



# ANNUAL REPORT 2019

A Future beyond  
**Expectations**



WE ARE  
A SYMBOL OF  
**TIME-TESTED**  
&  
**ROCK-SOLID**  
**FRIENDSHIP**



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## Who We Are

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Pak China Investment Company Limited (PCICL) is Development Finance Institution (DFI) established in 2007, in light of the joint venture agreement between Government of Pakistan and Peoples Republic of China through Ministry of Finance and China Development Bank respectively. Being a DFI, PCICL is regulated by State Bank of Pakistan.

PCICL was established to act as a bridge for promotion of bilateral Trade and Investment between the two brotherly counties and with an objective of financing economically viable and technically feasible projects. Since last 12 years, PCICL has been playing a vital role for economic development of Pakistan through active advisory role to attract Chinese investment in Pakistan and by providing wide range of Financial services in infrastructure, Industrial, Agriculture, Services, Information Technology, Manufacturing and Real Estate sectors.



# Corporate Information

## Board of Directors

Mr. Wang Baojun	Vice Chairman of the BoD/Managing Director
Mr. Noor Ahmed	Member
Ms. Wang Li	Member

## Board Audit Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member

## Board Risk Management Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member
Mr. Wang Baojun	Member

## Board Human Resource & Remuneration Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member

## Company Secretary

Shazia Khan

## Retiring Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Incoming Auditors

EY Ford Rhodes  
Chartered Accountants

## Legal Advisor

Mohsin Tayebaly & Co.

## Entity Ratings

Long Term: AAA  
Short Term: A1+  
VIS Credit Rating Company Limited

## Registered Office and Head Office

Pak China Investment Company Limited  
13th Floor, Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad  
Telephone: +92-51-2099650, Fax: +92-51-2800297  
Email: info@pakchinainvest.com  
Website: www.pakchinainvest.com

## Karachi Office

4th Floor, C-14-C, Touheed Commercial,  
26th Street, Phase V, DHA, Karachi  
Telephone: +92-21-35379888

# Our Core Strengths

## Our Sponsors



Government of Pakistan



国家开发银行  
CHINA DEVELOPMENT BANK

People's Republic of China

## Stable Outlook

Entity Rating (VIS)

Long Term     AAA  
Short Term     A1+

## Our Associated Companies



# Our Vision

To become a leading DFI as HUB of investment activities for Pakistani and Chinese entrepreneurs through our in depth market knowledge, providing innovative financial solutions through exceptional people, efficient processes, innovative solutions and strong customer relationships. Focus on bringing Chinese investment, technology, and know-how to Pakistan by conducting Road Shows and other promotion activities allowing Pak China investment Company to be used as a platform for investment decisions in entering the Pakistani market.

# Our Mission

- Be a channel of investment flow by becoming prime advisors for investors from Pakistan and China.
- Identify and Capitalize on opportunities in Pakistan by leveraging on Chinese technology, financial resources and entrepreneurial expertise.
- Act as a catalyst of success for our customers by responding for their needs and develop a lasting Relationship.
- Create a culture of performance integrity and efficiency where productivity performance and innovation are the hallmarks.
- Build state of the art technology platform and applications.
- Produce exceptional results while keeping within acceptable risk levels.

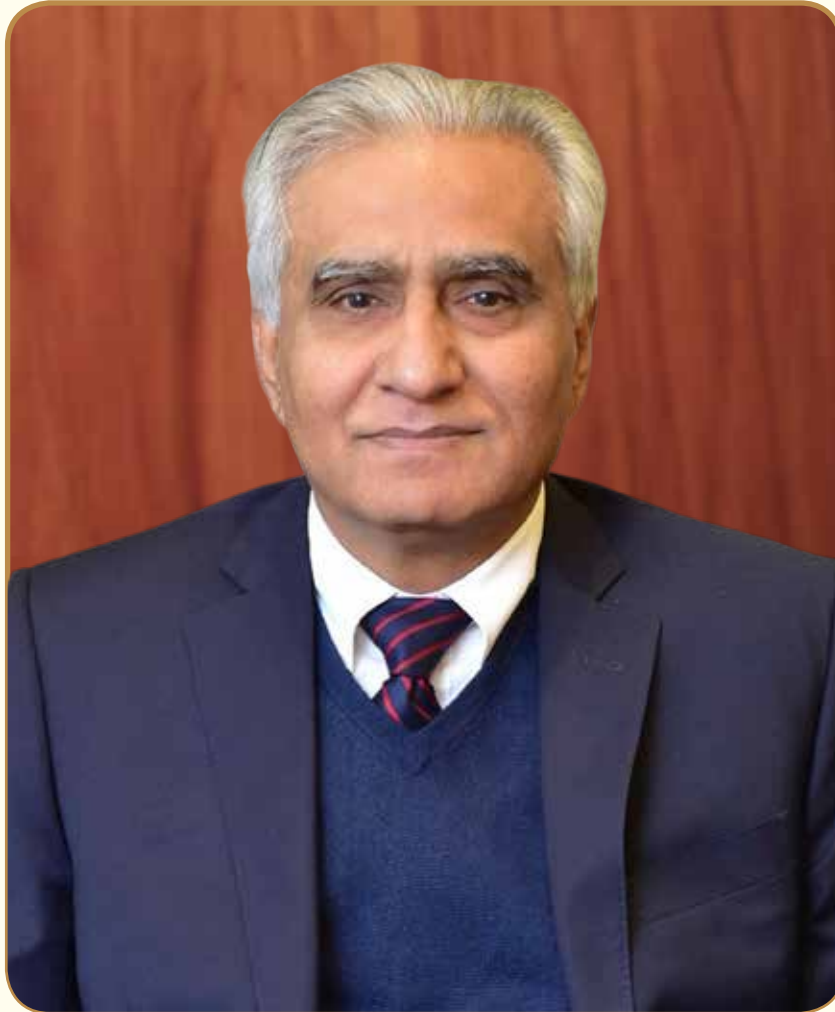
## Director's Profile



**Mr. Wang Baojun**  
**Executive Director / Managing Director &  
Vice Chairman of the Board of Directors**

Mr. Wang assumed the office of Managing Director/ Executive Director of the Company in May, 2018. He brings 25 years experience of working in Development Financial Institutions, with diversified exposure in the areas of Credit Management, Finance, Research, Information Technology and Planning. Before joining PCICL, he was Head of Australian Group as Senior Commissioner of China Development Bank (CDB). During his affiliation with CDB, he lately held positions of Division Director of Credit Management and Division Director of International Cooperation & Study in International Finance Department, while he also served as Deputy Division Director of Confidential Affairs and Deputy Division Director of General Affairs in General Office.

## Director's Profile



**Mr. Noor Ahmed**  
**Non-Executive Director**

Mr. Noor, Former Secretary Economic Affairs Division, Government of Pakistan was nominated as non-Executive Director of the Company in December, 2018. Mr. Noor has previously served as Special Secretary Finance, Secretary Federal Tax Ombudsman, Additional Secretary Finance, DG Privatization and at various other important positions in government institutions. He got his Masters degree in Development Studies from the Institute of Social Studies Hague Netherland in 1996. In addition, he has attended several national and international trainings and workshops.





**Ms. Wang Li**  
**Non-Executive Director**

Ms. Wang joined the Board of Directors of PCICL in October, 2018 as non-executive Director. She is Deputy Director General of Market Development & Equity Investment Department of China Development Bank (CDB). She joined CDB's predecessor China Investment Bank in 1987 and has held many positions in the Bank over the past three decades, including Division Chief of Corporate Bond Underwriting Division in Treasury & Financial Market Department, and Vice President of CDB Securities Co. Ltd. Ms. Wang currently serves on professional committees of numerous self-regulatory organizations, including Vice Chairman of the Asset Securitization and Structured Financing Committee of the China National Association of Financial Market Institutional Investors (NAFMII), Vice Chairman of the Syndicated Loan Committee of the China Banking Association (CBA).

# Our Management Team



**Sitting (from left to right):** Mr. Munir Ul Hassan Barlas – Head of Internal Audit, Ms. Shazia Akhtar Khan – Company Secretary, Mr. Wang Baojun - Managing Director, Syed Abbas Athar Hamadani – Group Head Corporate Banking & SME

**Standing (from left to right):** Ms. Yasmin Akbar – Group Head Risk Management, Mr. Armughan Ahmad Daud – Chief Financial Officer, Mr. Khurram Shahzad – Group Head Compliance & Human Resource, Mr. Sohail Khan – Group Head Information Technology, Mr. Tariq Mahmood – Group Head Investment Banking, Syed Nabeel Abbas Tirmizi – Head of Treasury

## Our Chinese Officials

Officials on secondment from China Development Bank (CDB) and other Chinese employees



**Sitting (from Left the right):** Mr. Liu Jianqin, Mr. Wang Baojun (CDB), Mr. Tang Jingfeng (CDB)  
**Standing (from left to right):** Mr. Li Wanhe (CDB), Mr. Zhou Ke (CDB), Mr. Wu Chen, Dr. Wei Fang (CDB)

# Our Culture and Values

A blend of Pakistani and Chinese colleagues promoting a healthy multicultural environment is core strength of PCICL's Team. A set of five core values is the foundation of our culture, which explains the conduct and attitude of our people towards each other and our customers. Every staff member is committed to practice following values to make PCICL a sustainable and viable Financial Institution:

- Integrity
- Team Work
- Respect
- Professionalism
- Accountability

Several events and team building activities were organized during the year for our staff, to value their contribution for the Company and to promote friendly working environment.

## Together, We are an Ocean:

Annual Team Building and Excursion Activity for two Days at Bhurban.





**Loyalty is Appreciated:**

An Evening to Celebrate 10+ years of association of Employees with PCICL



**Employees' Training is Focused:**

A Session on Team Building, Lead by Group Head, Compliance & HR



**Well-being of our people, We are proud of:**

A group photo of all employees after an outdoor activity





# Our Products & Services

PCICL's business team is known for the quality of its ideas as well as the innovative strategies and tailored solutions. We provide the following exceptional suite of products and services:

## 1. China Advisory & Research

**Buy-side Financial Advisory:** We advise domestic and foreign clients on matters including acquisition structure and valuation, project coordination, as well as assisting in due diligence, financial modeling, negotiations and regulatory approvals. We also provide financing support (arrangement of equity and / or debt funds from Capital Markets) to assist our clients in successfully achieving financial closure.

**Sell-side Financial Advisory:** We provide clients with financial advisory services on equity interest or asset divestments. Our services include conducting strategic review and proposing suitable transaction options and structures, selecting and facilitating sales process, preparing marketing materials, sourcing and introducing potential buyers (strategic and/or financial), preparing financial models, conducting valuation analysis and assisting negotiations with potential buyers.

**Mergers & Acquisitions:** Based on our extensive expertise in M&A executions and our familiarity with domestic regulatory environment, we have consistently devised customized solutions for our customers and successfully completed numerous complicated, milestone M&A transactions in recent years.

**JVs and Corporate Restructuring:** PCICL's Team has significant experience in providing financial advisory services for corporate restructuring, privatization and spin-offs for enterprises. One of the main objectives of our company is to encourage, facilitate and participate in Joint Ventures between Foreign companies and local partners. PCICL has successively facilitated JVs between Chinese and Pakistani companies by leveraging our access to Chinese markets and our strong footprints in Pakistan which has resulted in vital technology transfer in sectors such as financial services and manufacturing.

**Industry and Economic Research:** Our team conducts regular in-house industry and sectorial researches covering market dynamics, demand and supply drivers, potential market gaps and legal and regulatory environment. These research reports assist our clients in understanding industry landscape and making investment decisions.

## 2. Capital Markets

**Equity Capital Markets:** PCICL's Team analyzes and invests in companies at the Pre-IPO stage and participates as institutional investors before the company is listed. Pre-IPO investment allows a company to quickly raise capital by attracting vast number of investors and a certain degree of confidence in the market by attracting institutional investors which is invaluable before public listing of stocks.

We work closely with public & private companies, and with other investment banks to structure and execute equity and equity-linked financings such as initial public offerings, secondary offerings, underwriting of shares and rights issues.

**Debt Capital Markets:** PCICL also facilitates clients in meeting their debt financing needs through Syndicated Loans, TFCs, and Sukuks via its strong and established network coupled with relationships with major lenders and investors. PCICL has led numerous Debt Syndication transactions involving local and international banks to serve our clients' needs.

### 3. Private Equity and Strategic Investments

PCICL's Investment Philosophy is to achieve long-term capital appreciation by deploying scarce investment capital and operational expertise with proven entrepreneurs in fast growth sectors of the economy. The division will invest in equity, quasi equity and hybrid debt instruments featuring equity-like returns like convertible debt / warrant options.

We provide growth capital to enterprises, which have difficulty in attracting funds from conventional sources that require asset collateralization. We invest, where the addition of capital and the PCICL's expertise seek to both accelerate growth with the goal of creating sustainable long-term margin advantages. Companies demonstrating competitive edge, reputable management, and scalability are usually our target audience. Our preferred sectors include Healthcare, Education, Technology, Agriculture, Manufacturing and infrastructure.



Our Investment Banking Team

### 4. Corporate Banking:

Our Corporate Banking Team aims at providing solutions by offering funded and non-funded facilities to customers both for short term and long term through financing or syndication to corporations and financial institutions for promoting investment related activities in the country under the overall guidance of the Board of Directors and its committees.

We offer a comprehensive suite of products and services geared to meet the demands and complexities of the corporate finance sector – from catering to working capital needs to expansion plans/capital expenditure, funding of commercial leases as well as massive development projects:

- Long term financing
- Lease financing
- Short term/ working capital financing
- Credit lines to financial sector
- Investment in term finance certificates
- Guarantees
- Participation in syndicate financing
- LC Risk Sharing
- Long term finance facility under State Bank of Pakistan's LTF Scheme

## 5. SME Banking:

We also provide financial solutions to the SME sector as well. We provide tailor-made solutions that are based on the unique needs of each customer. We offer following facilities for SME sector:

- Long term and Medium Term Project / Expansion Finance
- Letters of Guarantee
- SBP's Refinance Facilities for SME Sector



Our Corporate & SME Banking Team

## 6. Treasury Function:

PCICL's has fully functional and vibrant Treasury that actively engages in money market activities and also look after Financial Institutions – FI functions for maintaining strong relationship with other institutions. PCICL Treasury undertakes the following activities:

- Investments in PIBs, T-Bills & TFCs
- Investments in Mutual Funds
- Repo and Reverse Repo
- Clean Lending/Borrowing
- Deposit mobilization through COIs from Corporate Clients.



Always do your best. What you plant now, you will harvest later.

- Og Mandino, Author



# Managing Director's Message

Year 2019 came as a realization that we embark on a journey towards being one of the best DFIs in Development Finance sector. Having come out stronger for having made it through a challenging year fraught with shift in banking dimensions due to soaring policy rate and intense competition, it is satisfying and motivating to report on the resilient performance achieved by the PCICL, and the efforts of an equally resilient and committed team of inspired people.

Our results for 2019 speak for themselves. This all feat would not have been possible without the support of China Development Bank and Ministry of Finance, Government of Pakistan, who always patronize PCICL's endeavors for the steps it takes in the development of Pakistan's economy. We are committed towards this cause of development of Pakistan and we are ensuring our best to contribute towards it with all our energies and efforts.

Our staff is our strength and their commitment and perseverance show in the bottom line we have. We take pride in our people and we strongly believe that we are here because of the zeal, vigour and dedication of our people towards the tasks assigned to them. We invest in our people through career counseling, professional trainings and job rotations, and build their confidence through market-based compensation and career growth. We are an equal opportunity employer and we believe in pluralism within our Company without any discrimination against gender, race, religion or caste.

As we look ahead, we will continue to pursue the same strategy that has served us well these past several years – a strategy to make our Company more straightforward; a strategy to serve the core financial needs of our customers; a strategy to manage risk, maintain strong capital and liquidity, and to operate efficiently and reduce costs. This is what will drive results and progress.

In conclusion, I would like to express my gratitude to our esteemed Sponsors for their unwavering guidance throughout the year and extend my appreciation to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for providing an environment conducive to an efficient financial services industry.

A handwritten signature in black ink, appearing to read "Wang Baojun".

**Wang Baojun**  
Managing Director

# Chairman's & Directors' Report

We present the 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 2019.

## Economy overview

The economy experienced marked adjustments during Fiscal Year 2018-19. The exchange rate was realigned with the market fundamentals; interest rates were sharply increased; public sector development expenditure was significantly curtailed; and energy prices were raised. These measures were taken to manage the twin deficit crisis, caused by the consumption-led growth of the past few years.

Growth in real GDP decelerated to 3.3 percent in FY19, compared to 5.5 percent last year. While all the sectors of the economy contributed towards this lackluster performance, the major drag came from the commodity-producing sector. The slowdown was broadly attributed to contractionary economic policies and inflationary pressures in the aftermath of exchange rate depreciation. The services sector also grew at a relatively lower pace compared to the last few years.

In fiscal year 2018-19 credit growth decelerated as the economic slowdown deepened. However, in first half of fiscal year 2019-20 SBP's export refinance scheme and long-term financing for exporters increased by healthy margin, supporting the recent growth in exports. Macroeconomic challenges put the pressure on repaying ability of customers and resultantly non-performing loans of the banking industry increased by 11.5% from Dec-18 to Sep-19.

## Operating Results

The Company executed a focused strategy during the year, of nimbly capturing opportunities and resolutely addressing challenges. In 2019, PCICL not only outperformed its last year's bottom line but also managed to maintain a solid and steady development in spite of slowdown in economy. Profit after tax of the Company increased by 22.8% from Rs. 619 million for year 2018 to Rs. 760 million for year 2019. This is the highest ever net profit in the history of PCICL. Operating profit (before provisions and tax) of the Company rose from Rs. 1,137 million last year to Rs. 1,538 million in the current year, a healthy increase of 35.2%. Earnings per share for 2019 are at Re. 0.82 as compared to Re. 0.68 for 2018.

Net Mark-up income majorly increased due to increase of 50.3% in mark-up from loans, advances and investments as compared to last year, the major reason of which was sharp increase in policy rate during the year by SBP coupled with increase in volume due to new disbursements. Unrealized exchange gain on foreign currency term deposit decreased during 2019 as compared to 2018 as the Rupee USD parity remained stable in later half of the year. Fee and commission income increased by 60.4% due to restless efforts of our business teams.

On Balance sheet front, investment at cost has increased from Rs. 10.3 billion at last year end to Rs. 19.5 billion at the current year end. Major reason of increase was investment in Market Treasury Bills which were funded through short term matching borrowings to earn the spread. Gross advances rose by healthy 22.8% as compared to last year despite economy slowdown. Strategies have been developed and deployed to enhance effective management of the loan portfolio by boosting recovery through concerted efforts to collect overdue amounts, and attempting to stem the further flow of accounts into NPLs. Borrowings have also increased by Rs. 12 billion, majorly to take the benefit of spread underlying in Government securities and borrowing. During the year, the Company used its limit of a long term loan of Rs. 2 billion from a reputable bank to fund the disbursements.

In order to support the upward trajectory of the portfolios, during the year the Company received total of Rs. 580 million from its sponsors in equal proportion towards the equity. Shares were issued to the sponsors during the year.

## Appropriations

The Board of Directors proposes the appropriations of Rs. 151.8 million from unappropriated profit to statutory reserve for the year ended 31 December 2019, as required under 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 rating incorporates implicit support of its two sovereign sponsors and takes into account strong capitalization, diversified revenue stream, sound liquidity, conservative risk appetite of the company and efforts of the senior management to implement shareholders' strategic goals and vision. The short term rating was maintained at 'A-1+'.

## 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 39 of attached financial statements.

The Company remains adequately capitalised with a capital adequacy ratio reported at 73.66% and leverage ratio at 30.37%, as at 31 December 2019.

## 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. During the year, decline in share price of PSX was significant and prolonged which is an objective evidence of impairment in the investment. Accordingly, management has carried out an impairment analysis based on future free cash flows of PSX discounted at the Company's cost of equity. As the interest rates have risen sharply in last year, enterprise value of PSX arrived through the model above was less than the carrying value of the investment in the books and hence an amount of Rs. 246.2 million has been booked as impairment. Efforts are underway to implement effective strategies to regain investors' confidence in Pakistan Stock Exchange. The Strategic Business Plan of the exchange has been prepared after incorporating valuable input from the three (strategic) Chinese shareholders (viz China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange) and the exchange is likely to bounce back with higher and stable volumes going forward.

The Company also holds 10,000,000 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 DCD, making it an associated company.

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 complaint was lodged during the year under review.

# Chairman's & Directors' Report

## 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 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 2019. A statement to this effect is annexed in this annual report.

## 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;
- 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-19	DEC-18	DEC-17	DEC-16	DEC-15	DEC-14
<b>P&amp;L</b>						
Net Interest Income	1,713	1,082	954	697	1,144	1,111
Non Interest Income	263	405	277	435	238	19
Profit before tax	1,066	912	970	858	951	619
Profit after tax	760	619	671	615	621	469
EPS (Re)	0.82	0.68	0.74	0.67	0.68	0.51
<b>Balance Sheet</b>						
Assets	33,403	19,762	24,421	22,518	20,549	20,007
Advances - net	9,286	7,620	7,900	6,040	5,708	5,957
Investments - net	19,130	9,976	13,848	7,734	12,091	11,289
Net Assets	16,632	15,361	14,669	14,126	13,561	12,948

- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2019, except as disclosed in annexed financial statements;
- Following is the fair value of investments as at 31 December 2019:
  - Provident Fund: Rs. 83.0 million, based on un-audited financial statements
  - Gratuity Fund: Rs. 58.4 million, based on un-audited financial statements



- During 2019, attendance of directors in Board and its committee meetings was as follows:

Sr. No.	Name of Directors	Name of Board meetings attended/ held	Number of Board committee meetings attended/held		
			BAC	BHRC	BRMC
1.	Mr. Arif A. Khan	1/1	-	-	-
2.	Mr. Noor Ahmed	5/5	1/1	1/1	1/1
3.	Ms. Wang Li	5/5	1/1	1/1	1/1
4.	Ms. Deng Shuang	0/5	-	0/1	-
5.	Mr. Wang Baojun	5/5	-	-	1/1
6.	Mr. Shahnawaz Mahmood	5/5	1/1	-	1/1

### Board Structure and 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 Company. It is Board which constitutes members from diverse professional backgrounds who bring a wealth of experience, 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 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 15 March 2019. 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 2019 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.

# Chairman's & Directors' Report

## Auditors

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended 31 December 2019 and shall retire at the conclusion of the Meeting after completing the term of five years in pursuance of the Code of Corporate Governance.

The Board of Directors, on the recommendation of the Board Audit Committee, has recommended M/s EY Ford Rhodes, Chartered Accountants, who have consented for appointment as statutory auditor for the next term; in place of retiring auditors. M/s EY Ford Rhodes, 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

Subsequent to the year end, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and locking down cities and regions. The events and conditions are resulting in disruption to business operations particularly to businesses in highly exposed sectors and significant increase in economic uncertainty. The capital markets across the globe are hit hard by these events and economic forecasts suggest recession of the global economy. The Pakistan Stock Exchange 100 index went down by more than 30% subsequent to the year-end. As a consequence, the market values of the Company's investments including those in its associates, will be impacted in the subsequent period. Further, the recoverability of loans and advances could be affected amidst businesses facing liquidity crises.

The Company; however, believes that these events would not fundamentally impact the operations of the Company next year and the Company has sufficient liquidity to meet its obligations and to sustain its operations. The quantification of potential financial impact cannot be ascertained at this stage as the situation is still developing and changing rapidly and the Government of Pakistan is considering to introduce relief measures for businesses to minimize the impact of economic recession.

The financial statements for the year 31 December 2019 do not include the effects of the COVID-19 and any impacts will be accounted for in the financial statements for the subsequent periods.

## Looking Ahead

The Company will continue with a strategy of balanced growth of advances and investment portfolio aided by a sound credit evaluation process, across all business segments and in all important economic sectors for sustainable development of the country. With robust management of non-performing loans, non-performing loans (NPL) to gross advances ratio will be improved in coming years.

Our strategic focus will remain unchanged but take on more breadth and depth. We aim to make step wise changes in enhancing service quality, service delivery and operational efficiency in coming years to provide unparalleled service to our customers, while we aspire to continue as the best DFI. We remain optimistic and positive to the changes that will take place in the industry.

### Outgoing Chairman of the Board and Deputy Managing Director of the Company

Mr. Arif A. Khan's tenure as Chairman of the Board of Directors of the Company ended during the year while Mr. Shahnawaz Mahmood's tenure as DMD of PCICL ended just after the year end. On behalf of the Board of Directors, we wish to place on record our deepest appreciation for the contributions made by them as Chairman of PCICL's Board and DMD of PCICL, respectively.

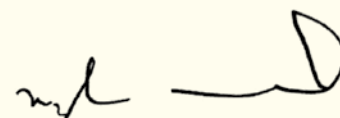
### Acknowledgements

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.

A handwritten signature in black ink, appearing to be "Wang Baojun".

Wang Baojun  
Managing Director  
Pak China Investment Co. Ltd.

03 April 2020  
Islamabad

A handwritten signature in black ink, appearing to be "Noor Ahmed".

Noor Ahmed  
Director  
Pak China Investment Co. Ltd.

### تہنات

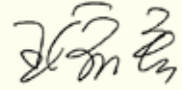
بورڈ اپنے سپانسرز، وزارت خزانہ، حکومت پاکستان اور چائنا ڈیولپمنٹ بینک کی جانب سے مکمل لگن اور بھرپور معاونت پر اظہار تشکر کرتا ہے۔ بورڈ کمپنی کی انتظامیہ اور ملازمین کی جانب سے کی جانے والی کوششوں کو بھی سراہتا ہے جس سے کمپنی نے مختصر مدت میں اپنا نام کمایا۔ بورڈ سٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ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



نوراحمد

ڈائریکٹر

پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ



وانگ باؤجن

منیجنگ ڈائریکٹر

پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

03 اپریل 2020

اسلام آباد



## چیمبرین اور ڈائریکٹرز رپورٹ

بورڈ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے میسرز انسٹریٹس اینڈ اینڈریج فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس کی سفارش کی ہے، جو ریٹائرڈ ہونے والے آڈیٹر کی جگہ آئندہ سال کیلئے آڈیٹر منتخب کیے جائیں گے۔

میسرز انسٹریٹس اینڈ اینڈریج فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس نے تصدیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے کوالٹی کنٹرول ریپورٹ پروگرام کے تحت تسلی بخش ریٹنگ دی ہے، اور یہ کہ فرم اور ان کے تمام پارٹنرز انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق کی گائیڈ لائن، جو کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے اپنائے ہوئے ہیں، کے مطابق عمل پیرا ہیں اور قابل اطلاق قوانین کے مطابق تعیناتی کیلئے اہلیت رکھتی ہے۔

### مالی پوزیشن کے بیان کی تاریخ کے بعد کے واقعات

سال ختم ہونے کے بعد، نوبل کورونا وائرس (کوویڈ 19) سامنے آیا اور اس کے بعد سے صحت عامہ کی صورتحال دنیا بھر میں مسلسل بگڑ رہی ہے۔ 30 جنوری 2020 کو عالمی ادارہ صحت (ڈبلیو ایچ او) نے اس کو ایک ہیلتھ ایمرجنسی اور بین الاقوامی تشویش قرار دیا اور 11 مارچ 2020 کو یہ بیماری دنیا بھر میں تیزی سے پھیلنے کی وجہ سے اسے ایک عالمی وباء قرار دیا گیا۔ پاکستان سمیت دنیا کے کئی ممالک اس وباء کی روک تھام کے لئے اقدامات کر رہے ہیں۔ اس میں ممکنہ طور پر متاثرہ افراد کو قرنطین کرنا، سماجی دوری اختیار کرنا، دوسرے ملکوں کے ساتھ سرحدیں بند کرنا، علاقے اور شہر بند کرنا شامل ہے۔ جس کی وجہ سے کاروبار کی بندش خاص طور پر بڑے شہروں اور بڑے سیکٹروں میں کاروباری سرگرمیوں کی بندش شامل ہے۔ ایسے میں دنیا بھر میں سرمائے کی منڈیوں کو شدید دھچکا لگا ہے اور عالمی معیشت میں مندی کی پیش گوئی کی جارہی ہے۔ سال کے اختتام کے فوری بعد سے پاکستان سٹاک ایکسچینج 100 انڈیکس میں 30 فی صد سے زیادہ کمی آچکی ہے۔ یہی وجہ ہے کہ کمپنی اور اس کے ایسوسی ایٹس کی سرمایہ کاریوں پر بھی منفی اثر پڑ رہا ہے۔ اس کے علاوہ کاروباری مندی کی وجہ سے لیکویڈیٹی کے بحران سے قرضوں اور ایڈوانسز کی وصولی بھی متاثر ہونے کا قوی امکان ہے۔

تاہم کمپنی میں ہم یقین رکھتے ہیں کہ آئندہ سال یہ واقعات کمپنی کے بنیادی آپریشنز پر زیادہ اثر انداز نہیں ہوں گے اور کمپنی کے پاس اتنے مالی وسائل ہیں کہ وہ اپنی ذمہ داریاں پوری کرے اور اپنے آپریشنز کو جاری رکھے۔ چونکہ اس وقت، بڑی پیش رفت جاری ہے اور صورتحال تیزی سے تبدیل ہو رہی ہے جب کہ حکومت پاکستان کاروباری اداروں اور کاروباری سرگرمیوں کی بحالی کے لئے ریلیف کے اقدامات کر رہی ہے، اس لئے موجودہ صورتحال کے مجموعی مالیاتی اثرات کے بارے میں کچھ بھی حتمی طور پر کہنا مشکل ہے۔

31 دسمبر 2019 کو ختم ہونے والے مالی سال کے مالی گوشوارے میں کوویڈ 19 کے اثرات کا احاطہ نہیں کیا گیا اور اس حوالے سے اثرات آئندہ سال کے مالی گوشوارے میں شامل کئے جائیں گے۔

### مستقبل پر نگاہ

ملک میں پائیدار ترقی کو فروغ دینے کے لئے کمپنی ایڈوانسز اور انویسٹمنٹ پورٹ فولیو میں نمو کا توازن برقرار رکھنے کی حکمت عملی جاری رکھے گی جس کو بزنس کے تمام اجزاء اور تمام اہم معاشی شعبوں میں مضبوط کریڈٹ ایلیو ایٹن پروسس سے تقویت فراہم کی جائے گی۔ غیر فعال قرضوں کے موثر انتظام و انصرام کے سبب غیر فعال قرضوں سے کل ایڈوانسز کی شرح میں بھی آئندہ برسوں میں بہتری آئے گی۔ ہماری ترقیاتی توجہ میں کوئی تبدیلی نہیں ہوگی لیکن اس کی وسعت اور گہرائی میں اضافہ ہوگا۔ ہم اپنے صارفین کو بہترین خدمات فراہم کرنے کیلئے آنے والے سالوں میں خدمات کے معیار، خدمات کی فراہمی اور آپریشنل کارکردگی میں اضافہ کرنے میں مرحلہ وار تبدیلیاں لانے کے لئے پرعزم ہیں، اور ساتھ ہی ہم بہترین ڈی ایف آئی رہنے کیے کو اہل مند بھی ہیں۔ ہم انڈسٹری میں رونما ہونے والی مثبت تبدیلیوں کیلئے پرامید ہیں۔

### بورڈ کے سبکدوش ہونے والے چیمبرین اور ڈائریکٹرز رپورٹ

جناب عارف اے خان کا کمپنی کے بورڈ آف ڈائریکٹرز کے چیمبرین کی حیثیت سے دورانہ اس سال ختم ہوا ہے جبکہ شاہنواز محمود کا کمپنی کا ڈی ایم ڈی کا دورانہ سال کے آخر کے فوری بعد ختم ہوا ہے۔ بورڈ آف ڈائریکٹرز کی جانب سے ہم کمپنی چیمبرین اور ڈائریکٹرز کے چیمبرین کی حیثیت سے ان کی خدمات کو دل کی گہرائیوں سے سراہتے ہوئے ریکارڈ کا حصہ بنانا چاہتے ہیں۔

• 2019 کے دوران، بورڈ اور اس کی کمیٹی کے اجلاسوں میں ڈائریکٹرز نے درج ذیل کے تحت شرکت کی:

بورڈ کمیٹی کے اجلاس میں شرکت کی تعداد / منعقدہ			بورڈ میٹنگ میں شرکت کی تعداد / منعقدہ	ڈائریکٹرز کی تعداد	سیریل نمبر
BRMC	BHRC	BAC			
-	-	-	1/1	جناب عارف اے خان	1.
1/1	1/1	1/1	5/5	جناب نور احمد	2.
1/1	1/1	1/1	5/5	مس وانگ لی	3.
-	1/0	-	5/0	مس ڈنگ شاہنگ	4.
1/1	-	-	5/5	جناب وانگ باؤ جنگ	5.
1/1	-	1/1	5/5	جناب شاہ نواز محمود	6.

#### بورڈ کا ڈھانچہ اور جائزہ

بورڈ اعلیٰ سطح پر پیشہ ورانہ معیار اور کارپوریٹ اقدار کے فروغ کے رجحان کا تعین کرتا ہے جو سینئر مینجمنٹ سے کمپنی کے دوسرے ملازمین تک اثر پذیر ہوتا ہے۔ یہ بورڈ ہی ہے جو متنوع پروفیشنل پس منظر کے افراد سے ممبر بناتا ہے جو اپنے ساتھ تجربے کی دولت لاتے ہیں، آزاد کمپنیاں تشکیل دیتا ہے تاکہ شفافیت کے اعلیٰ ترین معیارات قائم کئے جائیں، کاروباری اور رسک مینجمنٹ کی حکمت عملیوں کی تعمیل اور افادیت کا جائزہ لیتا ہے۔

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

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 کا اندازہ منتخب کردہ پیرامیٹرز پر کیا جاتا ہے، جو سوالنامے 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 15 مارچ 2019 کو منعقدہ بورڈ کے اجلاس میں کیا گیا تھا۔ اس سال کا جائزہ سالانہ مالیاتی گوشوارے کی منظوری کیلئے منعقد ہونے والے اجلاس میں کیا جائے گا۔

#### شیر ہولڈنگ کا پیٹرن:

31 دسمبر 2019 کے اختتام پر شیر ہولڈنگ کا پیٹرن درج ذیل ہے۔

شیر ہولڈرز	شیر ہولڈنگ
وزارت خزانہ، حکومت پاکستان	50 فیصد
چائنا ڈویلپمنٹ بینک	50 فیصد

#### اندرونی انضباط کا بیانیہ

کمیٹی کے بورڈ آف ڈائریکٹرز اس بات کو یقینی بنانے کی کوشش کرتے ہیں کہ کمیٹی کے اندر کنٹرول کا ایک مناسب اور موزوں نظام قائم ہے اور یہ کمپنی کی انتظامیہ پوری کمیٹی کے اندر ایک منوٹر اندرونی کنٹرول کے قیام اور برقرار رکھنے کی ذمہ دار 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۔

#### آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2019 کو ختم ہونے والے سال کے دوران اپنی اسائنمنٹ مکمل کر لی ہے اور کوڈ آف کارپوریٹ گورننس کے قوانین کے تحت پانچ سال مکمل کرنے کے بعد اجلاس کے اختتام پر ریٹائر ہو جائیں گے۔

## چیرمین اور ڈائریکٹرز رپورٹ

توقع کرتا ہے کہ DFIs کارپوریٹ گورننس کے بہترین طریقہ کار پر عمل کریں گے۔ کمپنی نے سالِ اختتامہ 31 دسمبر 2019 کے لئے لیکچر (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے متعلقہ تقاضوں میں شامل اچھی گورننس کی پریکٹسز پر عمل کیا ہے۔ اس ضمن میں ایک بیانیہ اس سالانہ رپورٹ کے ساتھ لف ہے۔

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- o کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں۔
- o کمپنی کے اکاؤنٹس کی مناسب کتابیں بنائی گئی ہیں۔
- o 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۔
- o کمپنی کے کاروباری معاملات جاری رہنے کی صلاحیت پر کوئی نمایاں شک وشبہ نہیں ہے۔
- o گزشتہ چھ سالوں کیلئے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ درج ذیل ہے۔

ملین روپے

دسمبر-2014	دسمبر-2015	دسمبر-2016	دسمبر-2017	دسمبر-2018	دسمبر-2019	
						پی ایچ ایل
1,111	1,144	697	954	1,082	1,713	خالص سودی آمدن
19	238	435	277	405	263	بلا سود آمدن
619	951	858	970	912	1,066	عکس سے قبل منافع
469	621	615	671	619	760	عکس کے بعد منافع
0.51	0.68	0.67	0.74	0.68	0.82	فی حصص آمدنی (روپے)
						بیلنس شیٹ
20,007	20,549	22,518	24,421	19,762	33,403	اثاثہ جات
5,957	5,708	6,040	7,900	7,620	9,286	قرضہ جات خالص
11,289	12,091	7,734	13,848	9,976	19,130	سرمایہ کاری خالص
12,948	13,561	14,126	14,669	15,361	16,632	خالص اثاثے

- 31 دسمبر 2019 کو ٹیکسز، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بقایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔
- 31 دسمبر 2019 تک کی گئی سرمایہ کاری کی درج ذیل فیئر ویلیو ہیں۔
- پروویڈنٹ فنڈ: 83.0 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
- گریجویٹ فنڈ: 58.4 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر

## تصرفات

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، 31 دسمبر 2019 کیلئے بورڈ آف ڈائریکٹرز غیر تصرفاتی منافع سے قانونی ریزرو میں منتقلی کے لئے 151.8 ملین روپے تجویز کرتا ہے۔

## درجہ بندی

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سال کے دوران کمپنی کی طویل مدتی ایٹمیٹی 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 کرتا ہے جو کہ حکومت پاکستان کے رسک فری قرضہ میں تھوڑا ہی زیادہ ہوتا ہے۔ اس حاصل کردہ ریٹنگ میں کمپنی کے دونوں خود مختار سائز کی مدد مضمون ہے اور ریٹنگ میں ان باتوں کو بھی مد نظر رکھا گیا ہے، ٹھوس کپھلا نریشن، متنوع آمدنی کے ذرائع، مضبوط لیکویڈیٹی اور کمپنی کی اعتدال قسم کے رسک کی رغبت اور سینئر ہولڈرز کی ترویقاتی اہداف اور ویژن پر عمل درآمد کے لئے کمپنی کی سینئر مینجمنٹ کی جانب سے کی جانے والی کاوشیں۔ مختصر مدت کی ریٹنگ کو 'A-1+' برقرار رکھا گیا ہے۔

## رسک مینجمنٹ

رسک مینجمنٹ فریم ورک میں کثیر جہتی انتظامی نگرانی، موثر مانیٹرنگ اور مجتمع خطرات کا احاطہ، پالیسیاں اور طریقہ کار شامل ہیں۔ کمپنی کو بنیادی ذمہ داریوں کے دوران کریڈٹ رسک، مارکیٹ رسک، لیکویڈیٹی رسک اور آپریشنل رسک کا سامنا ہے۔ پاکستان میں موجودہ معاشی صورتحال کے پیش نظر، فارن ایکسچینج رسک اور شرح سود کا رسک بھی کمپنی کی بیلنس شیٹ کو متاثر کرنے میں شامل ہے۔ کمپنی کو درپیش ان اہم رسکس کی تفصیلات اور ان میں تخفیف کے طریقہ کار مالیاتی گوشوارے کے نوٹ 39 میں منسلک کی گئی ہیں۔

کمپنی نے 31 دسمبر 2019 کو کیپٹل ایڈیکویٹی تناسب 73.66 فیصد اور لیورجی تناسب 30.37 فیصد 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 بی ایس ایکس کے کل شیئر 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۔ ایک سال کے دوران، بی ایس ایکس کے حصص کی قیمت میں کمی اہم اور طویل رہی جس کی وجہ سے سرمایہ کاری میں نقصان کا واقعی ثبوت ہے۔ اس لئے، انتظامیہ نے کمپنی کے کاسٹ آف ایکویٹی کی قیمت پر بی ایس ایکس کے مستقبل کے فری کیش فلوز کو ڈسکاؤنٹ کر کے نقصان کا تجزیہ کیا ہے۔ چونکہ گزشتہ سال شرح سود میں تیزی کے ساتھ اضافہ ہوا، اس لئے پاکستان اسٹاک ایکسچینج کی ادارہ جاتی قدر کتابوں میں سرمایہ کاری کی موجودہ قدر سے کچھ کم ہے جس کے لئے 246.2 ملین روپے کا نقصان کتابوں میں لینا پڑا ہے۔ پاکستان اسٹاک ایکسچینج میں سرمایہ کاروں کا اعتماد بحال کرنے کیلئے جامع اور موثر کوشش کی جا رہی ہے۔ اسٹریٹجک بزنس پلان تین (اسٹریٹجک) چھٹی حصص داران (چائنا فنانشل فیوچرز ایکسچینج، شنگھائی اسٹاک ایکسچینج اور شیخون اسٹاک ایکسچینج) کی قابل قدر تجاویز کو شامل کرنے کے بعد تیار کیا گیا ہے اور قومی امکان ہے کہ اس سے ایکسچینج بہتر اور مستحکم طور پر آگے بڑھے گی۔

کمپنی کے پاس سنٹرل ڈیپازٹری کمپنی آف پاکستان کے 10,000,000 حصص ہیں جو سی ڈی سی کے کل حصص کیپٹل کا پانچ فیصد ہیں۔ سی ڈی سی کے بورڈ آف ڈائریکٹرز میں کمپنی کی نمائندگی ہے جو اسے ایک شریک کمپنی بناتی ہے۔

شریک کمپنیوں میں سرمایہ کاری کو کتابوں میں رکھنے کے لئے ایکویٹی طریقہ کار اختیار کیا گیا ہے جیسا کہ ایبوسٹی ایٹس اور جوائنٹ ونچرز میں سرمایہ کاری کے بین الاقوامی اکاؤنٹنگ سٹینڈرڈز 28 میں دیا گیا ہے۔

## صارفین کی شکایات کی نگرانی

کسٹمر کی شکایات کیلئے کمپنی نے طریقہ کار وضع کر رکھا ہے، تاہم 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 ختمہ 31 دسمبر 2019 کے لئے لسڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے متعلقہ تقاضوں میں شامل اچھی گورننس کی پریکٹسز پر عمل کیا ہے۔ اس ضمن میں ایک بیانیہ اس سالانہ رپورٹ کے ساتھ لطف ہے۔



## چیرمین اور ڈائریکٹرز رپورٹ

ہم پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ (PCICL) کے 31 دسمبر 2019 کو ختم ہونے والے سال کی ڈائریکٹرز رپورٹ مع کمپنی کے آڈٹ شدہ مالی گوشوارے اور آڈیٹرز رپورٹ بخوشی پیش کرتے ہیں۔

### معاشی جائزہ

مالی سال 2018-19 کے دوران معاشی اتار چڑاؤ کا رجحان دیکھنے میں آیا۔ شرح مبادلہ کو مارکیٹ کے مبادیات کے ساتھ آہنگ کیا گیا، شرح سود کو تیزی سے بڑھایا گیا، سرکاری شعبے کے ترقیاتی اخراجات میں نمایاں کمی اور توانائی کی قیمتیں بڑھائی گئیں۔ ان اقدامات کا مقصد جڑواں کے خسارے کو قابو میں لانا تھا جس کی وجہ ماضی کے چند سال کے دوران کھپت کی بنیاد پر ہونے والی نموتھی۔

مالی سال 2018-19 میں جی ڈی پی میں حقیقی شرح نمو 3.3 فیصد ظاہر کی گئی جو کہ گزشتہ سال 5.5 فیصد تھی۔ اگرچہ اس ناقص کارکردگی میں سبھی شعبوں نے اپنا حصہ ڈالا تاہم اجناس پیدا کرنے والے شعبے میں نمایاں کمی آئی۔ معاشی سست روی کی اہم وجہ تخفیفی معاشی پالیسیاں اور روپے کی قدر میں کمی کے سبب افراط زر پر پڑنے والا شدید دباؤ بھی تھا۔ گزشتہ چند برسوں کی نسبت خدمات کے شعبے میں بھی نسبتاً سست روی دیکھنے میں آئی۔

مالی سال 2018-19 میں جب معاشی سست رفتاری روپی تو اس سے قرضوں کی نمو میں کمی ہوئی۔ تاہم مالی سال 2019-20 کی پہلی ششماہی میں سٹیٹ بینک آف پاکستان کی جانب سے ایکسپورٹ ری فنانس سکیم اور برآمد کنندگان کے لئے طویل مدتی فنانسنگ میں اضافے سے صحت منداضافہ ہوا اور برآمدات میں حالیہ اضافے میں مدد ملی۔ مائیکرو اکنامک چیلنجز کی وجہ سے صارفین کی ادائیگی کی صلاحیت پر دباؤ پڑا جس سے بینکوں کے غیر فعال قرضوں میں دسمبر 2018 سے ستمبر 2019 کی مدت کے دوران 11.5% کا اضافہ ریکارڈ کیا گیا۔

### آپریٹنگ نتائج

سال کے دوران کمپنی نے ایک محتاط حکمت عملی کی انجام دہی پر توجہ مرکوز رکھی جس میں محدود مواقع سے فائدہ اٹھانا اور چیلنجز پر مکمل قابو پانا شامل ہے۔ کمپنی نے معاشی سست روی کے رجحان کے باوجود نہ صرف گزشتہ سال کی نسبت بہتر کارکردگی کا مظاہرہ کیا بلکہ ایک مضبوط اور بتدریج ترقی کا رجحان بھی برقرار رکھا۔ کمپنی کے منافع بعد از ٹیکس میں 22.8% اضافہ ہوا اور 2018 میں منافع 619 ملین روپے تھا جو 2019 میں بڑھ کر 760 ملین روپے ہو گیا۔ پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ کی تاریخ میں یہ بلند ترین خالص منافع ہے۔ کمپنی کا آپریٹنگ منافع (ٹیکس اور خساروں کے بغیر) 1,137 ملین سے بڑھ کر موجودہ مالی سال میں 1,538 ملین روپے ہو گیا ہے جو کہ 35.2% کے بہت اچھے اضافے کو ظاہر کرتا ہے۔ اس طرح فی حصص منافع 2019 کے لئے 82 پیسے ہو گیا ہے جو کہ 2018 میں 68 پیسے فی حصص تھا۔

گزشتہ سال کی نسبت مارک اپ کی خالص آمدنی میں اضافے کی بڑی وجہ قرضہ جات سرمایہ کاری پر مارک اپ میں 50.3% اضافہ ہے، جس کی بنیادی وجہ مالی سال کے دوران سٹیٹ بینک آف پاکستان کی طرف سے پالیسی ریٹ میں تیزی سے اضافہ اور نئے قرضہ جات کی ادائیگیوں کے حجم میں اضافہ بھی شامل ہے۔ سال 2019 کے میں فارن کرنسی ٹرم ڈیپازٹ پر غیر وصول شدہ ایکسیجنگ گین 2018 کی نسبت کم ہو گیا کیونکہ دوسری ششماہی میں روپے اور ڈالر کی قدر میں استحکام رہا۔ ہماری کاروباری ٹیموں کی انتھک محنت کی وجہ سے فیس اور کمیشن کی مددیں آمدنی میں 60.4% اضافہ ہوا۔ انتظامی اخراجات میں 23.2% اضافہ ہوا جو کہ منظور شدہ بجٹ کی حد میں ہے۔ اس اضافے کی بنیادی وجہ تنخواہ اور سفری اخراجات تھے جو کہ پالیسی میں ایک دفعہ ہونے والی تبدیلی کے باعث ہے جو کہ تنخواہ کے ڈھانچے کو انڈسٹری کے مطابق بنانے کیلئے بورڈ سے منظور کرایا گیا تھا۔

بیلنس شیٹ کے حوالے سے سرمایہ کاری جو گزشتہ سال کے اختتام پر 10.3 ارب روپے تھی اب بڑھ کر 19.5 ارب روپے ہو چکی ہے۔ اس اضافے کی کلیدی وجہ مارکیٹ ٹریڈری بلز میں سرمایہ کاری تھی جو کہ کم مدتی قرضہ جات سے فنڈ کی گئی تاکہ دونوں کے درمیان ریٹ کے فرق سے نفع کمایا جاسکے۔ معاشی سست روی کے باوجود مجموعی قرضہ جات میں گزشتہ سال کی نسبت 22.8% اضافہ ہوا۔ غیر فعال قرضہ جات بڑھ کر 177 ملین روپے ہو گئے جس کی بڑی وجہ ایک صارف پر گردش قرضوں میں اضافے سے پڑنے والا مالی دباؤ تھا۔ غیر فعال قرضہ جات کا مجموعی قرضہ جات کے ساتھ تناسب گزشتہ سال کی 10.0% کی شرح سے تھوڑا بہتر ہو کر رواں سال کے آخر تک 9.9% ہو گیا۔ قرضہ جات کے مؤثر نگرانی کے لئے بھی حکمت عملیاں وضع کر کے لاگو کی گئیں ہیں۔ جس میں زیادہ عرصے سے واجب الادا رقم کی وصولی کے لئے مربوط کوششیں اور مزید اکاؤنٹس کو غیر فعال ہونے سے روکنے کی سرٹوژ کووششیں شامل ہیں۔ کمپنی کی طرف سے واجب الادا قرضہ جات میں 12 ارب روپے کا اضافہ دیکھنے میں آیا جس کی بڑی وجہ گورنمنٹ سکیورٹیز اور واجب الادا قرضہ جات میں ریٹ کے فرق سے نفع اٹھانا تھا۔ سال کے دوران کمپنی نے ایک بینک سے طویل مدت کے لئے قرضہ کی 2 ارب روپے کی حد کو بھی مکمل استعمال کیا اور اپنی ادائیگیوں کے لئے درکار فنڈز فراہم کئے۔

پورٹ فولیو میں افقی رجحان کی معادنت کے لئے سال کے دوران کمپنی نے اپنے سپانسرز سے کل 580 ملین روپے وصول کئے جو کہ ایکویٹی کے مساوی حصے کے مطابق ہے۔ اسی سال کے دوران سپانسرز کو حصص بھی جاری کئے گئے۔

## Annual Statement of Internal Controls 2019

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 2019.

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  
Pak China Investment Co. Ltd.



Wang Baojun  
Managing Director  
Pak China Investment Co. Ltd.

28 March 2020  
Islamabad

# Review Report on Statement of Compliance - Code of Corporate Governance (CCG)

## Independent Auditors' Review Report

To the members of Pak China Investment Company Limited

Review Report on the Statement of Compliance with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Pak China Investment Company Limited for the year ended 31 December 2019 in accordance with the requirements of the Rules and the regulation 36 of the Regulations.

The responsibility for compliance with the Rules and 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 Rules and the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Rules and 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 Rules and the Regulations.

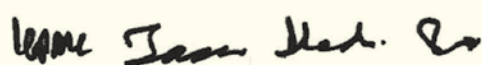
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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 Rules and 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Rules and the Regulations as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Rules and the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

- i. As disclosed in paragraph I (a), performance evaluation for the year 2019 has been carried out and will be presented in upcoming Board meeting.
- ii. As disclosed in paragraph 14, Audit Committee meetings were not held on quarterly basis during the year ended 31 December 2019.



KPMG Taseer Hadi & Co.  
Chartered Accountants

Islamabad  
09 April 2020

## Statement of Compliance with CCG

### Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year Ended December 31, 2019

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rule") issued for the purpose of establishing a framework of good governance and the clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SECP through its letter dated February 10, 2014 has granted the exemption to the Company from applicability of Rules subject to the condition that the training of directors, performance evaluation of the Board and audit of the financial statements of the Company through QCR rated firms shall be ensured. SBP vide BPRD Circular No. 14 of 2016 required that DFIs, established as Joint Venture Companies, shall continue to ensure compliance with all other 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 applicable clauses of the Rules in the following manner:

- a) Performance evaluation for the year 2019 will be carried out in first Board meeting of 2020.
- b) The Board of PCICL has arranged Directors Training program for one of the Directors.
- c) The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the "Quality Control Review" (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

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

1. The total number of Directors are 6 as per the following:

	Category	Number of Directors
A	Male Director	4
B	Female Director	2

2. The Composition of the Board is as follows:

Categories	Names
Independent Directors	-
Non-Executive Directors	Mr. Arif Ahmed Khan Mr. Noor Ahmed
Executive Directors	Mr. Wang Baojun Mr. Shahnawaz Mahmood
Female Directors	Mr. Wang li Mr. Deng Shuang



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.
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.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board.
8. The Board have 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 the following:
  - Mr. Wang Baojun
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 Chief Executive Office 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	Mr. Noor Ahmed Mr. Shahnawaz Mahmood Ms. Wang Li	Chairman Member Member
HR Committee	Mr. Noor Ahmed Mr. Wang Li Ms. Deng Shuang	Chairman Member Member
Risk Management Committee	Mr. Noor Ahmed Mr. Wang Baojun Mr. Shahnawaz Mahmood Ms. Wang Li	Chairman Member Member Member

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
Audit Committee	1	Quarterly
Board Human Resource and Remuneration Committee (BHR&RC)	1	As and when required
Board Risk Management Committee (BRMC)	1	As and when required

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, 32, 33 and 36 of the Regulations have been complied with.



Managing Director/Vice Chairman

03 April 2020



# Financial Statements

For the year ended 31 December 2019

# Independent Auditors' 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 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit and 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 *Auditors' 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 Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the director's report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon.

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

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

## Responsibilities of Management and 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.

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

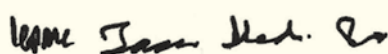
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the 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 auditors' report is Atif Zamurad Malik.



KPMG Taseer Hadi & Co.  
Chartered Accountants

Islamabad  
09 April 2020

# Statement of Financial Position


As at 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>ASSETS</b>			
Cash and balances with treasury banks	5	3,176,193,182	62,586,073
Balances with other banks	6	878,417,860	1,553,209,315
Lendings to financial institutions		-	-
Investments	7	19,129,775,724	9,976,198,978
Advances	8	9,286,105,524	7,620,187,771
Fixed assets	9	276,895,029	187,345,540
Intangible assets	10	784,906	239,762
Deferred tax assets	11	52,515,699	36,897,187
Other assets	12	602,269,797	325,569,633
		33,402,957,721	19,762,234,259
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	13	16,119,292,987	4,180,682,821
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	651,652,801	220,251,158
		16,770,945,788	4,400,933,979
<b>NET ASSETS</b>		<b>16,632,011,933</b>	<b>15,361,300,280</b>
<b>REPRESENTED BY</b>			
Share capital	15	9,696,637,540	9,116,400,000
Advance against issue of shares	16	9,881,237	-
Reserves		1,384,606,471	1,232,830,002
Surplus on revaluation of assets	17	4,751,677	83,041,146
Unappropriated profit		5,536,135,008	4,929,029,132
		16,632,011,933	15,361,300,280
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

The annexed notes 1 to 42 form an integral part of these financial statements.



Wang Baojun  
Managing Director



Noor Ahmed  
Director



Wang Li  
Director



Armughan Ahmad Daud  
Chief Financial Officer

## Profit and Loss Account

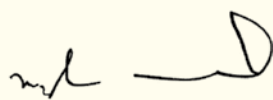
For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
Mark-up/ return/ interest earned	19	2,486,987,715	1,244,513,786
Mark-up/ return/ interest expensed	20	(774,009,756)	(162,160,116)
Net mark-up/ interest income		1,712,977,959	1,082,353,670
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and commission income	21	70,969,282	44,253,123
Dividend income		-	743,593
Foreign exchange income		172,723,205	298,950,711
Income / (loss) from derivatives		-	-
Gain on securities	22	2,139,884	48,718,060
Other income	23	17,055,605	12,328,131
Total non-markup/ interest income		262,887,976	404,993,618
Share in profit of associated companies		38,133,674	36,482,128
Total income		2,013,999,609	1,523,829,416
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	24	476,329,582	386,374,334
Workers welfare fund		-	-
Other charges	25	-	120,000
Total non-markup/interest expenses		476,329,582	386,494,334
Profit before provisions		1,537,670,027	1,137,335,082
Provisions and write offs - net	26	471,913,510	225,577,170
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		1,065,756,517	911,757,912
Taxation	27	305,664,339	292,937,769
<b>PROFIT AFTER TAXATION</b>		760,092,178	618,820,143
Basic and diluted earnings per share	28	0.82	0.68

The annexed notes 1 to 42 form an integral part of these financial statements.



Wang Baojun  
Managing Director



Noor Ahmed  
Director



Wang Li  
Director



Armughan Ahmad Daud  
Chief Financial Officer

# Statement of Comprehensive Income

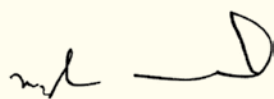
For the year ended 31 December 2019

	2019	2018
	-----Rupees-----	
Profit after taxation for the year	760,092,178	618,820,143
Other comprehensive income		
Items that will not be reclassified to profit and loss account in subsequent periods:		
Re-measurement loss on defined benefit plan - net of tax	(891,806)	(5,942,837)
Share of other comprehensive profit /(loss) from associate	(374,150)	(3,469,609)
Related tax	56,123	526,917
	(318,027)	(2,942,692)
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	(78,618,671)	82,838,573
Company's share of equity accounted investees' OCI:		
Available-For-Sale securities financial assets - Net change in fair value	329,202	(43,167)
	(78,289,469)	82,795,406
<b>Total comprehensive income</b>	<b>680,592,876</b>	<b>692,730,020</b>

The annexed notes 1 to 42 form an integral part of these financial statements.



Wang Baojun  
Managing Director



Noor Ahmed  
Director



Wang Li  
Director



Armughan Ahmad Daud  
Chief Financial Officer


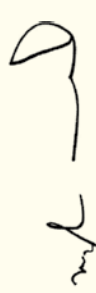


# Statement of Changes in Equity

## For the year ended 31 December 2019

	Share capital	Advance against issue of shares	Statutory reserve	Surplus on revaluation of assets	Unappropriated profit	Total
<b>Balance as at 01 January 2018</b>	9,116,400,000	-	1,110,843,079	245,740	4,441,081,441	14,668,570,260
Profit after taxation for the year	-	-	-	-	618,820,143	618,820,143
Other comprehensive income	-	-	-	82,795,406	(8,885,529)	73,909,877
Total comprehensive income	-	-	-	82,795,406	609,934,614	692,730,020
Transfer to statutory reserve	-	-	121,986,923	-	(121,986,923)	-
<b>Balance as at 31 December 2018</b>	9,116,400,000	-	1,232,830,002	83,041,146	4,929,029,132	15,361,300,280
Profit after taxation	-	-	-	-	760,092,178	760,092,178
Other comprehensive income	-	-	-	(78,289,469)	(1,209,833)	(79,499,302)
Total comprehensive income	-	-	-	(78,289,469)	758,882,345	680,592,876
Transfer to statutory reserve	-	-	151,776,469	-	(151,776,469)	-
<b>Transaction with owners recognised directly in equity</b>						
Advance against issue of shares	-	590,118,777	-	-	-	590,118,777
Issue of share capital	580,237,540	(580,237,540)	-	-	-	-
	580,237,540	9,881,237	-	-	-	590,118,777
<b>Balance as at 31 December 2019</b>	9,696,637,540	9,881,237	1,384,606,471	4,751,677	5,536,135,008	16,632,011,933

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 42 form an integral part of these financial statements.

			
Wang Baojun Managing Director	Noor Ahmed Director	Wang Li Director	Armughan Ahmad Daud Chief Financial Officer



# Cash Flow Statement

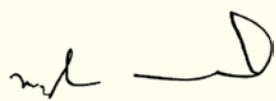
As at 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,065,756,517	911,757,912
Less: Dividend income		-	(743,593)
Share of profit from associate companies		(38,133,674)	(36,482,128)
		1,027,622,843	874,532,191
<b>Adjustments for:</b>			
Depreciation	24	33,656,060	10,392,066
Amortization	24	192,956	231,757
Provision for gratuity		15,528,292	12,306,829
Provision against non-performing loans and advances		198,284,527	69,660,800
Provision for diminution in the value of investments		-	-
Impairment loss on available-for-sale investments		273,628,983	155,916,370
Gain on sale of fixed assets		(5,554,762)	(1,230,719)
Exchange gain		(172,723,205)	(298,950,711)
		343,012,851	(51,673,608)
		1,370,635,694	822,858,583
<b>(Increase)/ Decrease in operating assets</b>			
Lendings to financial institutions		-	-
Advances		(1,864,202,280)	210,143,029
Others assets (excluding advance taxation)		(245,106,547)	(102,924,337)
		(2,109,308,827)	107,218,692
<b>Decrease / (Increase) in operating liabilities</b>			
Other Liabilities		413,060,204	1,491,317
Borrowings from financial institutions		11,938,610,166	(5,396,177,089)
		12,351,670,370	(5,394,685,772)
Contribution to plan assets		(26,580,193)	(9,276,487)
Income tax paid		(334,915,535)	(261,613,768)
Net cash flow from / (used in) operating activities		11,251,501,509	(4,735,498,752)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment (used in) / realized during the period - net		(9,999,768,210)	3,526,890,827
Dividends received		9,187,500	10,704,035
Capital expenditure		(123,958,817)	(23,847,293)
Proceeds from sale of fixed assets		5,569,930	1,231,383
Net cash flow (used in) / from investing activities		(10,108,969,597)	3,514,978,952
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		580,237,540	-
Advance received against issue of share capital		9,881,237	-
Effects of exchange rate changes on cash and cash equivalents		172,723,205	298,950,711
Decrease in cash and cash equivalents		1,905,373,894	(921,569,089)
Cash and cash equivalents at beginning of the year	29	119,030,233	1,040,599,322
Cash and cash equivalents at end of the year	29	2,024,404,127	119,030,233

The annexed notes 1 to 42 form an integral part of these financial statements.



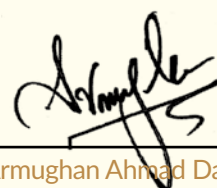
Wang Baojun  
Managing Director



Noor Ahmed  
Director



Wang Li  
Director



Armughan Ahmad Daud  
Chief Financial Officer

# Notes to the Financial Statements

For the year ended 31 December 2019

## 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 main objective of the Company is to invest in the financial sector and infrastructure projects.

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 approved accounting standards as applicable in Pakistan. Approved Accounting 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 under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Wherever the requirements of the Banking Companies Ordinance 1962, and the Companies Act, 2017 or the directives issued by the State Bank of Pakistan and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 to banks to accounting periods beginning on or after January 1, 2021, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 2 dated 25 January 2018, 'Revised Forms of Annual

# Notes to the Financial Statements

For the year ended 31 December 2019

Financial Statements', effective from the accounting year ended December 31, 2018. The management of the Company believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

The SBP has prescribed format of financial statements for Banks / DFI's vide BPRD Circular 02 of 2018, therefore, requirements of the Fifth Schedule of the Companies Act, 2017 have not been followed in presentation of these financial statements.

## 2.2 Standards, interpretations and amendments to published approved accounting standards that have become effective in the current year.

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Company's financial statements is disclosed in note 4 below.

## 2.3 Standards, interpretations and amendments to 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 01 January 2020:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

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

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

# Notes to the Financial Statements

## For the year ended 31 December 2019

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019.

### 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 at associates which are stated using equity accounting.

#### 3.1 Critical accounting estimates and judgments

##### 3.1.1 Provision against non-performing loans and advances

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

##### 3.1.2 Classification / valuation of investments

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

##### 3.1.3 Impairment of investments

The management determines that 'available-for-sale' listed equity investments are impaired, when there has been a significant or prolonged decline in market value/ fair value below its cost. Further unquoted investments are impaired when the investee's breakup value per share falls below the per share cost of investment. In making this judgment, the management considers, among other factors, the decline in market price below cost by 20%, as significant, and if the decline in market price persists for 9 months, as prolonged. For debt securities impairment loss is determined on the basis of the Prudential Regulations of

# Notes to the Financial Statements

For the year ended 31 December 2019

SBP. Management reviews other instruments for identification of impairment and for annual estimate of recoverable amount to assess the amount of impairment.

## 3.1.4 Provision for income taxes

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

## 3.1.5 Operating fixed assets

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

## 3.1.6 Contingencies

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

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.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated in 4.1 below.

### 4.1 First time adoption of IFRS 16.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 01 January 2019. The Company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

#### Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 01 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 01 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an assessment that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.



# Notes to the Financial Statements

## For the year ended 31 December 2019

“The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes right to use assets and corresponding lease liability with respect to all lease arrangements in which it is lessee, except for short term leases ( defined as leases with lease term of 12 month or less) and leases of low value assets. For these leases the Company recognizes the lease payments as an operating expense on straight line basis over term of lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted at incremental borrowing rate.”

Lease payments included in the measurement of lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depends on index or rate, initially measure using the index or rate at commencement date;
- The amount expected to be paid by lessee under residual value guarantee;
- The exercise price of purchase options , if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability ( using the effective interest method) and by reducing the carrying amount to reflect the lease payment made.
- the company remeasures the lease liability ( and makes corresponding adjustments to the related right-of-use asset) whenever;
- the lease term has changed or there is a change in the assessment of exercise of purchase option , in which case the lease liability is remeasured using revised lease payments and revised discount rate.
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which cases revised rate is used).
- a lease contract is modified and lease modification is not accounted for as separate lease , in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rates.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying

# Notes to the Financial Statements

For the year ended 31 December 2019

asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a part of Fixed assets in the statement of financial position.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

## Impact on Lessee Accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognizes depreciation on right-of-use assets and interest on lease liabilities in the profit and loss account; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the profit and loss account.

# Notes to the Financial Statements

## For the year ended 31 December 2019

### Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period.

#### Impact on profit for the period

	For the year ended 31 December 2019 ----- Rupees -----
Increase in depreciation expense	23,913,887
Increase in finance costs	8,263,936
Decrease in operating expenses	(31,091,268)
Decrease in profit for the period	<u>(1,086,555)</u>
Increase / (Decrease) in other comprehensive income for the year	<u>-</u>

#### Impact on earnings per share

Decrease in basic and diluted earnings per share (Re.)	<u>(0.001)</u>
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#### Impact on Assets, Liabilities and Equity as at 31 Decemebr 2019

	As if IAS 17 still applied	IFRS 16 adjustments	As presented
Right of use asset (property and equipment)	-	90,033,931	90,033,931
Other assets (prepayments)	18,389,145	(18,389,145)	-
Net impact on total assets	<u>18,389,145</u>	<u>71,644,786</u>	<u>90,033,931</u>
Lease liabilities	-	69,767,971	69,767,971
Net impact on total liabilities	-	69,767,971	20,265,960
Retained earnings	-	-	-
Total impact on total liabilities and equity	<u>-</u>	<u>69,767,971</u>	<u>-</u>

The application of IFRS 16 has an impact on the statement of cash flows of the Company.

Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (The Company has included these payments as part of payments to suppliers and employees).

Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (The Company has opted to include the interest paid as part of operating activities); and

Cash payments for the principal portion for leases liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 4.2 Functional and presentation currencies

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

## 4.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash and balance with treasury banks and balance with other banks.

## 4.4 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.

## 4.5 Investments

Investments of the Company are classified as held to maturity and available 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 recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the

# Notes to the Financial Statements

## For the year ended 31 December 2019

Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence.

### 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.

### Initial measurement

All regular way purchases and sales of investments are recognized on the trade date .i.e., the date that the Bank 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.

#### 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.

## 4.6 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.



# Notes to the Financial Statements

For the year ended 31 December 2019

## 4.7 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.

## 4.8 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.

## 4.9 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.

# Notes to the Financial Statements

## For the year ended 31 December 2019

### Deferred

The Company accounts for deferred taxation using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of 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.

### 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 as the services are rendered.

#### 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.

# Notes to the Financial Statements

For the year ended 31 December 2019

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 2019. 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

# Notes to the Financial Statements

## For the year ended 31 December 2019

accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of 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 38.

### 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

##### Corporate Banking & SME

Corporate Banking & SME includes services provided in connection with project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

##### Investment Banking

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

##### Treasury

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

##### 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.

# Notes to the Financial Statements

For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		50,000	30,880
<b>With State Bank of Pakistan in</b>			
Local currency current account	5.1	9,625,815	61,128,823
<b>With National Bank of Pakistan in</b>			
Local currency current account		373,452	1,426,370
Local currency deposit account	5.2	2,000,000,000	-
Foreign currency deposit account	5.3	1,166,143,915	-
		<u>3,176,193,182</u>	<u>62,586,073</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 term deposit of Rs. 2 billion for a period of 31 days @ 14.25% per annum and will mature on 24 January 2020 (2018: nil).
- 5.3 This represents foreign currency term deposit of USD 7,530,797 (2018: nil) carrying markup rate of 4.75% (2018: nil) per annum and will mature on 21 December 2020.

	Note	2019	2018
-----Rupees-----			
<b>6 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In deposit account - Local Currency	6.1	14,066,354	56,444,160
In deposit account - Foreign Currency	6.2	864,063,000	1,496,765,155
In current account - Foreign Currency		288,506	-
		<u>878,417,860</u>	<u>1,553,209,315</u>

- 6.1 These carry interest rates ranging from 7.01% to 11.25% (2018: 2.4% to 8%) per annum.
- 6.2 This represents a foreign currency term deposit of USD 5,580,000 (2018: USD 10,797,171) carrying markup rate of 4% (2018: 7.55%) per annum and will mature on 10 January 2020.



## Notes to the Financial Statements

### For the year ended 31 December 2019

#### 7 INVESTMENTS

##### 7.1 Investments by type

Note	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees)							
Available-for-sale securities								
Federal Government Securities	13,913,486,237	-	(28,859,161)	13,884,627,076	4,935,287,000	-	(166,000)	4,935,121,000
Shares	27,333,834	-	22,719,045	50,052,879	54,786,014	-	828,298	55,614,312
Non Government Debt Securities	4,507,459,840	(369,434,062)	7,484,841	4,145,510,619	3,991,057,042	(369,434,062)	97,038,053	3,718,661,033
	18,448,279,911	(369,434,062)	1,344,725	18,080,190,574	8,981,130,056	(369,434,062)	97,700,351	8,709,396,345
Associates	1,049,585,150	-	-	1,049,585,150	1,266,802,633	-	-	1,266,802,633
Total Investments	19,497,865,061	(369,434,062)	1,344,725	19,129,775,724	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978

2019

2018

##### 7.2 Investments by segments

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees)							
Federal Government Securities								
Market Treasury Bills	13,913,486,237	-	(28,859,161)	13,884,627,076	4,935,287,000	-	(166,000)	4,935,121,000
Shares:								
Listed Companies	27,333,834	-	22,719,045	50,052,879	54,786,014	-	828,298	55,614,312
Non Government Debt Securities								
Listed	261,165,000	-	-	261,165,000	261,165,000	-	-	261,165,000
Unlisted	4,246,294,840	(369,434,062)	7,484,841	3,884,345,619	3,729,892,042	(369,434,062)	97,038,053	3,457,496,033
Associates	4,507,459,840	(369,434,062)	7,484,841	4,145,510,619	3,991,057,042	(369,434,062)	97,038,053	3,718,661,033
Pakistan Stock Exchange Limited	730,505,114	-	-	730,505,114	969,610,517	-	-	969,610,517
Central Depository Company of Pakistan Limited	319,080,036	-	-	319,080,036	297,192,116	-	-	297,192,116
Total Investments	19,497,865,061	(369,434,062)	1,344,725	19,129,775,724	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978

##### 7.2.1 Investments given as collateral

	2019	2018
	(Rupees)	
Market treasury bills	13,203,885,476	2,814,011,200
Provision for diminution in value of investments	-	-
Opening balance	369,434,062	369,434,062
Charge / Reversal for the year	-	-
Closing Balance	369,434,062	369,434,062

##### 7.3 Provision for diminution in value of investments

	2019	2018
Opening balance	369,434,062	369,434,062
Charge / Reversal for the year	-	-
Closing Balance	369,434,062	369,434,062

# Notes to the Financial Statements

For the year ended 31 December 2019

## 7.3.2 Particulars of provision against debt securities

### Category of classification

	2019		2018	
	NPI	Provision	NPI	Provision
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	369,434,062	369,434,062	369,434,062	369,434,062
<b>Total</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>

## 7.4 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 reconciliation of carrying amount is as follows:

	2019	2018
	-----Rupees-----	
Purchase of ordinary shares	1,122,067,240	1,122,067,240
Opening balance	969,610,517	1,119,551,591
Share of profit for the year	7,038,200	7,189,341
Dividend from associate	-	(2,003,692)
	7,038,200	5,185,649
Share of other comprehensive income / (loss)	33,200	(2,050,250)
Impairment	(246,176,803)	(153,076,473)
Closing balance	730,505,114	969,610,517
<b>Share of other comprehensive income</b>		
Unrealized deficit on available for sale securities		
- net of tax	407,350	7,550
Actuarial loss of employee gratuity fund of associate		
- net of tax	(374,150)	(2,057,800)
	33,200	(2,050,250)

# Notes to the Financial Statements

For the year ended 31 December 2019

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 2019, adjusted for difference in accounting policies in respect of revaluation of fixed assets. The financial year-end of PSX is 30 June.

	2019	2018
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	10,206,282,000	9,849,894,000
Total liabilities	2,032,764,000	1,817,804,000
Net assets	8,173,518,000	8,032,090,000
Company's share of net assets (5%)	408,675,900	401,604,500
Excess of cost over net assets at the date of investment	721,082,490	721,082,490
Impairment loss	(399,253,276)	(153,076,473)
Carrying amount of interest in associates	730,505,114	969,610,517
Net income	965,970,000	410,346,000
Profit after tax (100%)	140,764,000	143,786,820
Company's share of net profit for the year (5%)	7,038,200	7,189,341
Other Comprehensive Income (OCI):		
- Profit/(loss) on re-measurement of defined benefit liability	(7,483,000)	(41,156,000)
- change in surplus on revaluation of available-for-sale investments	8,147,000	151,000
Total OCI (100%)	664,000	(41,005,000)
Company's share of OCI (5%)	33,200	(2,050,250)

The market value of PSX as at 31 December 2019 was Rs. 12.48 per share, which is below the purchase price of Rs. 28 per share. The management believes that the decline in market value as at the reporting date is significant. The management has conducted an impairment assessment of its equity investment as at 31 December 2019. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions. The cash flow projections used in the calculations are based on financial projections covering a five-year period and approved by the management of the investee company. Cash flows beyond the five year period are extrapolated using estimated growth rates. The assessment resulted in impairment loss of Rs 246,176,803 (2018: Rs 153,076,473) charged to P&L.

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

	31 December 2019	31 December 2018
Terminal value growth rate (%)	3.3%	3.0%
Discount rate (%)	17.90%	15.18%
Budgeted EBITDA growth rate (average of next five years)	>30%	>30%

# Notes to the Financial Statements

For the year ended 31 December 2019

The discount rate was pre-tax measure based on the rate of 10.90 % (2018: 12.83%), 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 EBITDA 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.

Following the impairment loss recognised, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

## 7.5 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 6,750,000 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 reconciliation of carrying amount is as follows:

	2019	2018
	-----Rupees-----	
Carrying value as at 1 January	297,192,116	277,318,603
Share of profit for the year	31,095,474	29,292,787
Dividend from associate	(9,187,500)	(7,956,750)
	21,907,974	21,336,037
Share of other comprehensive income:		
Unrealized surplus on assets - net of tax	(20,054)	(1,462,524)
Closing balance	319,080,036	297,192,116

The following table summarizes the financial information of CDC included in its financial statements for the year ended 31 December 2019. The financial year-end of CDC is 30 June.

# Notes to the Financial Statements

For the year ended 31 December 2019

	2019	2018
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	4,823,012,324	4,379,028,898
Total liabilities	815,994,522	809,769,491
Net assets	4,007,017,802	3,569,259,407
Company's share of net assets (5%)	200,350,890	178,462,970
Excess of cost over net assets at the date of investment	118,729,146	118,729,146
Carrying amount of interest in associates	319,080,036	297,192,116
Net income	1,595,093,142	928,085,489
Profit after tax (100%)	438,159,490	585,855,744
Company's share of net profit (5%)	21,907,975	29,292,787
Other Comprehensive Income (OCI):		
- change in surplus on revaluation of available-for-sale investments	(401,074)	293,850
- Profit/(loss) on re-measurement of defined benefit liability	-	(29,544,320)
Total OCI (100%)	(401,074)	(29,250,470)
Company's share of OCI (5%)	(20,054)	(1,462,524)

## 7.6 Quality of Available for Sale Securities (At cost)

Details regarding quality of available for sales securities are as follows:

### Federal Government Securities - Government guaranteed

- Market Treasury Bills	13,913,486,237	4,935,287,000
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### Shares

- Chemical (Listed Company)	27,333,834	54,786,014
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### Non Government Debt Securities

Categorised 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	812,500,000	937,500,000
- AA+, AA, AA-	2,574,435,000	1,874,785,000
- A+, A, A-	301,932,877	388,455,664
- Unrated	557,426,963	529,151,378
	4,246,294,840	3,729,892,042





## Notes to the Financial Statements

### For the year ended 31 December 2019

	2019		2018	
	Specific	General	Total	Total
8.2.3 Particulars of provision against advances				
In local currency				
	592,312,802	149,276,982	741,589,784	543,305,257
	592,312,802	149,276,982	741,589,784	543,305,257

#### 8.2.4 Details and impact of Forced Sale Value (FSV) benefit

The net FSV benefit availed during the year is Rs. 58.2 million (2018: Rs. 119.2 million), which has resulted in reduced charge for the year by the same amount. Had the FSV benefit not availed, before and after tax profit would have been lower by Rs. 58.2 million (2018: Rs. 119.2 million) and Rs. 41.3 million (2018: Rs. 84.63 million) respectively. Accumulated availed FSV benefit as of 31 December 2019 was Rs. 177.4 million (2018: Rs. 119.2 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

## 9 FIXED ASSETS

### Capital work-in-progress Property and equipment

### 9.1 Capital work-in-progress Advances to suppliers

### 9.2 Property and Equipment

	2019		2018	
	Specific	General	Total	Total
9.1				
9.2				
	4,500,000		4,500,000	4,500,000
	272,395,029		272,395,029	182,845,540
	276,895,029		276,895,029	187,345,540
	4,500,000		4,500,000	4,500,000
	4,500,000		4,500,000	4,500,000

2019

	2019							Total
	Freehold land	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	
At 01 January 2019								
Cost	136,000,000	39,951,307	14,722,498	5,519,035	46,453,184	63,121,985	-	318,044,874
Accumulated depreciation	-	(17,802,360)	(14,371,734)	(5,519,034)	(42,972,476)	(42,256,865)	-	(135,199,334)
Net book value	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	182,845,540
Opening net book value as at 01 January 2019	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	182,845,540
Additions - Cost	-	-	2,642,544	-	2,632,855	3,997,500	-	123,220,717
Disposals - Cost	-	-	(47,776)	(136,500)	(1,294,215)	(11,291,559)	113,947,818	(12,849,400)
Depreciation charge	-	(1,598,052)	(652,358)	-	(2,264,929)	(5,226,835)	(23,913,887)	(33,656,061)
Accumulated depreciation on disposals	-	-	47,776	136,500	1,279,048	11,291,559	79,350	12,834,233
Closing net book value	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	272,395,029
At 31 December 2019								
Cost	136,000,000	39,951,307	17,317,266	5,382,535	47,791,824	55,827,926	113,947,818	428,416,191
Accumulated depreciation	-	(19,400,412)	(14,976,316)	(5,382,534)	(43,958,357)	(36,192,141)	(23,913,887)	(156,021,162)
Net book value	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	272,395,029
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	-	20%

9.2.2

9.2.1

Note

## Notes to the Financial Statements

For the year ended 31 December 2019

	2018									
	Freehold land	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Lease Hold Improvement	Total	
<b>At 01 January 2018</b>										
Cost	136,000,000	39,951,307	14,641,214	5,519,035	46,762,021	43,158,609	-	12,276,865	298,309,051	
Accumulated depreciation	-	(16,204,308)	(14,212,072)	(5,519,034)	(40,628,732)	(40,034,977)	-	(12,186,535)	(128,785,658)	
Net book value	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	-	90,330	169,523,393	
Opening net book value as at 01 January 2018	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	-	90,330	169,523,393	
Additions - Cost	-	-	81,284	-	2,225,166	21,408,427	-	-	23,714,877	
Disposals - Cost	-	-	-	-	(2,534,003)	(1,445,051)	-	-	(3,979,054)	
Depreciation charge	-	(1,598,052)	(159,662)	-	(4,877,083)	(3,666,939)	-	(90,330)	(10,392,066)	
Accumulated depreciation on disposals	-	-	-	-	2,533,339	1,445,051	-	-	3,978,390	
Closing net book value	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-	182,845,540	
<b>At 31 December 2018</b>										
Cost	136,000,000	39,951,307	14,722,498	5,519,035	46,453,184	63,121,985	-	12,276,865	318,044,874	
Accumulated depreciation	-	(17,802,360)	(14,371,734)	(5,519,034)	(42,972,476)	(42,256,865)	-	(12,276,865)	(135,199,334)	
Net book value	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-	182,845,540	
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	-	20%	-	

9.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 23 of these financial statements.

9.2.2 The right of use assets represent buildings recognized on first time adoption of IFRS-16 which were previously accounted for under operating lease. The impact of recognition is explained in note 4.1.

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

	2019	2018
		(Rupees)
Leasehold improvements	12,197,515	12,276,865
Electrical fittings	5,382,535	5,519,035
Furniture and fixtures	14,593,438	14,573,214
Computers and office equipment	40,855,527	39,562,163
Vehicles	27,694,999	38,986,558
	100,724,014	110,917,835

9.2.3 Following disposals were made to Key management personnel.

Particulars of the asset	Cost			Mode of Disposal			Particulars of purchaser
	Cost	Book Value	Sale Price	Mode of Disposal			
Laptop	90,950	1	15,160	Sold per Company approved policy	Kamran Akhtar (Ex. Group Head Corporate Banking)		

# Notes to the Financial Statements

## For the year ended 31 December 2019

	Note	2019 Computer Software -----Rupees-----
<b>10 INTANGIBLE ASSETS</b>		
<b>At 01 January 2019</b>		
Cost		5,712,707
Accumulated amortization		(5,472,945)
Net book value		239,762
Opening net book value 01 January 2019		239,762
Additions- Cost (Directly Purchased)		738,100
Disposals- Cost		-
Amortization charge	24	(192,956)
Closing net book value		784,906
<b>At 31 December 2019</b>		
Cost		6,450,807
Accumulated amortization		(5,665,901)
Net book value		784,906
Rate of amortization (percentage)		33%
Useful life (Years)		3
		2018 Computer Software -----Rupees-----
<b>At 01 January 2018</b>		
Cost		5,580,292
Accumulated amortization and impairment		(5,241,188)
Net book value		339,104
Opening net book value 01 January 2018		339,104
Additions- Cost (Directly Purchased)		132,415
Disposals- Cost		-
Amortization charge	24	(231,757)
Closing net book value		239,762
<b>At 31 December 2018</b>		
Cost		5,712,707
Accumulated amortization and impairment		(5,472,945)
Net book value		239,762
Rate of amortization (percentage)		33%
Useful life (Years)		3

10.1 Cost of fully amortized intangibles assets still in use amounts to Rs. 5 million (2018: Rs. 4.6 million)

# Notes to the Financial Statements

For the year ended 31 December 2019

2019

## 11 DEFERRED TAX ASSETS

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.
- Impairment loss on available for sale investments

01 January 2019	Recognised in profit and loss account	Recognised in OCI	31 December 2019
5,833,630	(3,115,960)	532,220	3,249,890
103,441,537	3,694,341	-	107,135,878
5,120,268	(27,264,723)	-	(22,144,455)
38,715,507	58,885,209	-	97,600,716
68,591,175	46,517,285	-	115,108,460
221,702,117	78,716,152	532,220	300,950,489

Taxable Temporary Differences on

- Surplus on revaluation of investments
- Accrued Interest on T- Bills
- Share of profit of associated companies
- Liabilities against assets subject to lease
- Unrealized exchange gain

01 January 2019	Recognised in profit and loss account	Recognised in OCI	31 December 2019
(14,530,808)	-	17,736,956	3,206,148
(7,121,550)	(42,404,332)	-	(49,525,882)
(8,035,797)	(3,563,610)	(1,972)	(11,601,379)
-	20,232,712	-	20,232,712
(155,116,775)	(55,629,614)	-	(210,746,389)
(184,804,930)	(81,364,844)	17,734,984	(248,434,790)
36,897,187	(2,648,692)	18,267,204	52,515,699

2018

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.
- Impairment loss on available for sale investments

01 January 2018	Recognised in profit and loss account	Recognised in OCI	31 December 2018
2,896,502	730,921	2,206,207	5,833,630
110,830,219	(7,388,682)	-	103,441,537
5,807,959	(687,691)	-	5,120,268
20,582,659	18,132,848	-	38,715,507
48,037,000	20,554,175	-	68,591,175
188,154,339	31,341,571	2,206,207	221,702,117

Taxable Temporary Differences on

- Surplus on revaluation of investments
- Accrued Interest on T- Bills
- Share of profit of associated companies
- Unrealized exchange gain

01 January 2018	Recognised in profit and loss account	Recognised in OCI	31 December 2018
(23,112)	-	(14,507,696)	(14,530,808)
-	(7,121,550)	-	(7,121,550)
(6,981,967)	(1,580,745)	526,915	(8,035,797)
(76,511,331)	(78,605,444)	-	(155,116,775)
(83,516,410)	(87,307,739)	(13,980,781)	(184,804,930)
104,637,929	(55,966,168)	(11,774,574)	36,897,187

# Notes to the Financial Statements

## For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>12 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		336,511,817	217,170,834
Income / mark-up accrued in foreign currency		17,108,957	313,905
Advances, deposits, advance rent and other prepayments		12,916,375	32,742,651
Receivable against fee, commission & advisory services		43,932,002	14,312,095
Advance against shares		111,720,000	11,000,000
Advance taxation (payments less provisions)		80,005,690	48,105,802
Receivable from Provident fund		-	1,349,047
Others		74,956	575,299
		<u>602,269,797</u>	<u>325,569,633</u>
<b>13 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Renewable Energy Power Projects	13.1	102,001,321	123,475,281
Repurchase agreement borrowings	13.2	308,596,080	2,813,207,540
Borrowing from financial institutions	13.3	12,613,363,257	-
Other borrowings	13.4	2,000,000,000	200,000,000
<b>Total secured</b>		<u>15,023,960,658</u>	<u>3,136,682,821</u>
<b>Unsecured</b>			
Borrowing from financial institutions	13.5	1,095,332,329	1,044,000,000
<b>Total unsecured</b>		<u>1,095,332,329</u>	<u>1,044,000,000</u>
		<u>16,119,292,987</u>	<u>4,180,682,821</u>

**13.1** This represents a 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 shall be payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.

**13.2** This is secured against pledge of Government securities having maturity upto 2 days (2018: 2 days). These carry markup at the rate of 13.30% (2018: 10.10% to 10.15%) per annum.

**13.3** This represents secured borrowings from financial institution through pledge of Government securities carrying markup rate ranging from 12.95% to 13.34% (2018: Nil) per annum having maturity from 161-312 days (2018: Nil)

**13.4** This represents term loan facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of maximum of 2 years. Markup payable is on quarterly basis at the rate



# Notes to the Financial Statements

For the year ended 31 December 2019

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.

13.5 This represents un-secured borrowings carrying markup rate of 13.00% to 13.8% (2018: 10.10%) per annum having maturity from 30-92 days (2018: 2 days)

	Note	2019	2018
-----Rupees-----			
13.6	Particulars of borrowings with respect to Currencies In local currency	16,119,292,987	4,180,682,821
14	<b>OTHER LIABILITIES</b>		
	Mark-up / return / interest payable in local currency	521,741,422	164,566,067
	Accrued expenses	44,592,486	31,847,425
	Withholding tax / sales tax payable	2,742,009	987,089
	Payable to defined benefit plan	11,206,518	20,834,393
	Payable to Employees Old Age Benefit Institution	-	29,640
	Lease liability against right-of-use assets	69,767,971	-
	Others	1,602,395	1,986,544
		<b>651,652,801</b>	<b>220,251,158</b>

## 14.1 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

	31 December 2019			31 December 2018		
	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	37,521,837	5,942,344	31,579,493	-	-	-
Later than one year and up to five years	40,604,891	2,416,413	38,188,478	-	-	-
	<b>78,126,728</b>	<b>8,358,757</b>	<b>69,767,971</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 15 SHARE CAPITAL

### 15.1 Authorized Capital

2019	2018		2019	2018
----- 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

### 15.2

2019	2018		2019	2018
----- Number of shares -----			----- Rupees -----	
969,663,754	911,640,000	Ordinary shares of Rs. 10 each, issued for cash	9,696,637,540	9,116,400,000

15.3 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 (2018: 455,820,000) ordinary shares of the Company, respectively. During the year the Company issued ordinary 29,011,877 shares of Rs.10 each to MOF & CDB.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 16 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. 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.

	Note	2019	2018
-----Rupees-----			
<b>17 SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of Available for sale securities	7.1	1,344,725	97,700,351
Deferred tax on surplus on revaluation of Available for sale securities	11	3,206,148	(14,530,807)
Company's share of equity-accounted investees' OCI: Change in fair value of available-for-sale financial assets - net of tax		200,804	(128,398)
		<u>4,751,677</u>	<u>83,041,146</u>
<b>18 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	18.1	636,049,953	816,765,400
Commitments	18.2	15,916,333,139	2,872,062,860
Other contingent liability		168,100,000	168,100,000
		<u>16,720,483,092</u>	<u>3,856,928,260</u>
<b>18.1 Guarantees</b>			
Financial guarantees		<u>636,049,953</u>	<u>816,765,400</u>
<b>18.2 Commitments</b>			
Documentary credits and short term trade related transactions			
Letter of credit		241,123,264	14,563,142
Commitments in respect of Forward government securities transactions - Purchase		13,203,885,476	2,814,011,200
Commitments to extend credits	18.2.1	2,469,824,399	41,988,518
Commitment for acquisition of intangible assets		1,500,000	1,500,000
		<u>15,916,333,139</u>	<u>2,872,062,860</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

## 18.2.1 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 balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs. 2,469.824 million (2018: Rs. 41.989 million)

## 18.3 Other contingent liability

18.3.1 An ex-employee of the company has lodged a claim of Rs. 168.1 million against the Company. The case has been decided in favour 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 favour of the Company and possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

18.3.2 For tax related contingencies, please refer note 27.2 of these financial statements.

	Note	2019	2018
-----Rupees-----			
<b>19</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances		864,324,534	703,838,074
On investments		1,363,003,497	386,547,815
On lendings to financial institutions		369,863	21,370
On balances with banks		127,887,551	62,029,412
On securities purchased under resale agreement		131,402,270	92,077,115
		<u>2,486,987,715</u>	<u>1,244,513,786</u>
<b>20</b>	<b>MARK-UP/RETURN/INTEREST EXPENSED</b>		
Borrowings		679,318,209	71,360,555
Securities sold under repurchase agreements		86,427,611	90,799,561
Interest expense on lease liability		8,263,936	-
		<u>774,009,756</u>	<u>162,160,116</u>
<b>21</b>	<b>FEE &amp; COMMISSION INCOME</b>		
Credit related fee		23,287,256	27,181,903
Commission on trade		2,047,194	1,696,587
Commission on guarantees		4,273,675	2,995,000
Investment banking fees		41,361,157	12,379,633
		<u>70,969,282</u>	<u>44,253,123</u>
<b>22</b>	<b>GAIN ON SECURITIES</b>		
Realised	22.1	2,139,884	48,718,060
<b>22.1</b>	Realised gain on:		
	Federal Government Securities	2,116,284	185,445
	Shares	23,600	48,531,761
	Non Government Debt Securities	-	854
		<u>2,139,884</u>	<u>48,718,060</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>23 OTHER INCOME</b>			
Rent on property		11,497,843	10,965,544
Gain on sale of fixed assets-net		5,554,762	1,230,719
Others		3,000	131,868
		<u>17,055,605</u>	<u>12,328,131</u>
<b>24 OPERATING EXPENSES</b>			
Total Compensation expenses	24.1	325,962,805	261,675,097
<b>Property expense</b>			
Rent and taxes		8,092,247	32,235,790
Insurance		86,398	88,120
Utilities cost		5,356,832	4,648,496
Security		3,104,614	3,074,372
Repair and maintenance		1,236,336	3,413,380
Depreciation		25,511,939	1,688,382
		<u>43,388,366</u>	<u>45,148,540</u>
<b>Information technology expenses</b>			
Software maintenance		1,010,082	982,417
Hardware maintenance		139,855	73,681
Amortization		192,956	231,757
Depreciation		1,791,927	3,875,237
Network charges		1,577,025	1,346,040
		<u>4,711,845</u>	<u>6,509,132</u>
<b>Other operating expenses</b>			
Directors' fees and allowances		3,771,405	2,688,411
Legal and professional charges		6,973,165	8,926,195
Outsourced services costs	24.2	7,787,090	6,620,913
Travelling and conveyance		42,268,061	27,868,507
Insurance		4,534,076	2,329,743
Repair and maintenance		6,299,740	1,203,951
Depreciation		6,352,194	4,828,447
Training and development		2,370,578	2,565,450
Utilities		705,926	694,380
Communication		2,575,424	2,116,598
Stationery and printing		2,899,098	2,353,371
Marketing, advertisement and publicity		1,941,790	2,205,964
Auditors remuneration	24.3	3,732,400	1,665,000
Bank Charges		410,089	309,412
Entertainment		5,844,741	3,576,733
Miscellaneous		3,800,789	3,088,490
		<u>102,266,566</u>	<u>73,041,565</u>
		<u>476,329,582</u>	<u>386,374,334</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>24.1 Total Compensation expenses</b>			
Managerial Remuneration			
i) Fixed		221,207,409	181,313,150
ii) Variable			
- Cash Bonus		21,545,380	19,610,587
		242,752,789	200,923,737
Charge for defined benefit plan		15,528,292	12,306,829
Contribution to defined contribution plan		9,731,507	8,619,142
EOBI		310,250	289,900
Medical		20,364,957	8,775,934
Leave fair assistance		13,013,731	12,437,020
Leave encashment		3,101,337	1,853,477
Allowances	24.1.1	19,329,953	15,908,976
Others		1,829,989	560,082
		<b>325,962,805</b>	<b>261,675,097</b>

**24.1.1** This mainly includes overseas and vehicle allowance of Rs. 6.6 million (2018: 5.9 million) and Rs. 11.5 million (2018: 9.2 million) respectively.

**24.2** Total cost for the year relating to outsourced activities is Rs 12.2 million (2018: Rs 10.9 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 24.

	Note	2019	2018
-----Rupees-----			
<b>24.3 Auditors' remuneration</b>			
Annual audit fee		726,000	660,000
Half year review fee		255,200	200,000
Fee for other statutory certifications		121,000	110,000
Fee for special certifications		2,461,000	550,000
Out-of-pocket expenses		169,200	145,000
		<b>3,732,400</b>	<b>1,665,000</b>
<b>25 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		-	120,000
<b>26 PROVISIONS AND WRITE OFFS - NET</b>			
Provisions against loans & advances	8.2.1	198,284,527	69,660,800
Impairment loss		273,628,983	155,916,370
		<b>471,913,510</b>	<b>225,577,170</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

	Note	2019	2018
-----Rupees-----			
<b>27 TAXATION</b>			
For the Year			
Current	27.1	295,802,194	204,940,698
Deferred		2,648,692	55,966,169
For the prior year			
Current		7,213,453	32,030,902
		<u>305,664,339</u>	<u>292,937,769</u>
<b>27.1 Relationship between current tax expense and accounting profit</b>			
Accounting profit before taxation		1,065,756,517	911,757,912
Applicable tax rate		29%	29%
Tax on accounting profit at applicable rate		309,069,390	264,409,794
Rate change impact		1,438,742	5,122,414
Impact of permanent difference		(12,057,246)	(23,837,102)
Super tax		-	15,211,761
Prior year current tax charge		7,213,453	32,030,902
		<u>305,664,339</u>	<u>292,937,769</u>
<b>27.2 Tax status</b>			

**27.2.1** 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 installment 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 ATIR against appellate order of CIR(A). The hearing of this appeal is yet to be fixed by Appellate Tribunal Inland Revenue (ATIR).

**27.2.2** For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the 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 of 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. However, the main appeal is pending for fixation by ATIR and the order is expected to be partially in favor of the Company.

**27.2.3** For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for bad debts, profit on debt, other provisions and charging Workers Welfare Fund. The Company's appeal was partly accepted by the CIR(A). The Company preferred appeal before ATIR on issues



# Notes to the Financial Statements

For the year ended 31 December 2019

not decided in their favor. The DCIR wide appeal effect order No 04/86 restricted the demand to Rs. 80.72 million which was also upheld by CIR (A) and ATIR. The Company filed reference application before High Court against the ATIR order which is yet to be fixed for hearing.

27.2.4 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 markup, 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 is remanded back. Therefore, an appeal effect order from the assessing officer is awaited.

27.2.5 For the Tax Year 2017, a show cause notice was issued to the Company by ACIR. The said notice proposed to levy additional super tax under Section 4B of the Ordinance. The notice was duly replied and the order is still awaited.

27.2.6 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.

## 28 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2019	2018
Profit for the year - Rupees		760,092,178	618,820,143
Weighted average number of ordinary shares - Numbers		926,742,073	911,640,000
Basic earnings per share - Re		0.82	0.68

-----Rupees-----

## 29 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks		2,010,049,267	62,586,073
Balance with other banks		14,354,860	56,444,160
		2,024,404,127	119,030,233

-----Number-----

## 30 STAFF STRENGTH

Permanent		46	45
The Company's own staff strength at the end of the year		46	45
Outsourced	30.1	12	10
Total staff strength		58	55

30.1 This excludes outsourced security guards and janitorial staff.

## 31 DEFINED BENEFIT PLAN

### 31.1 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 2019.

# Notes to the Financial Statements

For the year ended 31 December 2019

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.

## 31.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are 46 as of 31 December 2019 (2018: 45).

## 31.3 Principal actuarial assumptions

	2019	2018
Discount rate	13.25%	9.50%
Expected rate of return on plan assets	11.25%	13.25%
Expected rate of Salary increase	11.25%	13.25%
Average remaining working lives of employees	5.7 years	5.6 years
Normal retirement age	60 years	60 years

	Note	2019	2018
-----Rupees-----			
<b>31.4 Reconciliation of amount payable to defined benefit plan</b>			
Present value of defined benefit obligation	31.5	69,661,289	61,243,789
Fair value of plan assets	31.7	(58,454,771)	(40,409,396)
		11,206,518	20,834,393
<b>31.5 Movement in the present value of the defined benefit obligation</b>			
Opening balance		61,243,789	47,806,901
Current service cost		14,528,673	11,830,237
Interest cost		7,458,914	4,101,022
Benefits paid		(9,900,193)	(9,276,487)
Changes in financial assumptions		(269,055)	483,206
Remeasurement gain		(3,400,839)	6,298,910
Closing balance		69,661,289	61,243,789
<b>31.6 Movement in payable to defined benefit plan</b>			
Opening balance		20,834,393	9,655,007
Charge for the year		15,528,292	12,306,829
Remeasurements loss chargeable to the other comprehensive income		1,424,026	8,149,044
Company's contributions for the year		(26,580,193)	(9,276,487)
		11,206,518	20,834,393

# Notes to the Financial Statements

For the year ended 31 December 2019

	2019	2018	-----Rupees-----	
<b>31.7</b>	<b>Movement in the fair value of plan assets</b>			
Opening balance	40,409,396	38,151,894		
Contributions	26,580,193	9,276,487		
Interest income on plan assets	6,459,295	3,624,430		
Benefits paid	(9,900,193)	(9,276,487)		
Return on plan assets excluding interest income	(5,093,920)	(1,366,928)		
Closing balance	<u>58,454,771</u>	<u>40,409,396</u>		
Actual return on plan assets	<u>1,365,375</u>	<u>2,257,502</u>		
<b>31.8</b>	<b>The amounts recognized in profit and loss are as follows</b>			
Current service cost	14,528,673	11,830,237		
Interest cost	7,458,914	4,101,022		
Interest income on plan assets	(6,459,295)	(3,624,430)		
	<u>15,528,292</u>	<u>12,306,829</u>		
<b>31.9</b>	<b>The amounts recognized in the other comprehensive income are as follows:</b>			
	<b>Remeasurement (loss) / gain:</b>			
Actuarial (loss) - experience adjustment	3,400,839	(6,298,910)		
Actuarial (loss) - Changes in financial assumptions	269,055	(483,206)		
Return on plan assets, excluding interest income	(5,093,920)	(1,366,928)		
	<u>(1,424,026)</u>	<u>(8,149,044)</u>		
<b>31.10</b>	<b>2019</b>	<b>2018</b>		
<b>Components of plan assets</b>	-----%-----			
National Savings account	99.88	73.31	58,382,000	29,625,302
Term deposit receipts	-	26.53	-	10,719,202
Bank balances	0.12	0.16	72,771	64,892
	<u>100.00</u>	<u>100.00</u>	<u>58,454,771</u>	<u>40,409,396</u>
<b>31.11</b>	<b>Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation"</b>			
Current liability			69,661,289	61,243,789
Discount rate +100 bps			63,745,574	56,042,596
Discount rate -100 bps			76,477,897	67,248,896
Average salary increase +100 bps			76,554,928	67,326,744
Average salary increase -100 bps			63,566,975	55,877,709
<b>31.12</b>	<b>Based on actuarial advice, the management estimates that P&amp;L charge for the next year would be Rs. 16.33 million.</b>			

# Notes to the Financial Statements

## For the year ended 31 December 2019

31.13 Expected contributions to be paid to the funds in the next year would be Rs. 11.2 million.

31.14 Maturity profile Particulars	2019	2018
	-----Rupees-----	
	Undiscounted payments	
Year 1	5,503,287	5,652,961
Year 2	10,085,961	6,147,346
Year 3	6,388,835	10,577,850
Year 4	6,764,749	6,791,292
Year 5	10,651,629	7,248,426
Year 6 to Year 10	63,747,722	81,748,498
Year 11 and above	1,031,734,475	1,394,036,568

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 9 years (2018: 10 years).

### 31.15 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.

### 31.16 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.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 32 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 (2018: 10% per annum) of the employees' basic salary. During the year the company contributed Rs. 9.7 million (2018: Rs. 8.6 million) in respect of this fund.

### 32.1 Funding policy

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

	2019 (Un-Audited)	2018 (Un-Audited)
	-----Rupees-----	
Contribution from the Company	9,731,507	8,619,142
Contribution from the employees	9,731,507	8,619,142
	19,463,014	17,238,284

### 32.2 Provident fund trust

	2019	2018
	-----Rupees-----	
Size of the trust (Rupees)	85,083,072	70,203,614
Cost of investments made (Rupees)	82,963,000	69,111,000
Percentage of investment made (%)	97.51%	98.44%
Fair value of investment made (Rupees)	82,963,000	69,111,000

	2019	2018	2019	2018
	-----%-----		-----Rupees-----	
Break-up of investments				
National savings account	100.00	86.25	82,963,000	59,611,000
Term deposit receipts	-	13.75	-	9,500,000
	100.00	100.00	82,963,000	69,111,000

32.3 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.

# Notes to the Financial Statements

## For the year ended 31 December 2019

### 33 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 33.1 Total Compensation Expense

Items	2019			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and Allowances etc.	460,020	-	3,311,385	-	-
Managerial Remuneration					
i Fixed	-	23,659,575	-	51,574,202	51,247,586
ii Total Variable	-	1,543,960	-	-	8,152,800
Charge for defined benefit plan	-	2,148,628	-	723,964	5,480,045
Contribution to defined contribution plan	-	1,277,760	-	1,405,434	2,126,210
Rent & house maintenance	-	-	-	696,486	-
Utilities	-	851,780	-	412,107	-
Medical	-	614,611	-	5,450,257	2,275,954
Conveyance	-	3,839,233	-	7,861,996	641,855
Entertainment	-	-	-	731,077	-
Boarding and lodging	-	1,179,879	-	566,235	-
Daily allowance	-	1,918,100	-	3,442,060	-
Professional training and staff welfare	-	-	-	-	649,800
Depreciation	-	4,289,088	-	-	-
Insurance	-	554,071	-	-	-
Others	-	789,262	-	873,072	5,790,713
<b>Total</b>	<b>460,020</b>	<b>42,665,947</b>	<b>3,311,385</b>	<b>73,736,890</b>	<b>76,364,963</b>
Number of Persons	1	1	1	1	10

Items	2018			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and Allowances etc.	1,640,068	-	1,048,343	-	-
Managerial Remuneration					
i Fixed	-	23,705,131	-	36,027,593	42,688,864
ii Total Variable	-	4,631,880	-	-	4,711,316
Charge for defined benefit plan	-	1,630,335	-	222,787	4,083,174
Contribution to defined contribution plan	-	1,277,760	-	1,102,954	1,786,923
Rent & house maintenance	-	-	-	1,910,129	-
Utilities	-	694,380	-	473,129	-
Medical	-	881,667	-	1,072,536	1,939,789
Conveyance	-	1,747,245	-	4,956,669	-
Daily allowance	-	-	-	1,449,240	-
Professional training and staff welfare	-	1,603,304	-	-	-
Depreciation	-	2,588,386	-	-	-
Others	-	1,958,756	-	1,738,899	4,632,729
<b>Total</b>	<b>1,640,068</b>	<b>40,718,844</b>	<b>1,048,343</b>	<b>48,953,936</b>	<b>59,842,795</b>
Number of Persons	1	1	1	1	9



# Notes to the Financial Statements

For the year ended 31 December 2019

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

33.1.2 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 have been identified. After the performance appraisal process of year 2019, 30% of performance bonus for MRT’s and MRC’s has been withheld. The total withheld amount in this account is Rs. 2,295,840.

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

2019

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	
(Rupees)						
1	Arif Ahmed Khan	460,020	-	-	-	460,020
2	Noor Ahmed	2,529,285	257,730	262,185	262,185	3,311,385
	Total Amount Paid	2,989,305	257,730	262,185	262,185	3,771,405

2018

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	
(Rupees)						
1	Arif Ahmed Khan	1,640,068	-	-	-	1,640,068
2	Syed Ghazanfar Abbas Jilani	831,368	216,975	-	-	1,048,343
	Total Amount Paid	2,471,436	216,975	-	-	2,688,411

## 33.3 Disclosure on Board of Directors

2019

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	Arif Ahmed Khan	15-Jan-18	21-Mar-19	Chairman	Nil	Nil
2	Noor Ahmed	13-Dec-18	-	Non executive director	3	Nil
3	Wang Li	27-Jun-18	-	Non executive director	3	Nil
4	Deng Shuang	26-Feb-17	-	Non executive director	1	Nil
5	Wang Baojun	25-May-18	-	Executive director	1	Nil
6	Shahnawaz Mahmood*	06-Jan-14	-	Executive director	2	4

\*Mr. Shahnawaz Mahmood vacated office on 06 January 2020 and was present on the Board of following entities.

- 1 Pakistan Stock Exchange Limited
- 2 Central Depository Company of Pakistan Limited
- 3 Pakistan Mercantile Exchange Company Limited
- 4 National Clearing Company of Pakistan Limited

# Notes to the Financial Statements

## For the year ended 31 December 2019

2018

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	Arif Ahmed Khan	15-Jan-18	-	Chairman	Nil	Nil
2	Noor Ahmed	13-Dec-18	-	Non executive director	3	Nil
3	Syed Ghazanfar Abbas Jilani	13-Mar-18	13-Dec-18	Non executive director	3	Nil
4	Liu Hui	24-Dec-12	27-Jun-18	Non executive director	3	Nil
5	Deng Shuang	26-Feb-17	-	Non executive director	1	Nil
6	Wang Li	27-Jun-18	-	Non executive director	3	Nil
7	Li Peng	28-May-15	09-May-18	Executive director	2	Nil
8	Wang Baojun	25-May-18	-	Executive director	1	Nil
6	Shahnawaz Mahmood*	06-Jan-14	-	Executive director	2	4

\*Mr. Shahnawaz Mehmood was present on the Board of following entities.

- 1 Pakistan Stock Exchange Limited
- 2 Central Depository Company of Pakistan Limited
- 3 Pakistan Mercantile Exchange Company Limited
- 4 National Clearing Company of Pakistan Limited

### 33.4 Directors' Participation in Board and Committee meetings

2019

Sr. No.	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Arif Ahmed Khan	1	-	-	-
2	Noor Ahmed	5	1	1	1
3	Wang Li	5	1	1	1
4	Deng Shuang	-	-	-	-
5	Wang Baojun	5	-	-	1
6	Shahnawaz Mahmood	5	1	-	1

2018

Sr. No.	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Arif Ahmed Khan	4	-	-	-
2	Noor Ahmed	-	-	-	-
3	Syed Ghazanfar Abbas Jilani	2	2	1	1
4	Liu Hui	1	-	-	-
5	Deng Shuang	-	-	-	-
6	Wang Li	1	2	1	-
7	Li Peng	1	-	-	-
8	Wang Baojun	3	-	-	1
9	Shahnawaz Mahmood	4	2	-	1

# Notes to the Financial Statements

For the year ended 31 December 2019

## 34 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, 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 cannot 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.

### 34.1 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).

34.2 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 categorised:

	Carrying value	2019			Total
		Level 1	Level 2	Level 3	
Rupees					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	13,884,627,076	-	13,884,627,076	-	13,884,627,076
Shares	50,052,879	50,052,879	-	-	50,052,879
Non-Government Debt Securities	1,955,584,841	261,165,000	1,694,419,841	-	1,955,584,841
	15,890,264,796	311,217,879	15,579,046,917	-	15,890,264,796
<b>Financial assets - disclosed but not measured at fair value</b>					
<b>Investments</b>					
	2,559,359,840	-	-	-	-
	18,449,624,636	311,217,879	15,579,046,917	-	15,890,264,796
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward government securities transactions - purchase	13,203,885,476	-	-	13,203,885,476	13,203,885,476

# Notes to the Financial Statements

## For the year ended 31 December 2019

	2018				Total
	Carrying value	Level 1	Level 2	Level 3	
	Rupees				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	4,935,121,000	-	4,935,121,000	-	4,935,121,000
Shares	55,614,312	55,614,312	-	-	55,614,312
Non-Government Debt Securities	2,170,488,053	261,165,000	1,909,323,053	-	2,170,488,053
	7,161,223,365	316,779,312	6,844,444,053	-	7,161,223,365
<b>Financial assets - disclosed but not measured at fair value</b>					
<b>Investments</b>					
	1,917,607,042	-	-	-	-
	9,078,830,407	316,779,312	6,844,444,053	-	7,161,223,365
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward government securities transactions - purchase	2,814,011,200	-	-	2,814,011,200	2,814,011,200

34.3 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

### 35 SEGMENT INFORMATION

#### 35.1 Segment Details with respect to Business Activities

	2019				Total
	Corporate Banking & SME group	Investment Banking group	Treasury	Head Office	
	Rupees				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	1,271,421,359	8,505,354	339,343,733	93,707,513	1,712,977,959
Inter segment revenue - net	(1,144,868,322)	(36,523,525)	(284,887,828)	1,466,279,674	-
Non mark-up income	29,608,125	72,480,231	2,116,284	196,817,010	301,021,650
Total Income	156,161,162	44,462,060	56,572,189	1,756,804,197	2,013,999,609
Segment direct expenses	(20,094,702)	(37,473,988)	(19,219,442)	(399,541,450)	(476,329,582)
Provisions	(225,736,707)	-	-	(246,176,803)	(471,913,510)
Profit before tax	(89,670,247)	6,988,072	37,352,747	1,111,085,944	1,065,756,517

As at 31 Decemehr 2019 management has conducted an impairment analysis for equity investment in PSX and recognised an impairment loss of Rs. 246.18 million (2018: Rs. 153.08 million). The impairment loss is charged to head office segment.

	2019				Total
	Corporate Banking & SME group	Investment Banking group	Treasury	Head Office	
	Rupees				
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	2,000,000,000	2,054,611,042	4,054,611,042
Investments	4,134,398,498	380,245,036	13,884,627,076	730,505,114	19,129,775,724
Advances					
Performing	8,222,259,331	-	-	71,204,865	8,293,464,196
Non-performing	991,977,764	-	-	663,564	992,641,328
Others	230,363,845	144,460,278	-	557,641,308	932,465,431
Total Assets	13,578,999,438	524,705,314	15,884,627,076	3,414,625,893	33,402,957,721
Borrowings	2,102,001,321	-	14,017,291,666	-	16,119,292,987
Others	192,318,427	411,720	329,422,995	129,499,659	651,652,801
Total liabilities	2,294,319,748	411,720	14,346,714,661	129,499,659	16,770,945,788
Equity	-	-	-	16,632,011,933	16,632,011,933
Total Equity & liabilities	2,294,319,748	411,720	14,346,714,661	16,761,511,592	33,402,957,721
Contingencies & Commitments	3,515,097,616	-	13,203,885,476	1,500,000	16,720,483,092

# Notes to the Financial Statements

## For the year ended 31 December 2019

	2018				
	Corporate Banking & SME group	Investment Banking group	Treasury	Head Office	Total
	Rupees				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	860,259,732	276,231	171,449,690	50,368,017	1,082,353,670
Inter segment revenue - net	-	-	-	-	-
Non mark-up income	31,873,490	90,947,774	186,299	318,468,183	441,475,746
Total Income	892,133,222	91,224,005	171,635,989	368,836,200	1,523,829,416
Segment direct expenses	(35,949,145)	(79,605,642)	(15,073,095)	(255,866,452)	(386,494,334)
Provisions	(72,500,697)	-	-	(153,076,473)	(225,577,170)
Profit before tax	783,683,380	11,618,363	156,562,894	(40,106,725)	911,757,912

As at 31 Decemabr 2018 management has conducted an impairment analysis for equity investemnt in PSX and recognised an impairment loss of Rs. 153.08 million (2017: nil). The impairment loss is charged to head office segment.

	2018				
	Corporate Banking & SME group	Investment Banking group	Treasury	Head Office	Total
	Rupees				
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	-	1,615,795,388	1,615,795,388
Investments	5,041,077,978	4,027,608,603	4,935,121,000	-	14,003,807,581
Advances					
Performing	6,749,327,835	-	-	55,696,372	6,805,024,207
Non-performing	815,163,564	-	-	-	815,163,564
Others	214,968,620	16,788,555	-	318,294,947	550,052,122
<b>Total Assets</b>	<b>12,820,537,997</b>	<b>4,044,397,158</b>	<b>4,935,121,000</b>	<b>1,989,786,707</b>	<b>23,789,842,862</b>
Borrowings	323,475,281	-	3,857,207,540	-	4,180,682,821
Others	163,497,009	-	1,069,058	55,685,091	220,251,158
<b>Total liabilities</b>	<b>486,972,290</b>	<b>-</b>	<b>3,858,276,598</b>	<b>55,685,091</b>	<b>4,400,933,979</b>
Equity	-	-	-	15,361,300,280	15,361,300,280
<b>Total Equity &amp; liabilities</b>	<b>486,972,290</b>	<b>-</b>	<b>3,858,276,598</b>	<b>15,416,985,371</b>	<b>19,762,234,259</b>
<b>Contingencies &amp; Commitments</b>	<b>1,041,417,060</b>	<b>-</b>	<b>2,814,011,200</b>	<b>1,500,000</b>	<b>3,856,928,260</b>

# Notes to the Financial Statements

## For the year ended 31 December 2019

	2019		
	In Pakistan	Outside Pakistan	Total
	(Rupees)		
35.2 Segment details with respect to geographical locations			
<b>GEOGRAPHICAL SEGMENT ANALYSIS</b>			
<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	1,712,977,959	-	1,712,977,959
Non mark-up / return / interest income	301,021,650	-	301,021,650
Total Income	2,013,999,609	-	2,013,999,609
Total expenses	(476,329,582)	-	(476,329,582)
Provisions/Impairment	(471,913,510)	-	(471,913,510)
Profit before tax	1,065,756,517	-	1,065,756,517
<b>Balance Sheet</b>			
Cash & Bank balances	4,054,611,042	-	4,054,611,042
Investments	19,129,775,724	-	19,129,775,724
Advances			
Performing	8,293,464,196	-	8,293,464,196
Non-performing	992,641,328	-	992,641,328
Others	932,465,431	-	932,465,431
Total Assets	33,402,957,721	-	33,402,957,721
Borrowings	16,119,292,987	-	16,119,292,987
Others	651,652,801	-	651,652,801
Total liabilities	16,770,945,788	-	16,770,945,788
Equity	16,632,011,933	-	16,632,011,933
Total Equity & liabilities	33,402,957,721	-	33,402,957,721
Contingencies & Commitments	16,720,483,092	-	16,720,483,092
	2018		
	In Pakistan	Outside Pakistan	Total
	(Rupees)		
<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	1,082,353,670	-	1,082,353,670
Non mark-up / return / interest income	441,475,746	-	441,475,746
Total Income	1,523,829,416	-	1,523,829,416
Segment direct expenses	(386,494,334)	-	(386,494,334)
Provisions/Impairment	(225,577,170)	-	(225,577,170)
Profit before tax	911,757,912	-	911,757,912
<b>Balance Sheet</b>			
Cash & Bank balances	1,615,795,388	-	1,615,795,388
Investments	14,003,807,581	-	14,003,807,581
Advances			
Performing	6,805,024,207	-	6,805,024,207
Non-performing	815,163,564	-	815,163,564
Others	550,052,122	-	550,052,122
Total Assets	23,789,842,862	-	23,789,842,862
Borrowings	4,180,682,821	-	4,180,682,821
Others	220,251,158	-	220,251,158
Total liabilities	4,400,933,979	-	4,400,933,979
Equity	15,361,300,280	-	15,361,300,280
Total Equity & liabilities	19,762,234,259	-	19,762,234,259
Contingencies & Commitments	3,856,928,260	-	3,856,928,260



## Notes to the Financial Statements For the year ended 31 December 2019

### 36 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

### 37 RELATED PARTY TRANSACTIONS

The Company has related party relationships with 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. Transactions with these state-controlled entities are not very significant and impracticable to quantify, for disclosure in these financial statements. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DF1 i.e. major portion (50% or more) of its business (upstream or downstream) are also related parties.

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 year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019					2018				
	Directors	Key management personnel	Associates (at cost)	Other related parties	(Rupees)	Directors	Key management personnel	Associates (at cost)	Other related parties	(Rupees)
<b>Lendings to financial institutions</b>										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	47,224,615.136	-	-	-	-	48,473,938.289	-
Repaid during the year	-	-	-	(47,224,615.136)	-	-	-	-	(48,473,938.289)	-
Closing balance	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>										
Opening balance	-	-	1,372,067,240	11,000,000	-	-	-	1,372,067,240	-	-
Investment made during the year	-	-	-	100,720,000	-	-	-	-	11,000,000	-
Investment disposed off during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	1,372,067,240	111,720,000	-	-	-	1,372,067,240	11,000,000	-
<b>Advances</b>										
Opening balance	-	24,513,896	-	-	-	-	14,631,586	-	-	30,000,000
Addition during the year	-	15,642,935	-	-	-	-	11,211,996	-	-	-
Repaid during the year	-	(2,064,389)	-	-	-	-	(1,329,686)	-	-	(30,000,000)
Closing balance	-	38,092,442	-	-	-	-	24,513,896	-	-	-
<b>Other Assets</b>										
Interest / mark-up accrued	-	-	-	-	-	-	-	9,960,442	-	-
Dividend Received	-	-	9,187,500	-	-	-	-	-	1,349,047	-
Receivable from staff retirement fund	38,622	2,106,480	-	1,697,850	-	512,277	1,980,186	-	19,468,680	-
Other receivable	38,622	2,106,480	9,187,500	1,697,850	-	512,277	1,980,186	9,960,442	20,817,727	-
<b>Borrowings</b>										
Opening balance	-	-	-	-	-	-	-	-	1,159,928,000	-
Borrowings during the year	-	-	-	5,808,571,459	-	-	-	-	16,645,644,066	-
Settled during the year	-	-	-	(5,808,571,459)	-	-	-	-	(17,805,572,066)	-
Closing balance	-	-	-	-	-	-	-	-	-	-
<b>Other Liabilities</b>										
Interest / mark-up payable	-	-	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	80,446	11,206,518	-	-	-	-	20,834,393	-
Other liabilities	-	-	80,446	54,154,792	-	-	-	112,522	-	-
	-	-	80,446	65,361,310	-	-	-	112,522	20,834,393	-

## Notes to the Financial Statements

For the year ended 31 December 2019

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
RELATED PARTY TRANSACTIONS (Rupees)								
<b>Income</b>								
Mark-up / return / interest earned	-	1,533,064	-	27,880,499	-	851,170	-	30,554,537
Fee and commission income	-	-	-	2,864,925	-	-	-	-
Net loss on sale of securities	-	-	-	-	-	-	-	(71,354)
Share of profit of associates	-	-	38,133,674	-	-	-	36,482,128	-
<b>Expense</b>								
Mark-up / return / interest paid	311,130	-	-	11,155,642	-	-	-	6,099,113
<b>Operating expenses</b>								
Charge for defined benefit plan	2,872,592	5,480,045	-	7,175,655	1,853,122	4,083,174	-	6,370,533
Contribution to defined contribution Plan	2,683,194	2,126,210	-	4,922,103	2,380,714	1,786,923	-	2,009,060
Salaries	41,702,695	35,777,978	-	-	37,691,026	29,501,187	-	-
Bonuses	8,640,353	13,087,377	-	-	8,922,737	9,783,316	-	-
Overseas allowances	-	-	-	-	5,977,653	-	-	-
Leave fair assistance & Encashment	6,609,842	3,597,736	-	-	3,756,092	3,178,112	-	-
Tax borne by employer	4,569,473	-	-	-	8,017,092	-	-	-
Others	15,255,374	-	-	-	21,074,340	11,900,393	-	2,074,674
Rent	34,069,314	16,640,464	-	2,731,376	-	-	-	20,374,200
CDC charges paid	-	-	-	-	-	-	830,586	-

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## CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS

	2019	2018
(Rupees)		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	9,696,637,540	9,116,400,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,482,895,000	13,546,919,000
Eligible Tier 2 Capital	14,482,895,000	13,546,919,000
Total Eligible Capital (Tier 1 + Tier 2)	13,020,072,000	11,158,217,000
Risk Weighted Assets (RWAs):	3,684,893,000	2,172,891,000
Credit Risk	2,953,667,000	2,186,352,000
Market Risk	19,660,632,000	15,517,460,000
Operational Risk		
Total	73.66%	87.30%
Common Equity Tier 1 Capital Adequacy ratio	73.66%	87.30%
Tier 1 Capital Adequacy Ratio	73.66%	87.30%
Total Capital Adequacy Ratio	73.66%	87.30%

# Notes to the Financial Statements

For the year ended 31 December 2019

- 38.1 The SBP through BSD Circular No.19 dated 05 September 2008, has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs. 6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 12.50% (inclusive of Capital Conservation Buffer - CCB of 2.50%) of its risk weighted assets.

The Basel III framework has been applied in accordance with BPRD Circular No. 6 dated 15 August 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

	2019	2018
	-----Rupees-----	
38.2 <b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	14,482,895,000	13,546,919,000
Total Exposures	47,690,469,000	21,552,090,000
Leverage Ratio	30.37%	62.86%
38.3 <b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	5,625,374,806	4,973,038,330
Total Net Cash Outflow	272,598,273	833,378,271
Liquidity Coverage Ratio	2064%	597%
38.4 <b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	21,869,975,434	15,824,253,281
Total Required Stable Funding	19,862,410,210	7,231,224,214
Net Stable Funding Ratio	110%	219%

- 38.5 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%. Further, the Company is relaxed from maintaining minimum Liquidity Coverage Ratio (LCR) being a Development Finance Institution (DFI).

The link to the full disclosure is available at <http://pakchinainvest.com/downloads/car-disclosure-19.pdf>

## 39 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.

# Notes to the Financial Statements

## For the year ended 31 December 2019

### a) Risk management philosophy and framework

The Company's activities expose it to a variety of financial risks and those activities involve the 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 analyse 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

#### 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")

The CMC is responsible for taking credit and investment related decisions within the authority levels established by the Board of Directors. The CMC is also responsible to monitor and review the Company's financing and investment activities within an approved threshold, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

# Notes to the Financial Statements

For the year ended 31 December 2019

## 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. The RRC regularly reviews the ALCO effectiveness regarding matters related to market and liquidity risks. 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.

## 39.1 Credit Risk

Credit risk is the risk emanating when a counter party of the Company does not fulfill 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 # 38.

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 Company's asset portfolio and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard alphabetic credit risk-grading system is being used by the Company which is based on the Company's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors. Performing clients are rated on a scale of AAA to C, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated D-1, D-2 and D-3, corresponding to the Substandard, Doubtful and Loss classifications as per State Bank of Pakistan's guidelines issued vide Prudential Regulations. The Company's internal credit grades have also been mapped to external agency ratings for better comparison.

### b) Credit approval

All credit and investment exposures to individual counterparties and groups of connected counterparties are reviewed and approved by the Company's Credit Management Committee ("CMC") within the authorities delegated by the Board of Directors.

### 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

# Notes to the Financial Statements

For the year ended 31 December 2019

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 transferred to Special Assets Management (SAM) Department. All non-performing accounts under litigation for recovery are monitored closely by the SAM Department of the Company directly reporting to the GH-Risk Management. 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.

39.1.1 As of 31 December 2019, there are no lendings to Financial institutions.



## Notes to the Financial Statements For the year ended 31 December 2019

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

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
<b>39.1.2 Investment in debt securities</b>						
<b>Credit risk by industry sector</b>						
Textile	161,200,757	161,200,757	161,200,757	161,200,757	161,200,757	161,200,757
Chemical and Pharmaceuticals	208,233,305	208,233,305	208,233,305	208,233,305	208,233,305	208,233,305
Power (electricity), Gas, Water, Sanitary	914,432,876	1,125,955,663	-	-	-	-
Transport, Storage and Communication	187,992,902	159,717,317	-	-	-	-
Financial	2,835,600,000	2,135,950,000	-	-	-	-
Others	200,000,000	200,000,000	-	-	-	-
	<b>4,507,459,840</b>	<b>3,991,057,042</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>
<b>Credit risk by public / private sector</b>						
Public/ Government	1,012,379,991	1,137,460,000	-	-	-	-
Private	3,495,079,849	2,853,597,042	369,434,062	369,434,062	369,434,062	369,434,062
	<b>4,507,459,840</b>	<b>3,991,057,042</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>	<b>369,434,062</b>
<b>39.1.3 Advances</b>						
<b>Credit risk by industry sector</b>						
Textile	-	61,999,617	-	-	-	-
Chemical and Pharmaceuticals	90,909,091	-	-	-	-	-
Cement	853,338,060	754,421,668	200,000,000	200,000,000	200,000,000	200,000,000
Sugar	567,031,250	552,500,000	67,031,250	112,500,000	67,031,250	112,500,000
Electronics and electrical appliances	387,499,999	1,162,500,000	-	-	-	-
Construction	500,000,000	400,000,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	2,172,249,003	2,166,474,310	454,946,514	232,000,000	54,617,988	19,042,852
Wholesale and retail trade	45,398,403	208,333,332	-	-	-	-
Transport, Storage and Communication	1,940,511,993	501,512,253	80,000,000	80,000,000	80,000,000	17,732,908
Financial	435,555,556	640,000,000	-	-	-	-
Services	1,100,000,000	-	-	-	-	-
Individuals	71,868,429	55,696,372	663,564	663,564	663,564	663,564
Others	1,863,333,524	1,660,055,476	190,000,000	190,000,000	190,000,000	47,500,000
	<b>10,027,695,308</b>	<b>8,163,493,028</b>	<b>992,641,328</b>	<b>815,163,564</b>	<b>592,312,802</b>	<b>397,439,324</b>
<b>Credit risk by public / private sector</b>						
Public/ Government	1,500,000,000	-	-	-	-	-
Private	8,527,695,308	8,163,493,028	992,641,328	815,163,564	592,312,802	397,439,324
	<b>10,027,695,308</b>	<b>8,163,493,028</b>	<b>992,641,328</b>	<b>815,163,564</b>	<b>592,312,802</b>	<b>397,439,324</b>
<b>39.1.4 Contingencies and Commitments</b>						
<b>Credit risk by industry sector</b>						
Chemical and Pharmaceuticals	-	-	409,090,909	-	-	-
Cement	-	-	18,884,163	-	-	-
Sugar	-	-	300,000,000	-	-	-
Construction	-	-	100,000,000	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	649,022,544	-	-	451,347,038
Financial	-	-	1,470,000,000	-	-	400,000,000
Others	-	-	400,000,000	-	-	21,970,022
	-	-	<b>3,346,997,616</b>	-	-	<b>873,317,060</b>
<b>Credit risk by public / private sector</b>						
Public/ Government	-	-	3,346,997,616	-	-	873,317,060
Private	-	-	3,346,997,616	-	-	873,317,060

## Notes to the Financial Statements

### For the year ended 31 December 2019

#### 39.1.5 Concentration of Advances

The company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 6.4 billion (2018: 4.2 billion) are as following:

	2019 (Rupees)	2018 (Rupees)
Funded	5,761,136,766	3,364,742,279
Non-Funded	649,022,544	816,765,000
Total Exposure	6,410,159,310	4,178,507,279

The sanctioned limits against these top 10 exposures aggregated to Rs 7.5 billion (2018: 4.6 billion)

#### Total funded classified therein

	2019 (Rupees)		2018 (Rupees)	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

#### 39.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2019 Utilization (Rupees)					2018 Utilization (Rupees)								
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Province/Region														
Punjab	1,057,013,646	1,057,013,646	-	-	-	-	-	-	-	-	-	-	-	-
Sindh	2,496,673,596	-	2,000,000,000	-	496,673,596	-	-	-	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Islamabad	1,100,000,000	-	-	-	-	1,100,000,000	-	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4,653,687,242	1,057,013,646	2,000,000,000	-	496,673,596	1,100,000,000	-	-	-	-	-	-	-	-
Province/Region														
Punjab	2,227,736,325	2,227,736,325	-	-	-	-	-	-	-	-	-	-	-	-
Sindh	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Islamabad	378,030,097	-	378,030,097	-	-	-	-	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,605,766,422	2,227,736,325	378,030,097	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Financial Statements

## For the year ended 31 December 2019

### 39.2 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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees) -----			
		Total		Total
Cash and balances with treasury banks	3,176,193,182	3,176,193,182	62,586,073	62,586,073
Balances with other banks	878,417,860	878,417,860	1,553,209,315	1,553,209,315
Investments	19,129,775,724	19,129,775,724	9,976,198,978	9,976,198,978
Advances	9,286,105,524	9,286,105,524	7,620,187,771	7,620,187,771
Fixed assets	276,895,029	276,895,029	187,345,540	187,345,540
Intangible assets	784,906	784,906	239,762	239,762
Deferred tax assets	52,515,699	52,515,699	36,897,187	36,897,187
Other assets	602,269,797	602,269,797	325,569,633	325,569,633
	33,402,957,721	33,402,957,721	19,762,234,259	19,762,234,259

### 39.2.1 Balance sheet split by trading and banking books

Cash and balances with treasury banks  
Balances with other banks  
Investments  
Advances  
Fixed assets  
Intangible assets  
Deferred tax assets  
Other assets

### 39.2.2 Foreign Exchange Risk

Foreign 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.

The impact of an 1% increase/decrease in the foreign exchange rates of the Company's net on-balance sheet items is Rs.20 million on the Company's income statement for the year ended 31 December 2019 (31 December 2018: Rs. 16 million). The analysis is based on the assumptions that all other factors will remain constant.

	2019				2018			
	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	2,030,495,421	-	649,022,540	2,679,517,961	1,496,765,155	-	431,328,542	1,928,093,697
Euro	-	-	58,150,677	58,150,677	-	-	-	-
	2,030,495,421	-	707,173,217	2,737,668,638	1,496,765,155	-	431,328,542	1,928,093,697
	----- (Rupees) -----				----- (Rupees) -----			
	Banking book		Trading book		Banking book		Trading book	
	----- (Rupees) -----				----- (Rupees) -----			
Impact of 1% change in foreign exchange rates on	14,416,517		-		10,627,032		-	
- Profit and loss account	-		-		-		-	
- Other comprehensive income	14,416,517		-		10,627,032		-	





# Notes to the Financial Statements

## For the year ended 31 December 2019

### 39.3 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.

#### 39.3.1 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.

### 39.4 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.



# Notes to the Financial Statements

For the year ended 31 December 2019

## 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 agreement with a 'AAA' rated Commercial Bank to meet its funding requirements.

## Notes to the Financial Statements

### For the year ended 31 December 2019

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

2019

	Total	2019														
		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		
<b>Assets</b>																
Treasury bank balances	3,176,193,182	10,049,267	-	-	-	2,000,000,000	-	-	-	-	-	1,166,143,915	-	-	-	-
Other banks balance	878,417,860	-	14,214,682	864,203,178	-	-	-	-	-	-	-	-	-	-	-	-
Investments	19,129,775,724	-	-	-	989,450,000	-	547,325,701	6,852,077,735	5,607,267,207	88,519,337	378,001,454	238,014,301	1,400,285,150	3,028,834,839	-	-
Advances	9,286,105,524	261,030,507	-	-	54,793,358	55,606,950	139,225,456	474,590,184	1,388,678,277	276,603,097	1,175,823,154	1,503,279,760	2,394,026,148	1,562,448,633	-	-
Fixed assets	27,689,029	-	-	-	3,009,368	3,009,368	3,009,368	9,028,104	13,528,104	9,028,104	35,042,384	33,660,648	19,018,970	148,560,611	-	-
Intangible assets	784,906	-	-	-	24,645	24,645	24,645	73,935	73,935	73,935	295,740	193,426	-	-	-	-
Deferred tax assets	52,515,699	-	-	-	52,515,699	-	-	-	-	-	-	-	-	-	-	-
Other assets	602,269,797	157,238,043	36,523,245	26,551,181	150,051,794	52,001,511	22,941,755	20,792,879	10,040,730	5,901,187	2,600,308	1,390,944	116,236,220	-	-	-
	33,402,957,721	428,317,817	50,737,927	890,754,359	1,249,844,864	2,110,642,474	712,526,925	7,356,562,837	7,019,588,253	1,546,269,575	1,591,763,040	1,776,539,079	3,929,566,488	4,739,844,083	-	-
<b>Liabilities</b>																
Borrowings	16,119,292,987	308,596,080	-	-	100,000,000	995,332,329	538,182,760	6,692,047,023	5,399,238,944	5,368,490	1,021,473,960	1,021,473,960	37,579,441	-	-	-
Other liabilities	651,652,801	653,443	12,730,993	12,201,476	2,374,265	40,099,392	18,500,001	163,803,682	143,528,676	52,003,517	142,766,885	62,990,471	-	-	-	-
	16,770,945,788	309,249,523	12,730,993	12,201,476	102,374,265	1,035,431,721	556,682,761	6,855,850,705	5,542,767,620	57,372,007	1,164,240,845	1,084,464,431	37,579,441	-	-	-
<b>Net assets</b>	<b>16,632,011,933</b>	<b>119,068,294</b>	<b>38,006,934</b>	<b>878,552,883</b>	<b>1,147,470,599</b>	<b>1,075,210,753</b>	<b>155,844,164</b>	<b>500,712,132</b>	<b>1,476,820,633</b>	<b>1,488,897,568</b>	<b>427,522,195</b>	<b>692,074,648</b>	<b>3,891,987,047</b>	<b>4,739,844,083</b>	<b>-</b>	<b>-</b>
Share capital	9,696,637,540	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance against issue of shares	9,881,237	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,384,606,471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	5,536,135,008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	4,751,677	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>16,632,011,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2018

	Total	2018														
		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		
<b>Assets</b>																
Treasury banks balance	62,586,073	30,880	62,555,193	-	-	-	-	-	-	-	-	-	-	-	-	-
Other banks balance	1,553,209,315	-	56,444,160	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	9,976,198,978	-	999,441,000	-	-	3,935,680,000	35,000	83,110,691	21,189,930	84,632,665	575,724,436	309,098,182	1,373,549,621	2,593,738,053	-	-
Advances	7,620,187,771	386,103,779	-	-	67,762,607	308,466,089	308,466,089	1,024,021,546	460,579,268	636,649,374	1,527,128,086	1,032,060,650	1,399,024,452	767,451,349	-	-
Fixed assets	187,345,540	-	-	-	10,940,571	853,810	853,810	2,561,430	7,061,430	2,561,430	6,556,752	6,524,580	9,632,393	149,886,095	-	-
Intangible assets	239,762	-	-	-	16,966	16,966	16,966	50,898	50,898	50,898	36,170	-	-	-	-	-
Deferred tax assets	36,897,187	-	36,897,187	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	325,569,633	130,644,848	1,985	12,576,095	68,345,302	24,652,358	21,715,606	37,946,921	8,626,964	3,362,439	17,697,115	-	-	-	-	-
	19,762,234,259	516,779,507	1,155,339,525	12,576,095	80,156,649	4,028,945,741	331,087,471	2,644,456,641	497,507,890	727,256,806	2,127,142,559	1,347,683,412	2,782,206,466	3,511,075,497	-	-
<b>Liabilities</b>																
Borrowings	4,180,682,821	-	2,813,207,540	-	1,044,000,000	-	5,368,490	5,368,490	5,368,490	5,368,490	21,473,960	96,473,960	167,947,920	16,105,481	-	-
Other liabilities	220,251,158	649,220	1,098,698	16,630,670	10,101,184	2,186,544	58,630	29,808,896	-	-	-	106,478,212	53,239,104	-	-	-
	4,400,933,979	649,220	2,814,306,238	16,630,670	10,541,011,184	2,186,544	54,271,120	35,177,386	5,368,490	5,368,490	21,473,960	202,952,172	221,187,024	16,105,481	-	-
<b>Net assets</b>	<b>15,361,300,280</b>	<b>516,130,287</b>	<b>(1,658,966,713)</b>	<b>(4,054,575)</b>	<b>(973,944,535)</b>	<b>4,026,779,197</b>	<b>325,660,351</b>	<b>2,609,279,255</b>	<b>492,139,400</b>	<b>721,888,316</b>	<b>2,105,668,599</b>	<b>1,144,731,240</b>	<b>2,561,019,442</b>	<b>3,494,970,016</b>	<b>-</b>	<b>-</b>
Share capital	9,116,400,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,232,830,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,929,029,132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	83,041,146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>15,361,300,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

### For the year ended 31 December 2019

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

	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Treasury banks balance	3,176,193,182	10,049,267	2,000,000,000	-	1,166,143,915	-	-	-	-	-
Other banks balance	878,417,860	878,417,860	-	-	-	-	-	-	-	-
Investments	19,129,775,724	989,450,000	547,325,701	6,852,077,735	5,695,786,544	378,001,454	238,014,301	1,400,285,150	3,028,834,839	-
Advances	9,286,105,524	315,823,865	194,832,406	474,590,184	1,665,281,374	1,117,582,315	1,503,279,760	2,394,026,148	1,562,448,633	-
Fixed assets	276,895,029	3,009,368	6,018,736	9,028,104	22,556,208	35,042,384	33,660,648	19,018,970	148,560,611	-
Intangible assets	784,906	24,645	49,290	73,935	147,870	295,740	193,426	-	-	-
Deferred tax assets	52,515,699	52,515,699	-	-	-	-	-	-	-	-
Other assets	602,269,797	370,364,263	74,943,266	20,792,879	15,941,917	2,600,308	1,390,944	116,236,220	-	-
	33,402,957,721	2,619,654,967	2,823,169,399	7,356,562,837	8,565,857,828	1,591,763,040	1,776,539,079	39,29,566,488	4,739,844,083	-
<b>Liabilities</b>										
Borrowings	16,119,292,987	408,596,080	1,533,515,089	6,692,047,023	5,404,607,434	1,021,473,960	1,021,473,960	37,579,441	-	-
Other liabilities	651,652,801	27,960,177	58,599,393	163,803,682	195,532,193	142,766,885	62,990,471	-	-	-
	16,770,945,788	436,556,257	1,592,114,482	6,855,850,705	5,600,139,627	1,164,240,845	1,084,464,431	37,579,441	-	-
<b>Net assets</b>	16,632,011,933	2,183,098,710	1,231,054,917	500,712,132	2,965,718,201	427,522,195	692,074,648	3,891,987,047	4,739,844,083	-
Share capital	9,696,637,540									
Reserves	1,384,606,471									
Unappropriated profit	5,536,135,008									
Surplus on revaluation	4,751,677									
	16,622,130,696									
<b>Assets</b>										
Treasury banks balance	62,586,073	62,586,073	-	-	-	-	-	-	-	-
Other banks balance	1,553,209,315	56,444,160	-	-	-	-	-	-	-	-
Investments	9,976,198,978	999,441,000	3,935,715,000	83,110,691	105,821,995	575,724,436	309,098,182	1,373,549,621	1,136,602,183	1,457,135,870
Advances	7,620,187,771	397,044,350	376,228,696	1,024,021,546	1,097,228,643	1,527,128,086	1,032,060,650	1,399,024,451	723,795,488	43,655,861
Fixed assets	187,345,540	853,810	1,707,620	2,561,430	9,622,860	6,556,752	6,524,580	9,632,393	7,990,259	141,895,836
Intangible assets	239,762	16,966	33,932	50,898	101,796	36,170	-	-	-	-
Deferred tax assets	36,897,187	-	36,897,187	-	-	-	-	-	-	-
Other assets	325,569,633	211,568,227	46,367,964	37,946,921	11,989,403	17,697,118	-	-	-	-
	19,762,234,259	1,727,954,586	4,396,950,399	1,147,691,486	1,224,764,697	2,127,142,562	2,844,448,567	2,782,206,465	1,868,387,930	1,642,687,567
<b>Liabilities</b>										
Borrowings	4,180,682,281	3,857,207,540	5,368,490	5,368,490	10,736,980	21,473,960	96,473,960	167,947,920	16,105,481	-
Other liabilities	220,251,158	28,380,604	2,045,174	30,108,064	-	-	106,478,212	53,239,104	-	-
	4,400,933,439	3,885,588,144	7,413,664	35,476,554	10,736,980	21,473,960	202,952,172	221,187,024	16,105,481	-
<b>Net assets</b>	15,361,300,820	(2,157,633,558)	4,389,536,735	1,112,214,932	1,214,027,717	2,105,668,602	2,641,496,395	2,561,019,441	1,852,282,449	1,642,687,567
Share capital	9,116,400,000									
Reserves	1,232,830,002									
Unappropriated profit	4,929,029,132									
Surplus on revaluation	83,041,146									
	15,361,300,280									

# Notes to the Financial Statements

For the year ended 31 December 2019

## 40 GENERAL

### 40.1 Events after the reporting date

Subsequent to the year end, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and locking down cities and regions. The events and conditions are resulting in disruption to business operations particularly to businesses in highly exposed sectors and significant increase in economic uncertainty. The capital markets across the globe are hit hard by these events and economic forecasts suggest recession of the global economy. The Pakistan Stock Exchange 100 index went down by more than 30% subsequent to the year-end. As a consequence, the market values of the Company's investments including those in its associates, will be impacted in the subsequent period. Further, the recoverability of loans and advances could be affected amidst businesses facing liquidity crises. The Company; however, believes that these events would not fundamentally impact the operations of the Company next year and the Company has sufficient liquidity to meet its obligations and to sustain its operations. The quantification of potential financial impact cannot be ascertained at this stage as the situation is still developing and changing rapidly and the Government of Pakistan is considering to introduce relief measures for businesses to minimize the impact of economic recession.

The financial statements for the year 31 December 2019 do not include the effects of the COVID-19 and any impacts will be accounted for in the financial statements for the subsequent periods.

40.2 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.

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

40.4 The VIS Credit Rating Company Limited has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

## 41 RECLASSIFICATION OF COMPARATIVE FIGURES

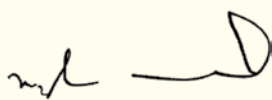
There have been no reclassifications in these financial statements.

## 42 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 03 April 2020.



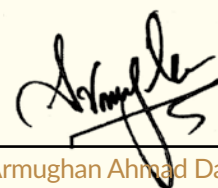
Wang Baojun  
Managing Director



Noor Ahmed  
Director



Wang Li  
Director



Armughan Ahmad Daud  
Chief Financial Officer



50%

30%

20%

2022 2023 2024 2025 2026 2027 2028

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