return / interest income	419,439,860	-	419,439,860
Total Income	1,887,699,842	-	1,887,699,842
Total expenses	(534,219,784)	-	(534,219,784)
Provisions/Impairment	(220,313,268)	-	(220,313,268)
Profit before tax	1,133,166,790	-	1,133,166,790
Balance Sheet			
Cash & Bank balances	8,613,558,511	-	8,613,558,511
Investments	12,842,681,679	-	12,842,681,679
Advances			
Performing	15,055,766,740	-	15,055,766,740
Non-performing	785,786,039	-	785,786,039
Others	672,808,456	-	672,808,456
Total Assets	37,970,601,425	-	37,970,601,425
Borrowings	14,694,377,694	-	14,694,377,694
Deposits	4,750,000,000	-	4,750,000,000
Others	251,126,550	-	251,126,550
Total liabilities	19,695,503,244	-	19,695,503,244
Equity	18,275,098,181	-	18,275,098,181
Total Equity & liabilities	37,970,601,425	-	37,970,601,425
Contingencies & Commitments	5,638,701,718	-	5,638,701,718
	2020		
	In Pakistan	Outside Pakistan	Total
	-----Rupees-----		
Profit & Loss			
Net mark-up/return/profit	1,439,225,657	-	1,439,225,657
Non mark-up / return / interest income	335,904,384	-	335,904,384
Total Income	1,775,130,041	-	1,775,130,041
Segment direct expenses	(491,755,224)	-	(491,755,224)
Provisions/Impairment	(116,889,809)	-	(116,889,809)
Profit before tax	1,166,485,008	-	1,166,485,008
Balance Sheet			
Cash & Bank balances	3,408,332,078	-	3,408,332,078
Investments	15,657,891,368	-	15,657,891,368
Advances			
Performing	10,543,682,853	-	10,543,682,853
Non-performing	1,006,415,491	-	1,006,415,491
Others	792,722,915	-	792,722,915
Total Assets	31,409,044,705	-	31,409,044,705
Borrowings	12,902,913,838	-	12,902,913,838
Deposits & other accounts	512,400,000	-	512,400,000
Others	511,476,256	-	511,476,256
Total liabilities	13,926,790,094	-	13,926,790,094
Equity	17,482,254,611	-	17,482,254,611
Total Equity & liabilities	31,409,044,705	-	31,409,044,705
Contingencies & Commitments	9,957,637,298	-	9,957,637,298

39 TRUST ACTIVITIES

The Company is not engaged in any trust activity

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40 RELATED PARTY TRANSACTIONS

The Company has related party relationships with shareholders and entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Significant transactions with these state-controlled entities have been separately disclosed, in aggregate. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

	2021				2020			
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties
Lendings to financial institutions	Rupees							
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	59,913,740,069	-	-	-	77,689,011,725
Repaid during the year	-	-	-	(59,913,740,069)	-	-	-	(77,689,011,725)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	1,573,163,240	-	-	-	1,483,787,240	-
Investment made during the year	-	-	-	-	-	-	89,376,000	-
Closing balance	-	-	1,573,163,240	-	-	-	1,573,163,240	-
Advances								
Opening balance	-	43,372,843	101,050,930	-	-	40,127,538	-	-
Addition during the year	-	42,253,529	398,949,070	-	-	7,796,496	101,050,930	-
Repaid during the year	-	(6,225,696)	-	-	-	(4,551,191)	-	-
Closing balance	-	79,400,676	500,000,000	-	-	43,372,843	101,050,930	-
Other Assets								
Interest / mark-up accrued	-	-	4,332,192	-	-	-	756,639	-
Dividend Received	-	-	27,077,266	-	-	-	9,426,500	-
Receivable from staff retirement fund	-	-	-	7,973,522	-	-	-	-
Other receivable	-	-	-	1,697,850	-	-	-	1,697,850
	-	-	31,409,458	9,671,372	-	-	10,183,139	1,697,850
Borrowings								
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	9,853,727,607	-	-	-	-
Settled during the year	-	-	-	(9,853,727,607)	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	13,075,522	-	-	-	15,125,676
Other liabilities	-	6,135,277	167,958	-	-	5,129,934	-	24,596,398
	-	6,135,277	167,958	13,075,522	-	5,129,934	-	39,722,074

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	2021				2020			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees							
Income								
Mark-up / return / interest earned	-	2,488,667	21,315,777	21,419,799	-	1,516,031	1,544,782	39,012,230
Fee and commission income	-	-	200,000	-	-	-	32,675,025	-
Net gain/(loss) on sale of securities	-	-	-	-	-	-	-	-
Share of profit of associates	-	-	67,938,788	-	-	-	51,573,136	-
Expense								
Mark-up / return / interest paid	33,663	-	-	5,495,306	235,271	-	-	4,324,540
Operating expenses								
Charge for defined benefit plan	165,159	5,677,816	-	10,800,529	1,140,271	5,607,135	-	8,810,953
Charge for contribution plan	1,955,411	3,592,311	-	6,165,774	1,525,529	2,697,504	-	5,792,970
Salaries	32,264,272	61,477,817	-	-	25,171,249	45,153,896	-	-
Bonus expense	6,948,912	20,950,575	-	-	4,102,660	21,184,072	-	-
Overseas allowances	-	-	-	-	5,790,632	-	-	-
Leave fair assistance & Encashment	2,568,778	7,181,085	-	-	1,995,008	4,861,401	-	-
Tax borne by employer	29,199,878	9,184,716	-	-	19,712,313	-	-	-
Others	9,123,881	21,680,483	-	4,329,754	11,542,495	14,535,066	-	2,976,286
Depreciation expense on lease hold building	1,767,201	-	-	19,935,386	2,140,595	-	-	23,631,009
CDC Charges paid	-	-	941,103	-	-	-	1,242,662	-

The Federal Government through Ministry of Finance holds controlling interest (50% shareholding) in the Company and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Company. The Company in the ordinary course of business enters into transaction with Government related entities. Such transactions include deposits to, investments, lendings, loan and advances and provision of other banking services. As at reporting date the deposits, loans and advances, investments and, lendings relating to Government related entities amounted to Rs. 4,459.3 million (2020: 2,186.8 million), Rs. 1,500 million (2020: 1,500 million), Rs. 762.2 million (2020: Rs.887.3 million) and Rs. Nil (2020: 1,150 million), respectively, and income earned on deposits, advances, investment and lendings amounted to Rs. 18.6 million (2020: 98.8 million) Rs. 137.2 million (2020: 163.1 million), Rs.74.8 million (2020: 112.0) and Rs. 0.2 million (2020: 63.9) respectively.

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41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2021	2020
41.1 Minimum Capital Requirement (MCR):	-----Rupees-----	
Paid-up capital (net of losses)	9,696,637,540	9,696,637,540
41.2 Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	15,507,909,317	14,548,974,333
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	15,507,909,317	14,548,974,333
Risk Weighted Assets (RWAs):		
Credit Risk	15,759,495,019	13,091,514,213
Market Risk	5,406,463,257	4,534,521,389
Operational Risk	3,512,078,143	2,959,119,737
Total	24,678,036,419	20,585,155,339
Common Equity Tier 1 Capital Adequacy ratio	62.84%	70.68%
Tier 1 Capital Adequacy Ratio	62.84%	70.68%
Total Capital Adequacy Ratio	62.84%	70.68%
41.3 Other information:		
Minimum capital requirements prescribed by the SBP		
CET1 minimum ratio (%)	6.00%	6.00%
Tier 1 minimum ratio (%)	7.50%	7.50%
Total capital minimum ratio (%)	10.00%	10.00%
Capital Conservation Buffer (CCB)	1.50%	1.50%
Total capital plus CCB minimum ratio (%)	11.50%	11.50%
41.4 Leverage Ratio (LR):		
Eligible Tier-1 Capital	15,507,909,317	14,548,974,333
Total Exposures	37,746,195,414	37,098,334,832
Leverage Ratio	41.08%	39.22%
Minimum Requirement	3.00%	3.00%
41.5 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	8,559,407,877	6,876,435,858
Total Net Cash Outflow	3,478,878,091	2,172,567,377
Liquidity Coverage Ratio	246.97%	316.51%
41.6 Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	30,182,956,886	22,753,402,740
Total Required Stable Funding	20,635,968,934	17,162,309,958
Net Stable Funding Ratio	146.26%	132.58%
Minimum Requirement	100.00%	100.00%

The SBP, vide BPRD Circular No.08 dated 23 June 2016 has set the minimum Net Stable Funding Ratio Requirement (NSFR) for Banks / DFIs at 100%.

The link to the full disclosure is available at <http://pakchinainvest.com/downloads/Car-disclosure-2021.pdf>

42 RISK MANAGEMENT

The Company manages all of its risk proactively through a well-established enterprise risk management practice. The Company is exposed to the following risks in the course of its regular business:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.



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a) Risk management philosophy and framework

The Company is exposed to a variety of financial risks requiring analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has the overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the corporate governance structure, to oversee the performance and operations of the Company. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Company's risk management framework.

b) Board Level Committees

Board Risk Management Committee ("BRMC")

The BRMC is responsible for overseeing and regularly monitoring the Company's risk governance framework, enterprise risk management, capital, liquidity and fund planning ensuring an effective system of risk management and controls are implemented. The BRMC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Company's long term strategy.

c) Senior Management Level Committees

Management Committee ("Mancom")

The Management Committee is responsible for conduct of performance review of overall Company's operation; functions as a forum for communication and exchange of ideas for continuous improvement of Company's performance. Mancom is also responsible for review and deliberate upon Company's strategy policy which need to be submitted to BOD meeting, review and deliberate the compliance of internal and external audit reports and review the performance of ICFR budgetary process.

Risk Review Committee ("RRC")

The RRC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations and recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Company. The RRC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the RRC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Senior Management and the GH-Risk Management in decision-making related to ERM, and report regularly through its Chairperson to the BRMC regarding matters related to its primary purpose and operational risks.

Credit Management Committee ("CMC")

CMC is responsible for taking credit and investment decisions within the authority levels established by the Board of Directors and approved threshold, with adherence to the credit policies

Asset Liability Committee ("ALCO")

The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. ALCO ensures the operational performance of the Company in meeting or exceeding set performance targets and authorizes actions to maintain, enhance or correct service delivery issues. The ALCO is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Company's long term strategy that will maintain and enhance the Company's progress towards its future vision, recommending investment and expenditure in line with that goal.

42.1 Impact of covid-19 on the Company

Covid-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To counter its impact on businesses and economies, regulators / governments have introduced a host of measures on both the fiscal and economic fronts.

State Bank of Pakistan (SBP) responded to the crisis by keeping the Policy Rates low during most of the year 2021; however, inflationary pressure forced the regulator to move the policy rate up during last quarter. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing companies to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs. 180 million;

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- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and

COVID-19 is impacting companies in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, there is increased operational risk in respect of business operations including enhanced cyber-security threat.

(a) Credit Risk Management and Asset Quality

The Risk Management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The company's management has created a buffer against unforeseen loan losses and to preserve the quality of the credit portfolio. The company has also begun a process to revamp its Risk Rating framework comprising of ORR, FRR and environmental risk rating

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Company have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, the management estimates that it is appropriate to maintain an additional specific provision on the funded advance on the basis of subjective evaluation. The management is also maintaining 1.5% (2020: 1.5%) general provision against performing loans and advances.

(b) Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there will be an impact on the maturity profile of the Company. The Asset and Liability Committee (ALCO) of the company is continuously monitoring the liquidity position and the company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile. The company has also started the formulation of formal liquidity Risk policy.

(c) Capital Market Risk Management

The Risk management function of the company regularly appraises ALCO of the company on the performance of listed equity portfolio against PSX-100 index.

(d) Operational Risk Management

Business Continuity Plans (BCP) for respective areas are in place and tested. The Company has enhanced monitoring of cyber-security risks due to remote work practice during part of the year.

The Company staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Company continues to meet the expectations of all stakeholders.

(e) Capital Adequacy Ratio (CAR)

The company always maintains a healthy CAR many times above the required level of 11.5%.

42.2 Credit Risk

Credit risk is the risk emanating when a counter party of the Company does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, investment and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Company's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is reported under note 40.

Following are the risk management policies adopted by the Company to ensure credit quality and minimize the risk of concentration:

a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the financial assets portfolio, pricing, portfolio management, loss provisions and reserves and credit approval authority delegation. The company has started to revamp the credit risk grading framework: Obligor Risk Rating and Facility Risk Rating; these would provide the user with Probability of Default and Loss Given Default. Currently, the system produces alphabetical ratings from AAA to C as performing, and D, DD and DDDD, as Substandard, Doubtful and Loss

b) Credit approval

All credit and investment exposures are reviewed and approved by the Credit Management Committee ('CMC') within the authority delegated by the Board of Directors.



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c) Credit monitoring

The Company regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Risk Review Committee and Board Risk Management Committee, containing information on key variables; portfolio delinquency and financing impairment performance. All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Company has policies in place for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per SBP guidelines.

Based on Business Unit feedback on collection of overdue amounts, CMC decides on whether to retain the relationship under existing Business Group or transfer to Legal Department. All non-performing accounts under litigation for recovery are monitored closely by the Legal Department of the Company which directly report to the Managing Director. Such accounts are re-evaluated and remedial actions are agreed and monitored.

d) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor.

Collateral types which are eligible for risk mitigation include: cash under lien; mortgage / charge over residential/commercial/industrial property; charge over assets such as plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. CMC controls the approval of collateral types. Collateral is valued in accordance with the SBP guidelines, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

e) Offsetting financial instruments

The Company has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

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

42.2.1 Lending's to Financial institutions.

Credit risk by public / private sector

	Gross lending's		Non-performing lending's		Provisioning held	
	2021	2020	2021	2020	2021	2020
Public / Government	-	1,149,985,152	-	-	-	-
Private	-	-	-	-	-	-
	<u>-</u>	<u>1,149,985,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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42.2.2 Investment in debt securities (including preference shares)

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees-----					
Textile	740,315,000	661,200,757	240,315,000	161,200,757	131,560,000	161,200,757
Chemical and Pharmaceuticals	543,233,305	523,233,305	208,233,305	208,233,305	208,233,305	208,233,305
Power (electricity), Gas, Water, Sanitary	1,310,308,728	1,158,075,000	-	-	-	-
Wholesale and Retail Trade	500,000,000	-	-	-	-	-
Transport, Storage and Communication	-	212,346,460	-	-	-	-
Financial	3,760,285,000	3,735,250,000	-	-	-	-
Others	200,000,000	200,000,000	-	-	-	-
	<u>7,054,142,033</u>	<u>6,490,105,522</u>	<u>448,548,305</u>	<u>369,434,062</u>	<u>339,793,305</u>	<u>369,434,062</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees-----					
Public/ Government	762,220,000	887,300,000	-	-	-	-
Private	6,291,922,033	5,602,805,522	448,548,305	369,434,062	339,793,305	369,434,062
	<u>7,054,142,033</u>	<u>6,490,105,522</u>	<u>448,548,305</u>	<u>369,434,062</u>	<u>339,793,305</u>	<u>369,434,062</u>

42.2.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees-----					
Textile	2,160,982,374	633,158,000	24,559,463	-	24,559,463	-
Chemical and Pharmaceuticals	1,000,000,000	295,454,548	-	-	-	-
Cement	601,111,113	811,111,111	140,000,000	200,000,000	140,000,000	200,000,000
Sugar	1,049,187,500	806,562,500	-	-	-	-
Electronics and electrical appliances	968,750,000	1,075,000,000	-	-	-	-
Construction	500,000,000	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	2,960,623,631	2,053,214,678	722,092,664	729,252,569	236,784,885	153,982,041
Transport, Storage and Communication	1,730,406,380	1,880,029,659	80,000,000	80,000,000	80,000,000	80,000,000
Financial	266,666,667	391,111,112	-	-	-	-
Services	1,425,000,000	1,500,000,000	-	-	-	-
Mining and quarrying	1,630,008,360	1,231,018,391	-	-	-	-
Manufacture of basic metals	659,007,813	684,726,585	-	-	-	-
Manufacture of rubber & plastic products	190,000,000	332,857,142	190,000,000	190,000,000	190,000,000	190,000,000
Manufacture of food products	669,473,467	474,700,530	474,700,530	474,700,530	174,222,270	43,555,567
Soap Industry	438,685,291	-	-	-	-	-
Individuals	146,246,010	84,744,968	663,564	663,564	663,564	663,564
Others	500,000,000	101,050,930	-	-	-	-
	<u>16,896,148,606</u>	<u>12,354,740,154</u>	<u>1,632,016,221</u>	<u>1,674,616,663</u>	<u>846,230,182</u>	<u>668,201,172</u>

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Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees-----					
Public/ Government	1,500,000,000	1,500,000,000	-	-	-	-
Private	15,396,148,606	10,854,740,154	1,632,016,221	1,674,616,663	846,230,182	668,201,172
	<u>16,896,148,606</u>	<u>12,354,740,154</u>	<u>1,632,016,221</u>	<u>1,674,616,663</u>	<u>846,230,182</u>	<u>668,201,172</u>

42.2.4 Contingencies and Commitments

Credit risk by industry sector

Chemical and Pharmaceuticals
Sugar
Power (electricity), Gas, Water, Sanitary
Electronics and electrical appliances
Financial
Textile
Manufacture of glass & glass products
Manufacture of food products
Soap Industry
Mining and Quarrying

	2021	2020
	-----Rupees-----	
Chemical and Pharmaceuticals	-	204,545,452
Sugar	250,000,000	-
Power (electricity), Gas, Water, Sanitary	2,905,743,815	1,510,886,396
Electronics and electrical appliances	187,500,000	-
Financial	145,000,000	170,000,000
Textile	663,577,089	1,366,842,000
Manufacture of glass & glass products	-	398,949,070
Manufacture of food products	105,227,063	-
Soap Industry	61,314,709	-
Mining and Quarrying	175,000,000	-
	<u>4,493,362,676</u>	<u>3,651,222,918</u>

Credit risk by public / private sector

Public/ Government
Private

Public/ Government	-	-
Private	4,493,362,676	3,651,222,918
	<u>4,493,362,676</u>	<u>3,651,222,918</u>

42.2.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 9.3 billion (2020: 8.4 billion) are as following:

Funded	7,851,786,276	7,415,033,000
Non Funded	1,446,343,058	1,018,791,158
Total Exposure	<u>9,298,129,334</u>	<u>8,433,824,158</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 13 billion (2020: 12 billion)

Total funded classified therein

OAEM
Substandard
Doubtful
Loss
Total

	2021		2020	
	Amount	Provision held	Amount	Provision held
	-----Rupees-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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42.2.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2021						
	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
	-----Rupees-----						
Punjab	3,299,452,750	3,299,452,750	-	-	-	-	-
Sindh	9,724,809,942	-	8,949,694,942	-	775,115,000	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	525,000,000	-	525,000,000	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	13,549,262,692	3,299,452,750	9,474,694,942	-	775,115,000	-	-
	-----Rupees-----						
	-----Rupees-----						
Province/Region	2020						
	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
	-----Rupees-----						
Punjab	1,374,480,550	1,374,480,550	-	-	-	-	-
Sindh	1,633,158,000	-	1,633,158,000	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	938,203,386	-	-	938,203,386	-	-	-
Islamabad	400,000,000	-	-	-	400,000,000	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	4,345,841,936	1,374,480,550	1,633,158,000	-	938,203,386	400,000,000	-

42.3 Market Risk

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices, equity prices and market conditions on the earnings/economic value of an asset held by the Company. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Company. The Company is exposed to market risk through investments / structural positions parked in the Banking Book. The Company's market risk is managed by the Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO). The Company has adopted Standardized Measurement Method to assess and report the market risk.

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42.3.1 Balance sheet split by trading and banking books	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-----Rupees-----					
Cash and balances with treasury banks	2,067,463,832	-	2,067,463,832	2,223,116,872	-	2,223,116,872
Balances with other banks	6,546,094,679	-	6,546,094,679	35,230,054	-	35,230,054
Lendings to financial institutions	-	-	-	1,149,985,152	-	1,149,985,152
Investments	12,649,288,742	193,392,937	12,842,681,679	15,463,344,603	194,546,765	15,657,891,368
Advances	15,841,552,779	-	15,841,552,779	11,550,098,344	-	11,550,098,344
Fixed assets	195,131,273	-	195,131,273	233,362,517	-	233,362,517
Intangible assets	217,988	-	217,988	494,736	-	494,736
Deferred tax assets	36,208,892	-	36,208,892	105,401,492	-	105,401,492
Other assets	441,250,303	-	441,250,303	453,464,170	-	453,464,170
	<u>37,777,208,488</u>	<u>193,392,937</u>	<u>37,970,601,425</u>	<u>31,214,497,940</u>	<u>194,546,765,000</u>	<u>31,409,044,705</u>

42.3.2 Foreign Exchange Risk

Currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Company manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through allowing exposures in local currency only. However, where foreign currency exposures are allowed due to compelling reasons, foreign exchange positions are reviewed frequently.

	2021				2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees-----							
United States Dollar	2,459,651,420	-	967,913,719	3,427,565,139	2,186,655,312	-	1,018,791,158	3,205,446,470
Euro	-	-	372,898,930	372,898,930	-	-	-	-
	<u>2,459,651,420</u>	<u>-</u>	<u>1,340,812,649</u>	<u>3,800,464,069</u>	<u>2,186,655,312</u>	<u>-</u>	<u>1,018,791,158</u>	<u>3,205,446,470</u>

Impact of 1% change in foreign exchange rates on	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees-----			
- Profit and loss account	17,463,525	-	15,525,253	-
- Other comprehensive income	-	-	-	-
	<u>17,463,525</u>	<u>-</u>	<u>15,525,253</u>	<u>-</u>

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42.3.3 Equity position Risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of equities and all instruments that exhibit market behavior similar to equities. The company's such instruments are classified as available for sale investments, and are kept as such with the intent of earning profit due to underlying fundamental strength of each security

Impact of 5% change in equity prices on
- Profit and loss account
- Other comprehensive income

2021		2020	
Banking book	Trading book	Banking book	Trading book
-----Rupees-----			
-	8,219,200	-	8,268,236
23,331,893	-	25,082,908	-
23,331,893	8,219,200	25,082,908	8,268,236

42.3.4 Yield / Interest Rate Risk in the Banking Book

Interest/Yield Risk is the risk that value of financial instruments will change due to change in the market interest rates or due to change in shape of yield curve. The Company manages its interest rate risk by entering into floating rate agreements with its customers. All of the credit portfolio is linked to the floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

Impact of 1% change in interest rates on
- Profit and loss account
- Other comprehensive income

2021		2020	
Banking book	Trading book	Banking book	Trading book
-----Rupees-----			
166,868,501	-	158,423,340	-
-	-	-	-
166,868,501	-	158,423,340	-

42.3.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

The following table summarizes the mismatch of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

Effective Yield/ Interest Rate	Total	2021 Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Up to 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-----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	12.0%	2,067,463,832	2,000,000,000	-	-	-	-	-	-	-	-	67,463,832
Balances with other banks	9.0%	6,546,094,679	4,086,334,535	-	2,458,941,400	-	-	-	-	-	-	816,744
Investments	11.1%	11,562,430,811	1,717,893,600	1,785,486,500	3,215,282,341	4,495,774,000	-	-	-	-	-	346,994,370
Assets subject to lease	10.7%	19,281,098	2,743,279	4,187,229	4,915,575	7,435,015	-	-	-	-	-	-
Advances	10.3%	15,841,652,779	3,898,243,498	9,666,113,532	445,937,173	11,339,591	149,864,461	221,600,300	427,572,789	935,636,290	78,064,731	7,180,414
Other assets		345,530,142	-	-	-	-	-	-	-	-	-	345,530,142
		36,382,353,341	11,705,214,912	11,456,787,261	6,125,076,489	4,514,548,606	149,864,461	221,600,300	427,572,789	935,636,290	78,064,731	767,987,502
Liabilities												
Borrowings	9.3%	14,694,377,694	3,421,032,750	5,005,368,490	5,366,490	4,502,778,967	158,498,453	231,472,329	430,733,695	939,124,520	-	-
Deposits and other accounts	11.5%	4,750,000,000	4,750,000,000	-	-	-	-	-	-	-	-	-
Other liabilities		251,125,550	-	-	-	-	-	-	-	-	-	251,125,550
		19,695,503,244	8,171,032,750	5,005,368,490	5,366,490	4,502,778,967	158,498,453	231,472,329	430,733,695	939,124,520	-	251,125,550
On-balance sheet gap		16,686,850,097	3,534,182,162	6,451,418,771	6,119,707,999	11,769,639	(8,633,992)	(9,872,029)	(3,160,906)	(3,488,230)	78,064,731	516,861,952
Off-balance sheet financial instruments												
Commitments in respect of:												
Government securities		965,817,625	965,817,625	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		965,817,625	965,817,625	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			2,568,364,537	6,451,418,771	6,119,707,999	11,769,639	(8,633,992)	(9,872,029)	(3,160,906)	(3,488,230)	78,064,731	516,861,952
Cumulative Yield/Interest Risk Sensitivity Gap			2,568,364,537	9,019,783,308	15,139,491,307	15,151,260,946	15,142,626,955	15,132,754,925	15,129,594,020	15,126,105,789	15,204,170,520	15,721,032,472

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Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.4%	2,223,116,872	-	2,188,182,160	-	-	-	-	-	-	-	36,934,712
Balances with other banks	5.0%	35,230,054	31,485,788	-	-	-	-	-	-	-	-	3,744,256
Lending to financial institutions	6.5%	1,149,985,152	1,149,985,152	-	-	-	-	-	-	-	-	-
Investments	7.9%	14,418,815,122	8,673,338,600	2,619,987,591	1,418,653,885	-	-	-	-	-	-	1,706,835,246
Assets subject to lease	10.7%	51,586,890	2,736,281	5,472,562	8,208,843	16,417,688	18,751,518	-	-	-	-	6,966,264
Advances	8.5%	11,550,098,344	4,862,711,780	4,827,278,321	848,972,177	40,000,642	73,876,569	150,150,269	294,456,178	411,668,322	34,017,823	8,966,264
Other assets		340,491,641	-	-	-	-	-	-	-	-	-	340,491,641
		29,769,124,075	14,720,257,611	9,638,920,634	2,275,834,705	56,418,328	92,828,087	150,150,269	294,456,178	411,668,322	34,017,823	2,094,772,119
Liabilities												
Borrowings	6.6%	12,802,913,838	7,837,881,367	4,356,715,600	5,368,490	10,736,980	21,473,960	100,618,711	174,394,985	395,723,745	-	-
Deposits and other accounts	6.1%	512,400,000	-	512,400,000	-	-	-	-	-	-	-	-
Other liabilities	10.7%	511,478,256	-	14,597,386	-	23,725,435	-	-	-	-	-	473,153,435
		13,926,790,094	7,837,881,367	4,883,712,986	5,368,490	34,462,415	21,473,960	100,618,711	174,394,985	395,723,745	-	473,153,435
On-balance sheet gap		15,842,333,981	6,882,376,244	4,755,207,648	2,270,466,215	21,955,913	71,154,127	49,531,558	120,061,193	15,944,577	34,017,823	1,621,618,684
Off-balance sheet financial instruments												
Commitments in respect of:												
Government securities		4,987,510,000	4,987,510,000	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		4,987,510,000	4,987,510,000	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			1,894,866,244	4,755,207,648	2,270,466,215	21,955,913	71,154,127	49,531,558	120,061,193	15,944,577	34,017,823	1,621,618,684
Cumulative Yield/Interest Risk Sensitivity Gap			1,894,866,244	6,650,073,892	8,920,540,107	8,942,496,020	9,013,650,147	9,083,181,705	9,183,242,898	9,199,187,475	9,233,205,298	10,854,823,981

42.3.6 Reconciliation of financial assets with total assets and liabilities.

	2021	2020
	Rupees	
Total assets as per statement of financial position	37,970,601,425	31,409,044,705
Fixed assets	175,850,175	181,775,627
Intangible assets	217,988	494,736
Equity accounted investments	1,280,250,868	1,239,276,248
Deferred tax assets	36,208,892	105,401,492
Other Assets	95,720,161	112,872,528
	1,588,248,084	1,639,920,630
Total Assets as per mismatch report	36,382,353,341	28,769,124,075

42.3.7 For details of off balance sheet items included in the commitments, Please refer to note number 20.2 of the financial statements.

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42.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people, technology and infrastructure within the Company, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behavior.

The Company has established Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is coordinated by Operational Risk Department under supervision of GH-Risk Management, who maintains supervisory oversight and drives improvement.

Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Company recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors. To mitigate these threats, the Company has implemented robust information security framework based on industry best practices.

Business Continuity Management

The Company is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Company has designed and implemented Business Continuity Plan (BCP) by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

42.4.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach (BIA) for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to the operational risk.

42.5 Liquidity Risk

Liquidity risk is the risk that the Company is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term liquidity sources, often repayable on demand or at short notice, and using these short term sources to fund credit facilities over medium to longer periods. The Company has defined the liquidity risk appetite at a level so as to ensure that the Company has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Company's goals, objectives, and risk tolerances into operating standards that are well understood by the Company's staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

Liquidity management and monitoring

The Company's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

- Monitoring of the maturity profile of assets and liabilities on a continuous basis;
- Stress testing based on the sensitivity analysis of key factors and combined events;
- Measuring Key regulatory liquidity indicators e.g. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);
- Monitoring of concentration risks in liquidity sources; and
- Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

Liquidity Contingency plan

The Company has an established liquidity position available all the times to meet the contingencies. In addition, Company has also entered into financing agreements with different Commercial Banks to meet its funding requirements.



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

Total	2021												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets													
Treasury bank balances	2,087,483,832	87,483,832	2,000,000,000	4,000,000,000	-	-	-	-	-	-	-	-	-
Other banks balance	6,646,094,879	86,638,884	514,299	-	-	-	2,458,941,400	-	-	-	-	-	-
Lending to financial institutions	12,844,681,879	-	12,500,000	62,800,000	-	-	631,641,629	214,125,036	4,614,026,083	581,061,667	2,077,614,232	-	4,121,001,365
Investments	15,841,522,779	-	30,781,250	96,982,623	183,961,579	851,820,862	287,416,831	1,931,465,087	582,215,617	3,361,720,289	3,632,241,542	-	2,692,139,659
Advances	195,131,273	-	-	3,658,541	3,480,840	11,480,861	7,711,983	7,711,983	5,315,647	5,612,348	11,186,384	-	137,374,261
Fixed assets	237,988	-	20,898	-	-	21,562	64,656	64,888	24,676	-	-	-	-
Intangible assets	36,209,892	4,824,128	36,209,892	-	-	-	37,842,747	3,149,944	7,377,764	1,309,844	1,309,844	-	13,939,853
Deferred tax assets	441,280,203	-	41,939,473	47,668,269	47,668,269	25,516,947	37,842,747	3,149,944	7,377,764	1,309,844	1,309,844	-	13,939,853
Other assets	37,396,001,745	399,474,482	139,927,984	6,340,060,427	234,223,040	688,921,742	3,423,726,346	2,156,472,680	5,208,957,337	3,849,785,248	2,938,452,554	5,624,167,429	6,985,356,139
Liabilities													
Borrowings	14,684,377,894	1,965,532,750	4,750,000,000	4,750,000,000	-	-	255,389,490	422,035,137	5,164,977,144	2,075,165,121	2,103,638,987	1,514,067,026	939,124,519
Deposits and other accounts	4,750,000,000	-	-	-	-	-	17,944,171	-	4,426,687	4,077,833	-	-	169,755,000
Other liabilities	251,125,650	12,386,810	17,309,684	65,482,527	1,001,255	19,791,577	17,944,171	-	4,426,687	4,077,833	-	-	169,755,000
Net assets	19,879,593,244	1,977,899,660	17,309,684	4,815,452,527	1,001,255	275,160,067	273,312,661	422,035,137	5,168,403,841	2,079,242,954	2,103,638,987	1,514,067,026	1,047,879,519
Share capital	9,896,837,540	1,818,971,618	34,246,827	1,535,227,300	233,522,385	413,361,675	3,150,413,285	1,734,439,123	40,453,466	1,770,542,284	734,813,556	4,110,100,403	5,937,479,639
Advance against issue of shares	6,881,237	-	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve	1,684,599,200	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	6,770,887,894	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	104,082,310	-	-	-	-	-	-	-	-	-	-	-	-
	19,275,099,181	-	-	-	-	-	-	-	-	-	-	-	-

Total	2020												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets													
Treasury bank balances	2,223,116,872	2,735	36,931,877	-	-	-	-	-	-	-	-	-	-
Other banks balance	35,230,054	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	1,149,885,152	-	-	6,970,600,000	992,174,000	35,000	298,508,916	35,000	272,892,189	454,860,903	484,465,070	1,023,244,621	4,382,115,772
Investments	15,520,088,344	-	-	41,909,589	31,722,654	224,028,288	465,241,735	1,228,787,540	1,610,157,734	1,938,826,739	1,600,287,842	2,982,955,011	1,408,036,727
Advances	233,362,517	-	-	3,674,841	3,674,841	8,513,841	11,024,523	11,024,523	11,024,523	28,333,613	5,786,692	3,396,572	146,962,555
Fixed assets	484,736	-	-	24,577	24,577	-	73,731	73,731	73,731	189,912	-	-	-
Intangible assets	105,401,482	-	-	105,401,482	-	-	-	-	-	-	-	-	-
Deferred tax assets	453,664,170	123,694,622	49,001,196	148,791,159	17,155,234	26,349,460	10,147,905	657,738	11,217,017	1,950,944	1,390,944	4,516,264	44,392,295
Other assets	31,409,044,705	153,618,940	1,271,148,379	7,279,621,629	1,044,701,306	2,443,136,326	715,498,873	1,240,868,532	1,855,385,186	2,821,412,011	2,081,952,468	4,014,046,986	3,981,510,352
Liabilities													
Borrowings	12,602,313,838	2,735	36,931,877	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	512,000,000	-	-	1,983,468,128	-	-	265,368,480	347,038,167	347,038,167	1,517,703,137	985,535,379	1,646,416,817	395,723,744
Other liabilities	511,476,295	431,533	144,074,778	83,993,433	2,408,263	9,194,400	70,762,154	1,200,500	124,230,650	72,213,663	1,431,530	-	1,431,530
Net assets	13,679,780,094	431,533	4,961,869,015	2,037,371,652	2,408,263	1,28,308,750	326,150,944	346,218,937	471,269,607	1,589,516,810	885,686,956	1,647,847,347	395,723,744
Share capital	17,482,254,611	153,197,307	6,720,639,636	5,242,250,067	1,032,269,043	1,316,876,576	399,348,186	697,652,875	1,381,089,392	831,496,201	1,04,985,555	3,269,198,952	5,859,788,908
Advance against issue of shares	8,881,237	-	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve	1,539,886,655	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	6,153,875,746	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	83,183,433	-	-	-	-	-	-	-	-	-	-	-	-
	17,482,254,611	-	-	-	-	-	-	-	-	-	-	-	-

PAK CHINA INVESTMENT COMPANY LIMITED
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42.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2021									
	Total	Up to 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										
Assets										
Treasury banks balance	2,067,463,832	2,067,463,832	-	-	-	-	-	-	-	-
Other banks balance	6,546,094,679	4,087,153,279	-	2,458,941,400	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	12,842,681,679	75,000,000	-	631,641,629	4,828,151,119	581,061,667	527,311,667	2,077,614,232	4,013,146,363	108,755,002
Advances	15,841,552,779	410,751,395	835,782,861	287,418,831	2,513,666,704	3,261,720,289	2,307,831,498	3,532,241,542	-	2,692,139,659
Fixed assets	195,131,273	3,658,541	14,641,501	7,711,983	13,027,830	5,612,348	1,918,445	11,186,364	-	137,374,261
Intangible assets	217,988	20,896	43,104	64,655	89,332	-	-	-	-	-
Deferred tax assets	36,208,892	36,208,892	-	-	-	-	-	-	-	-
Other assets	441,250,303	280,382,306	72,577,916	37,947,447	10,495,602	1,390,944	1,390,944	3,125,291	-	33,939,853
	37,970,601,425	6,960,636,141	923,045,382	3,423,725,946	7,365,430,587	3,849,785,248	2,838,452,554	5,624,167,429	4,013,146,363	2,972,208,776
Liabilities										
Borrowings	14,694,377,694	1,965,532,750	255,368,490	255,368,490	5,586,112,301	2,075,165,121	2,103,638,997	1,514,067,026	939,124,519	-
Deposits and other accounts	4,750,000,000	4,750,000,000	-	-	-	-	-	-	-	-
Other liabilities	261,125,550	95,129,017	20,792,832	17,944,171	4,426,697	4,077,833	-	-	-	108,755,000
	19,695,503,244	6,810,661,767	276,161,322	273,312,661	5,590,538,998	2,079,242,954	2,103,638,997	1,514,067,026	939,124,519	108,755,000
Net assets	18,275,098,181	149,977,374	646,884,060	3,150,413,285	1,774,891,589	1,770,542,294	734,813,556	4,110,100,403	3,074,021,844	2,863,453,776
Share capital	9,696,637,540									
Advance against issue of shares	9,881,237									
Statutory reserve	1,693,599,200									
Unappropriated profit	6,770,887,894									
Surplus on revaluation	104,092,310									
	18,275,098,181									

	2020									
	Total	Up to 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										
Assets										
Treasury banks balance	2,223,116,872	36,934,712	2,186,182,160	-	-	-	-	-	-	-
Other banks balance	35,230,054	35,230,054	-	-	-	-	-	-	-	-
Lending to financial institutions	1,149,985,152	1,149,985,152	-	-	-	-	-	-	-	-
Investments	15,657,891,368	6,979,820,000	992,159,000	238,508,919	222,917,153	454,660,903	484,465,000	1,923,244,621	2,948,634,908	1,413,480,864
Advances	11,550,098,344	71,531,072	255,753,942	455,741,735	2,838,955,275	1,936,826,740	1,600,297,842	2,982,955,011	1,128,794,469	279,242,256
Fixed assets	233,362,517	3,674,841	12,188,682	11,024,523	22,049,046	28,333,613	5,798,682	3,330,572	7,990,260	138,972,297
Intangible assets	494,736	24,577	49,154	73,731	147,462	199,812	-	-	-	-
Deferred tax assets	105,401,492	105,401,492	-	-	-	-	-	-	-	-
Other assets	453,464,170	335,943,839	43,504,680	10,147,905	12,174,755	1,390,944	1,390,944	4,515,810	-	44,395,294
	31,409,044,705	8,718,545,739	3,489,837,618	715,496,813	3,096,243,691	2,421,412,012	2,091,952,468	4,914,046,014	4,085,419,637	1,876,090,713
Liabilities										
Borrowings	12,902,913,838	6,801,381,367	606,715,600	255,368,490	694,070,314	1,517,703,127	985,535,379	1,646,415,816	395,723,745	-
Deposits and other accounts	512,400,000	-	512,400,000	-	-	-	-	-	-	-
Other liabilities	511,476,256	228,583,795	11,602,414	70,782,154	125,431,150	72,213,683	1,431,530	1,431,530	-	-
	13,925,790,094	7,029,965,162	1,130,718,014	326,150,644	819,501,464	1,589,916,810	986,966,909	1,647,847,346	395,723,745	-
Net assets	17,482,254,611	1,688,580,577	2,359,119,604	389,346,169	2,276,742,227	831,495,202	1,104,985,559	3,266,198,668	3,689,695,892	1,876,090,713
Share capital	9,696,637,540									
Advance against issue of shares	9,881,237									
Statutory reserve	1,538,968,655									
Unappropriated profit	6,153,575,746									
Surplus on revaluation	83,193,433									
	17,482,254,611									

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PAK CHINA INVESTMENT COMPANY LIMITED
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43 GENERAL

43.1 Events after the reporting date

There are no adjusting events after the date of statement of financial position that may have an impact on the financial statements.

43.2 Captions, as prescribed by BSD Circular No. 2, issued by the SBP, for which there are no amounts, have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

43.3 Figures have been rounded off to the nearest Rupee, unless otherwise stated.

43.4 The JCR-VIS has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

44 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on

25 OCT 2023

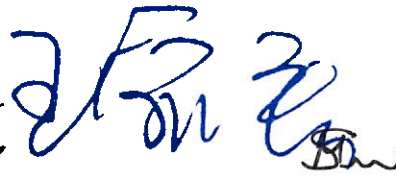
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MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR