



Chairman's review

I am pleased to present the annual financial statements of Pak-Libya Holding Company (Private) Limited for the year ended 31 December 2020.

The year 2020 was a challenging year globally; no one remained unaffected due to novel corona virus (COVID-19) and related measures to contain the pandemic. The lockdown measure hurt economies around the globe severely, triggering an unsettling fear of global recession. In Pakistan, overall economic scenario initially remained subdued due to high interest rates and insecure capital market investors; macro-level indicators of the economy and changing global landscape proved tough for the business environment.

However, I must say, the Pakistan's government and State Bank have come up with an effective strategy and took unprecedented steps to dampen the impact of COVID-19 and has unveiled rescue and stimulus package with a good balance between providing direct assistance to the vulnerable and protecting industry and businesses.

In these uncertain times, the shareholders remained committed to support the Company and injected additional equity to resolve long outstanding matter of statutory capital requirements. The management of the Company, carefully re-adjusted its position and aligned with the economic and market situations. Resultantly, the year proved good for the Company as it managed to demonstrate the effectiveness of its revised business strategy which navigated turnaround performance in every aspect of operations. Therefore, the Company generated profit after tax of PKR 304.13 million after two consecutive loss making years.

The Company has been regularly revisiting its business processes and continuously evolving regulatory environment and adopting necessary changes in a cost effective manner to ensure compliance with statutory requirements together with attainment of its objectives especially long-term sustainable growth. It has, however, been important for the Board to consider the position of the Company in the markets in which it operates and to ensure that outcome of potential future challenges would be materialised in the manner in which the Board wants them to be transpired. Hence, the Board will keep its work and performance under regular review and will revisit the governance principles to ensure best practices.

I firmly believe that the Company, management and staff will face all challenges with positivity to achieve Company's ultimate objective of *creating long-term value for our clients, shareholders, employees and other stakeholders.*

I have no doubt that given the continuous dedication and team spirit of our employees as well as the continuous support of our shareholders, Pak Libya shall prosper in the years ahead.

Acknowledgements

I would like to express my sincere gratitude to all the stakeholders for the confidence they continue to repose in the Company. I also want to express my sincere appreciation to the shareholders; LAFICO, MoF and SBP, for their continued support.

Chairman
2 April 2021



Directors' Report

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Pak Libya Holding Company (Private) Limited ("Pak-Libya") along with annual audited financial statements and the auditor's report thereon for the year ended 31 December 2020.

Economic Overview

The history will remember year 2020 due to the events that took place during the year around the globe and their repercussions. The year started with international conflicts and existence of novel corona virus (COVID-19). The virus spread was rapid globally; and it did not take much time to affect our Country as by the end of March 2020, Federal and Provincial governments of Pakistan began imposing lockdowns to safeguard precious human lives, lessen the burden on healthcare system vis-à-vis livelihood of people linked with the economic activities. The lockdowns had negative effects on various sectors of the economy which slowed down overall economic activities. This and other factors like high interest rate and low local demand, caused GDP to post a negative growth of 0.38% for the first time in 68 years. Unemployment rates soared and economy suffered an estimated loss of PKR 3 trillion.

In order to mitigate the crippling effects of pandemic, Government of Pakistan (GoP) came up with a series of measures to support the economy and the hardest hit segments of the population. Broad based economic support programmes, incentives package to construction industry, import of essential food items to check food based inflation and to regulate supply in the local market were undertaken. State Bank of Pakistan (SBP) also chipped in with monetary and fiscal measures and aggressively slashed the discount rate by 625 bps in 3 months to stimulate growth. In order to achieve the objective SBP also launched schemes like Temporary Economic Refinance Facility (TERF), Salaries & Wages Scheme to avoid layoff of workforce and principal deferment & restructuring scheme. Moreover, SBP managed the rupee dollar parity well by encouraging exporters with relaxing conditions in Export Refinance Scheme (EFS) and Long Term Finance Facility (LTFF).

On the positive side due to demand contraction coupled with lower international oil prices, growth in exports and remittances have also played a positive part resultantly current account cumulatively, in the first six months of FY21, remained in surplus at \$1.1 billion compared to a deficit of over \$2 billion during 6MFY20. Pakistan's adequate foreign exchange reserves close to three months import requirement as required by IMF along with debt repayment relief by other international financial institutions have also helped ease pressure on Pak rupee.

The year, overall, was much better for Pakistan Stock Exchange (PSX) with KSE 100 index closing the year at 43,755 points its highest yearend closing index in past four years. The index hit its low in April 2020 at 27,229 points at the peak of pandemic induced lockdown and uncertainties. Gradually with monetary easing and proactive steps of GoP and SBP, the market responded favourably and rallied on expectation of positive corporate earnings and low interest rate scenario.

Corporate Performance

In FY2020, the management after revisiting its business model, asset mix, available resources and capacity building measures, implemented a revised business strategy which was approved by the Board in August 2019. Despite witnessing a challenging year considering volatility in capital market, impact of continuous increase and then sharp decline in interest rates on money market and potential threats to economy due to COVID-19 pandemic, the Company managed to demonstrate the effectiveness of its revised business strategy as the Company after two consecutive loss making years was able to generate profits.

The margins which had shrunk now have improved significantly together with growth in credit and investment portfolios. Gross mark-up income during the year was PKR 3.209 billion compared to PKR 1.929 billion in last year. Resultantly, the Company generated profit before tax of PKR 459.97 million as compared to loss before tax of PKR 276.83 million.

The quality asset mix remained dominant with investments in debt securities due to interest rate scenario and inconsistent performance of the bourse as market remained extremely volatile owing to the economic scenario of the Country due to pandemic and political developments.

During the year, the Company also supported the efforts of GoP/SBP and extended support to customers under various relief schemes amounting to PKR 1,220 million. Management while continuing with cautious stance in building and maintaining high quality advances portfolio, equally appreciates the need to supplement the core business income by capitalising other business opportunities in Capital and Money markets.

Existing and evolving regulatory requirements governing capital, leverage, and liquidity, together with the steps we have taken/need to take to adapt to them, have been critical for the Company in terms of its long-term sustainable growth and to create a safer and more resilient financial system overall.

Each of our business segments contributed to support the management's business strategy despite challenging business environment vis-à-vis operational limitation and pandemic.

A Persistent Effort

Pak-Libya has shown promising results with sustainable revenue stream and a strong Net Interest Income (NII) growth which at one time was really dismal or even negative. This was achieved mainly due to afresh focus on prudent investment and lending principles with collective wisdom; workable business model and aggressive recovery strategy with enhanced decision making processes, serious focus on cost controls, capacity building via emphasis on human capital development and overall positive strategic direction.

The asset base of the Company has increased by 27% reflecting growth in Lending to FIs, Debt Investment and Credit portfolios compared to FY2019. On the assets side, management aims to double the total asset in 5 years having focus on sustainable growth in Loans & Advances being the main driver of growth.

The borrowings have also increased by 30%, with noticeable increase in deposits which increased by 160% in line with strategy. The continued focus is to have stable funding resources including individual deposit mobilisation activity. The objective is to reduce the reliance on repo borrowing and have a leverage ratio ranging between six to ten times.

During the year, the Company has increased its paid up capital against the equity received in tranches from shareholders. Consequently, the paid up capital of the Company has increased from PKR 6.141 billion to PKR 7.871 billion. Furthermore, the Company has also received the remaining final tranche of PKR 135 million from GoP after the yearend while Libyan shareholder had already injected the entire equity. Consequently, the Company has issued remaining shares amounting to PKR 270 million. Upon issuance of remaining shares the paid up capital of the Company has increased to PKR 8.141 billion. The Company's capital free of loss after considering issuance of remaining shares stood at PKR 6.007 billion.

These equity tranches together with successful implementation of revised business strategy, the Company has shown tremendous improvement in its performance and has generated profit before tax of PKR 459.97 million as compared to loss before tax of PKR (276.83) million and PKR (260.64) million in last two consecutive years i.e. FY2019 and FY2018.

Highlights on our business units' performance during the year 2020 is presented hereunder:

Corporate & Investment Banking (CIB)

Considering the core activity of the Company, significant efforts are being made to increase the credit portfolio. The credit portfolio (net of recoveries and provisions) of the CIB has increased from PKR 5.312 billion last year to PKR 6.515 billion. Moreover, the team managed to maintain its debt investment portfolio. However, despite economic disruption due to pandemic, CIB overall portfolio has increased by PKR 884.44 million in relation to relief scheme and measures taken to dampen the impact of COVID-19. The overall performing portfolio yielding a return of 11.05%.

SME & Retail Banking (SME-RB)

The management, considering the potential in SME, has keen interest to penetrate in the sector in terms of diversification and for enhanced earning spread. To supplement the overall credit portfolio, the SME-RB identified specific sub-sectors in SME area and offered various products. During the year, the department was involved in auto and lease financing, business loans against mortgage property and relief schemes introduced by SBP. Considering the pandemic and its impact on economy specially on this segment together with interest rate scenario, management was mindful of potential infection and was selective in taking exposure. The performing portfolio yielding a return of 16.13%.

The management exercised extra caution in selecting clients, for CIB and SME-RB, through stringent risk assessment and pressed hard on rigorous post disbursement monitoring.

Treasury & Fund Management (TFM)

Our TFM department recovered from setback due to holding negative yielding PIB portfolio in prior year. Afterward, TFM carefully selected instruments and managed to build a portfolio yielding positive spread and contributed significantly in current year's profitability of the Company. Moreover, in addition to mobilising resources at competitive rates for business units TFM continued to supplement our core business income through secondary market investments and selected investments in debt instruments. During the year, TFM earned net interest income of PKR 543.39 million and realised capital gain of PKR 425.86 million on its investment portfolios.

Securities Portfolio Management (SPM)

Economic and political uncertainty, at domestic and international levels, showing no signs of stable capital market; low trading volumes and current weighted average cost of equity securities portfolio had already impacted the profitability due to impairment and fewer opportunities for capital gains.

During the year, SPM maintained its dividend income of the equity securities portfolio. The management has been continuously reviewing its equity AFS portfolio and making efforts to make the portfolio diversified and dynamic. The impairment charged during the year was of PKR 66.13 million out of which PKR 59.53 million has reversed due to disposal of related shares.

Our SPM department on the basis of our overall risk appetite and resources available posted returns of around 5.85% despite restricted prudential limits due to minimum capital requirement (MCR) shortfall.

Back Offices Support (Risk Control Functions)

During pandemic with severe mobility restrictions, Risk Control Functions have performed their role brilliantly and ensured smooth operations of the Company with limited resources and lean staff structure. The cross functional teams provided end-to-end support to conclude the activities. The challenge was unique therefore non-traditional solutions were devised specially work from home experience was completely new, and successful, to cater the once in a life time scenario. The coordinated efforts achieved business objectives while mitigated operational risks, continuity of business activities under an efficient business continuity plan.

A brief summary of the financial results and financial position is as follows:

	2020	2019
	PKR in thousands	
Year-end balances:		
Total assets	37,010,459	29,097,857
Total liabilities	31,047,398	23,844,340
Net assets	5,963,061	5,253,517
 <i>Shareholders' equity (net):</i>		
Share capital	7,871,780	6,141,780
Reserves	372,477	311,650
(Deficit)/Surplus on revaluation of assets – net of tax	(281,624)	(36,336)
Accumulated loss	(2,134,572)	(2,363,577)
Advance against shares subscription	135,000	1,200,000
Total	5,963,061	5,253,517
 For the year:		
Profit/(Loss) before taxation	459,970	(276,827)
Profit/(Loss) after taxation	304,135	(303,713)
Earnings/(Loss) per share – PKR	443.23	(494.50)

The Company had transferred an amount equal to 20% of profit after taxation to statutory reserves as per the applicable legal requirements.

After addressing the challenge of keeping Company's operations afloat and fulfilment of MCR, the main focus was to somehow make use of KEL project work either by deploying those assets into economic use or exit via an outright sale. The management of the Company after critically evaluating its options finalised the terms of restructuring deal for the disposal of KEL assets (non-banking assets) with a specialised engineering firm.

In March 2020, Pak-Libya signed the term sheet with its business partner and after finalising legal documentation both the parties signed relevant agreements on 30th June 2020. Under the arrangement, both business partners agreed to enter into a business venture whereby the assets of KEL would be used for setting up of captive power plants to be used for industrial units through power purchase agreements on 'Build Own Operate' or 'Build Own Operate Transfer' basis against total consideration of PKR 1.2 billion (and dividend) which will be paid from the power plant cash flows. In this regard, Pak-Libya has disposed of its major shareholding in its wholly owned subsidiary Kamoke Powergen (Pvt) Limited (KPL) and transferred 80% of its shares together with management control of KPL to its business partner. The relevant formalities in terms of change of management has been completed in December 2020.

Consequently, the KEL transaction has been prudently identified, professionally structured and amicably closed. It is extremely important to point out the fact that deploying these unutilized assets into economic use is certainly a win-win scenario for the country, its economy and the companies involved though it's just a small contribution in the system.

In view of the minimum capital requirement (MCR) shortfall faced by the Company, at yearend, no amount could be considered for distribution of dividends (bonus or cash) to the shareholders. We are, however, confident that once the MCR requirement is completed, the Company will earn sufficient profits to enable dividend distributions to its shareholders.

The Pakistan Credit Rating Agency (PACRA) maintained its credit ratings from the previous year for Pak Libya in the year 2020. however, as a result of persistent efforts and commitment to focus on core issues, the future outlook of the Company has upgraded from 'Negative' to 'Stable' as follows:

Short term A1+

Long term AA-

These ratings denote a low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement. Further, changes in the accounting policies are duly disclosed in the financial statements.
- International Financial Reporting Standards, as applicable in Pakistan for DFIs, have been followed in the preparation of financial statements.
- There are no doubts regarding the Company's ability to continue as a going concern.
- Tax contingencies have been disclosed in the financial statements.
- There has been no material departure from the best practices of corporate governance.
- The system of internal controls including internal controls over financial reporting is sound in design and has been effectively implemented and monitored.
- Summary of key operational and financial data for the last six years is enclosed.

Corporate Social Responsibility

The Company has always remained active in fulfilling its social responsibility and will continue its efforts on this front in future as well. However, currently, we were unable to support certain notable, reputed charitable institution due to shortage of minimum capital requirement and related SBP prudential regulations.

Green Banking Initiative

The Company has adopted a Green Banking policy wherein Pak-Libya aims to obtain relevant documents, for loaning to new projects, that have been specified in the Environment Protection Act whilst for existing loans, management will evaluate adherence to the Environment Quality Standards established by the environment agencies. In an event, where the borrower is not compliant to any of the set standards, the Company will encourage and assist them in coming up with better environment protection measures.

The management has nominated a Green Banking Officer and is in the process of establishing a Green Banking Office to collect and consolidate data/information on green banking activities and initiatives for its onward reporting to the senior management/Board and SBP, as and when such data/information is sought.

Consumer Grievances Handling Mechanism

The Company is committed to providing its customers quality services and highest level of satisfaction therefore has adopted a formal policy and established process to deal with consumer grievances. The management through complaint handling mechanism, ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible.

All complaints get handled through Centralised Complaint Management System under the supervision of Head of HRA and SVP (RMRC).

Board Composition

During the year, no vacancy existed on the Board.

Performance Evaluation of the Board

The Company engages Pakistan Institute of Corporate Governance (PICG), a specialised institute, for the performance evaluation of the Board members. The external evaluator gives an independent view and perspective about overall performance of Board. The Chairman of the Board communicates the results internally to all board members.

Risk Management Framework

The Risk Management Structure of the Company is overseen by the Board's Risk Management Committee (BRMC) which has further entrusted the task to the Management's Risk Management Committee (MRMC) to carry out the assessment and supervision/monitoring of all types of risks. The Company is exposed to and work on a strategy and action plan to mitigate the risks on the basis of Company's overall risk appetite.

The Credit Policy and Credit Manuals for the Company are updated and modified based on changing risk and regulatory environment and are being implemented for a better and comprehensive evaluation, on a continuous basis, of credit exposure that each client brings in. The Obligor Risk Rating model and Facility Risk Rating model emphasising upon internal ratings model covering objective aspects are used for respective evaluation of risks. Consequently, the risk appetite has been further elaborated to include specific limits. Furthermore, the monitoring and reporting mechanism has also been strengthened with an aim to improve the overall credit risk management process.

We believe that a sound and effective Operational Risk Function is critical for uninterrupted workflow of operations round the year. Thus, staying watchful of any contingency that may arise and to ensure continuity of our business operations a BCP site is being maintained. Moreover, an operational risk database is being regularly maintained to comply with the regulatory requirement as well as to keep a regular check on the incidents that need to be addressed on a prompt basis and also to evaluate the effective functioning of the operational risk mechanism.

We also have in place a Company-wide documented business continuity plan at each business unit with a view to manage risk emanating from operational activities. During the year, we continued to strengthen our Internal Controls and hence brought about various improvements in our integrated IT system keeping in view the best practices and to cater our reporting requirements. Furthermore, our Compliance, Risk Management and overall Internal Control structure remained robust and the implementation of SBP guidelines and framework on Internal Control over Financial Reporting (ICFR) remained steadfast.

The market risk function continues to monitor market related risks. Stress Testing analyses are used to assess impact of key potential risks on existing exposures. The market risk policy with elaborated interest rate risk is in place. Also, the guidelines on monitoring and reporting of interest rate risks have been enhanced in the overall market risk management framework.

The Company has also a Liquidity Risk Management Policy, in addition to the Liquidity Management Policy, in place. The Liquidity Risk Management Manual included detailed and comprehensive processes to manage various liquidity aspects and Contingency Funding Plan.

The Company continues to maintain its CAR well above prescribed regulatory thresholds throughout the year based on applicable Basel II and Basel III requirements. Internal Capital Adequacy Assessment Process (ICAAP) framework has been reviewed in view of the guidelines issued by SBP and implemented to make the process more robust and effective. Moreover, efforts are underway to comply with regulatory Minimum Capital Requirement (MCR) of PKR 6 billion. The MoF and LAFICO (both the shareholders) have injected additional equity to increase the loss absorption

capacity, smooth operations and long-term sustainable growth of the Company. In this regard, the authorised capital of the Company has increased to PKR 10 billion.

Growth in the Company's portfolio is being managed effectively to avoid risk concentration through established limits in every important/relevant area. Amendments in the limits had/have been duly made in line with revision in the Prudential Regulations, if any. The Company aims at business growth by assuming direct exposure or through risk participation. Risk Management function proactively contributes for taking exposure within the defined risk parameters.

The Company continued to strengthen compliance program during the year with appropriate KYC/AML controls in place and ensuring regulatory compliance and awareness through the forum of Compliance Committee of the Management. All policies, procedures and products are reviewed from compliance perspective along with maintaining relationship with regulatory authorities.

The Company's overall Risk Management Framework is robust. The Company continues to put in efforts to further improve and strengthen the risk management and internal control framework of the Company.

Statement on Internal Controls

A sound system of internal controls is in place to achieve organisational objectives and continuous improvement is made therein in light of the changing requirements of the business and operating environment. Management has evaluated the internal controls, including internal controls over financial reporting as effective and the Board endorses the same evaluation. The State Bank of Pakistan, in view of the strengthened control environment has granted exemption to the Company from annual submission of external auditor's long form report on internal control over financial reporting (ICFR).

Comments of Auditors in their Audit Report

The external auditors have expressed a qualified opinion on the investment in Summit Banks' (counter party) TFC's amounting to PKR 398.58 million, as referred in note 8.2.6 to the accompanying financial statements as they were unable to obtain sufficient appropriate audit evidence to determine the recoverability of these TFCs.

Furthermore, they have added following emphasis of matter paragraphs in their audit report. They have drawn attention to:

- a) Refer note 1.2 to the accompanying financial statements regarding Company's plan and actions to meet its minimum capital requirement.
- b) Refer note 13 & 42.2 to the accompanying financial statements relating to the company's plan and actions for disposal of asset relating to Kamoki Energy Limited (KEL).

The opinion of auditors is not qualified in respect of the above matters.

Comments of Auditors in their Review Report on Best Practices of Corporate Governance

Auditors have not highlighted any material non-compliance in their review report on Company's Statement of Best Practices of Corporate Governance.

Statement of Investment of Provident and Gratuity Funds

The values of investments (excluding cash at bank) of provident fund and gratuity fund as at 31 December 2019 were PKR 101.18 million and PKR 132.50 million respectively based on the audited accounts of these funds.

Details of Board Meetings and Board Sub-committee meetings attendances and their memberships

During the year, five meetings of the Board of Directors were held and attended by directors as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	5	4
Dr. Muhammad Tahir Noor	Director	5	5
Mr. Abrar Ahmed Mirza	Director	5	5
Mr. Abdulfatah Ashour Ali Ejayed	Director	5	5
Mr. Khurram Hussain	Managing Director	5	5
Mr. Khaled Joma Ezarzor	Deputy Managing Director	5	5

Details of Audit Committee Meetings

During the year, four meetings of the audit committee were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Dr. Muhammad Tahir Noor	Chairman	4	4
Mr. Abrar Ahmed Mirza	Member	4	4
Mr. Abdulfatah Ashour Ali Ejayed	Member	4	4

Details of Risk Management Committee Meetings

During the year, two meetings of the risk management committee were held and attended by member(s) as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Abrar Ahmed Mirza	Chairman	2	2
Mr. Abdulfatah Ashour Ali Ejayed	Member	2	2
Mr. Khaled Joma Ezarzor	Member	2	2

Details of Human Resource Management Committee Meetings

During the year, one meeting of the human resource and remuneration committee was held.

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	1	-
Dr. Muhammad Tahir Noor	Member	1	1
Mr. Abdulfatah Ashour Ali Ejayed	Member (Acted as Chairman)	1	1

Details of Credit/Investment Committee Meeting of the Board

During the year, no credit/investment committee meeting was held.

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	-	-
Mr. Abrar Ahmed Mirza	Member	-	-
Mr. Khurram Hussain	Member	-	-

Auditors

The present auditors, M/s Grant Thornton Anjum Rahman, Chartered Accountants (A member firm of Grant Thornton International Ltd) retire and being eligible, have offered themselves for re-appointment. The Audit Committee has recommended re-appointment of auditors for the year ending 31 December 2021 which has been endorsed by the Board of Directors.

Pattern of Shareholding

Shareholders	Shareholding (%)
Government of Pakistan through Ministry of Finance/State Bank of Pakistan	50
Government/State of Libya through Libyan Foreign Investment Company (LAFICO)	50
Total	100

Company Outlook

The economic disruption resulting from the ongoing pandemic caused great uncertainties for businesses around the Country. Despite such uncertainties, the Company has shown great resilience by achieving its certain strategic objectives.

After the resolution of long outstanding critical issues of MCR and disposal of KEL assets, we hold a firm stance towards our future business strategy and outlook. Establishing a continuous income stream through economic use of Power Plant (non-banking assets) and related disposal, deposit mobilisation as stable funding source and determination to increase the advances portfolio, being the core activity, we understand and believe that the Company will be able to achieve its target of sustainable profitability and long term growth.

In terms of recoverability of investment in TFCs amounting to PKR 398.58 million, the management has evaluated overall situation vis-à-vis issuer Bank's intention and ability to pay; accordingly, concluded that both the elements exist as it acknowledges the debt and there are no restrictions on its operations while the payment is delayed due to its minimum capital requirements. In this regard, SBP has given its final approval for the period till 27 October 2020 however the issuer Bank has requested a separate in-principal approval (similar to prior year) for the period covering till 27 October 2021. Therefore, management has not provided any impairment on the said TFCs on subjective basis due to the recent developments & negotiations, and has been following up for the amicable resolution of the matter and complete recovery.

Moreover, new long-term credit lines are being negotiated to fill in the liquidity gaps and to ensure contingency funding planning. Therefore, the Company has revisited its business model, asset mix and available resources, and has taken various measures to tighten the controls over operating cost to ensure favourable impact on profitability and compliance with statutory requirements together with attainment of long-term sustainable growth.

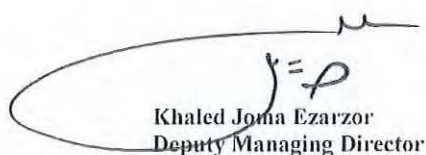
The management is focusing on all possible avenues for profitable operations of the Company including recovery efforts for troubled and non-performing assets which are a source of potential earnings.

In view of the efforts being made by the management we are optimistic about our Company's future growth, profitability and sustainability.

Acknowledgements

On behalf of the Board and the Management, we would like to express our sincere gratitude to the customers and all stakeholders of Pak-Libya for their confidence that they continue to repose in the Company. We would also like to express our appreciation to the shareholders; LAFICO and SBP, including MoF, for their continued support and guidance and to the employees of the Company for their steadfast trust and loyalty.

On behalf of the Board of Directors



Khaled Joma Ezarzor
Deputy Managing Director

2 April 2021



Khurram Hussain
Managing Director & CEO

Summary of key operational and financial data for last six years

(PKR in millions)

	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Gross Approvals*	4,401	2,357	2,313	2,427	1,613	782
Disbursements	2,500	1,767	2,540	1,799	986	479
Investments - net	5,907	7,188	2,132	-	2,891	3,539
Recoveries - Principal	1,031	1,598	2,151	1,001	1,190	1,218
Redemption - Investments	698	672	259	225	540	138
Gross Income	3,713	1,954	1,507	1,335	1,298	1,830
Net interest income	713	77	260	265	313	360
Net profit/(loss) before tax	460	(277)	(261)	84	1,032	472
Taxation - net	156	27	62	36	241	167
Net profit/(loss) after tax	304	(304)	(323)	48	791	305
Shareholders' Equity - net	5,963	5,254	4,168	4,555	4,761	3,895
Total assets	37,010	29,089	20,428	19,163	18,895	15,274
Staff strength (number)**	104	103	106	111	106	105

* Include rollover

** Including outsourced staff

Note: Figures of respective years include impacts of restatements (as applicable)

ناظمین کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2020 کو اختتام پذیر سال پر ہم پاک لیبیا ہولڈنگ کمپنی (پرائیویٹ) لمیٹڈ ("پاک لیبیا") کی ڈائریکٹرز رپورٹ بمع محاسب شدہ (audited) سالانہ مالیاتی گوشوارے اور محاسبین (auditor's) کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معاشی جائزہ

سال 2020 کو تاریخ ، اس سال کے دوران ، عالمی طور پر ہونے والے واقعات اور ان کے سبب ہونے والے غیر متوقع نتائج کی وجہ سے یاد رکھے گی۔ سال کا آغاز بین الاقوامی تنازعات اور انوکھے کووڈ (COVID-19) وبا کی موجودگی سے ہوا۔ وبا کا پھیلاؤ عالمی طور پر انتہائی تیز رفتار اور اس نے ہمارے ملک میں پہنچنے میں زیادہ وقت نہیں لیا، جس کے لیے مارچ 2020 کے اختتام تک ، پاکستان کی وفاقی اور صوبائی حکومتوں نے قیمتی جانوں کے تحفظ کے لیے بندشیں (lockdowns) لگانا شروع کیں تاکہ علاج معالجوں کے نظام پر بوجھ کو کم کیا جا سکے اس کے مقابلے میں عوام الناس کے روزگار کا براہ راست تعلق معاشی سرگرمیوں کی بحالی سے ہے۔ بندشوں (lockdowns) کے نتیجے میں معیشت کے متعدد شعبہ جات پر منفی اثرات پڑے جس کی وجہ سے مجموعی معاشی سرگرمیاں سست روی کا شکار ہوئیں۔ اس عنصر کے ساتھ دیگر عناصر جیسا کہ بلند سودی نرخ کے ساتھ مقامی طلب میں کمی کے سبب مجموعی قومی پیداوار (GDP) نے 68 سالوں میں پہلی مرتبہ 0.38 فیصد منفی نمو کا اندراج کیا ہے۔ بے روزگاری کی شرح میں تیزی سے اضافہ ہوا اور قومی معیشت نے ایک تخمینے کے مطابق 3 کھرب روپے کا نقصان اٹھایا۔

عالمی وبا کے بے بس کر دینے والے اثرات کو کم کرنے کے لیے، حکومت پاکستان نے معیشت کی بحالی اور وباء سے زیادہ متاثرہ معاشی طبقات کی مدد کے لیے مرحلہ وار اقدامات کیے۔ معیشت کی معاونت کے لیے وسیع بنیادوں پر پروگرامز، تعمیراتی صنعت کے لیے رعایتی پیکج، بنیادی غذائی اشیاء کی درآمد کرنا تاکہ غذائی افراط زر کو قابو کیا جائے اور مقامی منڈی میں غذائی اشیاء کی باقاعدہ فراہمی جیسے اقدامات کیے۔ بینک دولت پاکستان (SBP) نے بھی معاشی نمو کی ترغیب کے لیے مالیاتی اور اقتصادی اقدامات لیے اور جارحانہ طور پر ، تین ماہ میں ، ڈسکاونٹ ریٹ میں 625 بیس پوائنٹس کی کمی کی۔ مقاصد حاصل کرنے کے لیے عارضی نو مالکاری (TERF)، ملازمین کی بے روزگار ہونے سے بچاؤ کے لیے تنخواہ اور اجرت کی اسکیم، اور اصل قرضہ کی ادائیگی میں اور تنظیم نو (restructuring) اسکیم کا اجراء کیا۔ علاوہ ازیں، بینک دولت پاکستان (SBP) نے ، برآمد کنندگان کی برآمدات کی نرم شرائط پر دوبارہ قرضہ کی اسکیم (EFS) اور طویل المدت قرضہ فنانس کی سہولت (LTFF) کے ذریعے سے حوصلہ افزائی کر کے روپے۔ ڈالر کا شرح مبادلہ کا بہتر طور پر انتظام کیا۔

طلب کے سکرچاؤ کے ساتھ بین الاقوامی طور پر تیل کی قیمتوں میں کمی، برآمدات میں اضافہ اور غیر ملکی زر مبادلہ کی تریسلاٹ نے مثبت کردار ادا کیا جس کا نتیجہ مالی سال 2021 کے پہلے چھ ماہ میں جاری کھاتے 1.1 ارب امریکی ڈالر سے فاضل (surplus) رہا جبکہ مالی سال 2020 کے پہلے چھ ماہ میں یہی خسارہ 2 ارب امریکی ڈالر کا تھا۔

پاکستان کے مناسب غیر ملکی زر مبادلہ کے ذخائر، جو تین ماہ کی درآمدات کی ضرورت کے لیے کافی سمجھا گیا، جیسا کہ IMF کا بھی تقاضہ تھا، اور ساتھ ساتھ دیگر بین الاقوامی مالیاتی اداروں کی جانب قرضوں کی واپس ادائیگی میں نرمی کی سہولت نے بھی پاکستان روپے پر دباؤ کم کرنے میں مدد دی۔

مجموعی طور پر یہ سال ، پاکستان اسٹاک ایکسچینج (PSX) کے لیے بہتر رہا جس میں KSE-100 نے سال کا اختتام 43,755 پوائنٹس پر کیا، جو گذشتہ چار سالوں میں انڈیکس کا سال کا بلند ترین اختتام ہے۔ عالمی وبا کے لیے کی جانے والی بندشوں (lockdowns) کے نتیجے اور غیر یقینی صورتحال میں اپریل 2020 میں انڈیکس سال کے کم ترین 27,229 پوائنٹس پر بند ہوا۔ حکومت پاکستان اور بینک دولت پاکستان (SBP) کی جانب سے بتدریج آسانی فراہم کرنے کے پیشگی اقدامات کو اسٹاک مارکیٹ نے پسند کیا اور کم سودی نرخ کے پس منظر میں مثبت اداراتی کمائی کی توقع پر تیزی دکھائی۔

اداراتی کارکردگی

مالی سال 2020 میں انتظامیہ نے اپنے کاروباری ماٹل، اثاثہ جات کا آمیزہ (asset mix)، دستیاب وسائل اور استعداد میں اضافے کے اقدامات پر نظر ثانی کے بعد، ترمیم شدہ کاروباری حکمت عملی کو نافذ کر دیا ہے جسے بورڈ نے اگست 2019 میں منظور کیا تھا۔ مسائل سے بھر پور سال دیکھنے کے باوجود سرمایہ منڈی میں اتار چڑھاؤ (volatility)، شرح سود میں مسلسل اضافہ اور پھر تیزی سے کمی کے اثرات مالیاتی منڈی پر اور کووڈ-19 کی وجہ سے معیشت کو ممکنہ خطرے کے باوجود، کمپنی نے اپنی ترمیم شدہ کاروباری حکمت عملی کا مؤثر طور پر مظاہرہ کیا کیونکہ کمپنی مسلسل دو سال نقصان کے بعد منافع حاصل کرنے کے قابل ہو گئی۔

لاگت اور قیمت فروخت کا فرق (margins) جو سکرچر چکا تھا ان میں خاصی بہتری کے ساتھ قرضہ کی فراہمی اور سرمایہ کاری پورٹ فولیوز (portfolios) میں اضافہ ہوا۔ گذشتہ مالی سال کی 1.929 ارب روپے کی مجموعی مارک اپ (mark-up) آمدنی کے مقابلے میں زیر جائزہ مالی سال کے دوران اس کی مالیت 3.209 ارب روپے تھی۔ اس کا نتیجہ گذشتہ سال کے 276.83 ملین روپے کے نقصان قبل از محصول کے مقابلے میں زیر جائزہ سال کے دوران 459.97 ملین روپے کا منافع قبل از محصول میں تبدیل ہو گیا۔

موافق سودی نرخ اور بازار حصص ناموافق کارکردگی کی وجہ سے اثاثہ جات کے آمیزہ میں قرضی (debt) تمسکات نمایاں تھے۔ سیاسی پیشرفت اور عالمی وباء کے پس منظر میں ملکی معاشی صورتحال کی وجہ سے بازار حصص کی کارکردگی غیر مستحکم رہی۔

مالی سال کے دوران، کمپنی نے حکومت پاکستان/بینک دولت پاکستان کی کوششوں کی بھی معاونت کرتے ہوئے ان کی متعدد اعانت (relief) کی اسکیموں کے تحت اپنے گاہکوں کی 1,220 ملین روپے کی معاونت فراہم کی۔ انتظامیہ، اعلیٰ معیار کے ایڈوانسز پورٹ فولیو کی تعمیر اور اسے برقرار رکھنے کے لیے محتاط موقف جاری رکھنے کے ساتھ ساتھ اس بات کی ضرورت کو بھی سراہتی ہے کہ بنیادی کاروبار کی آمدنی میں اضافے کے لیے کپیٹل اور زر منڈیوں میں دیگر کاروباری مواقعوں سے فائدہ اٹھایا جائے۔

موجودہ اور ارتقائی ضوابطی ضروریات جو کپیٹل، لیوریج (leverage) اور سیالیت (liquidity) کو منظم کرتی ہے کے ساتھ ہم جو اقدامات اٹھا چکے ہیں/یا جن اقدامات کو اختیار کرنا ضروری ہے، وہ کمپنی کی تسلسل سے جاری رہنے والی طویل المدتی نمو اور مجموعی طور پر ایک محفوظ اور لچکدار مالیاتی نظام تشکیل کرنے کے اہم اجزاء ہیں۔

عملی (operational) پابندیوں اور عالمی وباء سے پیدا ہونے والے مشکل کاروباری ماحول کے باوجود ہمارے ہر کاروباری اکائی نے انتظامیہ کی کاروبار کی حکمت عملی کی معاونت میں حصہ ڈالا۔

ایک مستقل کوشش

پاک لیبیا نے، تسلسل سے مالگداری (revenue) کی روانی اور مستحکم خالص سودی آمدنی (Net Interest Income) میں اضافہ، جو ایک وقت حقیقت میں مایوس کن بلکہ منفی تھا، میں امید افزا نتائج دکھائے ہیں۔ اس کے حصول کی بنیادی وجہ محتاط سرمایہ کاری اور قرضہ کی فراہمی کے اصول کے ساتھ اجتماعی بصیرت پر از سر نو توجہ دینا؛ عملی کاروبار کا ماٹل اور جارحانہ قرضہ جات کی وصولیابی کی حکمت عملی کے ساتھ مستحکم فیصلہ سازی کا عمل، لاگتوں کو قابو میں رکھنے کی سنجیدہ کوششیں، انسانی سرمایہ کی ترقی کے ذریعے سے استعداد کی تعمیر اور مجموعی طور پر مثبت تزویراتی (strategic) سمت کا تعین تھا۔

کمپنی کے اثاثہ جات میں سال 2019 کے مقابلے میں 27 فیصد اضافہ ہو چکا ہے، جو مالیاتی اداروں (FIs) کو قرضہ جات کی فراہمی، قرضی (debt) سرمایہ کاری اور کریڈٹ پورٹ فولیو میں اضافے کو ظاہر کرتا ہے۔ اثاثہ جات کے سلسلے میں۔ کمپنی کا ارادہ ہے کہ تسلسل سے قرضہ جات اور ایڈوانسز (advances) کی فراہمی، جو کہ معاشی

نمو میں اضافے کے بنیادی محرک (driver) ہیں، میں اضافے سے اگلے پانچ سالوں میں اپنے کل اثاثہ جات کو دو گنا کر لے۔

کمپنی کی حکمت عملی کے تحت، ادھار (borrowings) میں 30 فیصد کا اضافہ ہو چکا ہے اور اس کے ساتھ ڈپازٹس میں 160 فیصد کا نمایاں اضافہ ہوا۔ مستحکم فنڈنگ وسائل بشمول انفرادی ڈپازٹ کو محرک کرنے کی تیاری کے سلسلے میں اس پر توجہ جاری رہے گی۔ اس عمل کا مقصد یہ ہے کہ ریپو ادھار (repo borrowing) پر انحصار کم کیا جائے لیوریج (leverage) کے تناسب چھ سے دس گنا کی حد میں رہے۔

سال کے دوران، حصص کنندگان کی جانب سے قسطوں میں ملنے والے ملکیتی سرمایہ (equity) سے کمپنی اپنے ادا شدہ کیپیٹل (paid-up capital) میں اضافہ کر چکی ہے۔ نتیجتاً کمپنی کا ادا شدہ کیپیٹل سابقہ 6.141 ارب روپے سے بڑھ کر 7.871 ارب روپے ہو گیا ہے۔ مزید یہ کہ کمپنی کو سال کے اختتام کے بعد حکومت پاکستان کے جانب بقایا قسط کے 135 ملین روپے وصول ہو چکے ہیں جبکہ لیویا کے حصص کنندگان کے جانب سے ملکیتی سرمایہ کی مد میں تمام رقم جمع کروائی جا چکی ہے۔ اس عمل کے نتیجے میں کمپنی نے 270 ملین روپے کی مالیت کے بقایا حصص کا اجراء کیا۔ باقی حصص کے اجراء کے بعد کمپنی کا ادا شدہ سرمایہ کی مالیت بڑھ کر 8.141 ارب روپے ہو چکی ہے۔ بعد از بقایا حصص کے اجراء، کمپنی کا کیپیٹل کی مالیت، بنا کسی نقصان کے، 6.007 ارب روپے رہی۔

ان قسط وار ملکیتی سرمایہ کے ساتھ کاروبار کی ترمیم شدہ حکمت عملی کے کامیاب نفاذ سے کمپنی نے کارکردگی میں غیر معمولی بہتری دکھائی ہے اور گذشتہ دو سالوں میں یعنی 2019 اور 2018 کے بالترتیب لگاتار نقصان قبل محصول (276.83) ملین روپے اور (260.64) ملین روپے کے مقابلے میں زیر جائزہ سال میں 459.97 ملین روپے کا منافع قبل از محصول حاصل کیا۔

سال 2020 کے دوران ہمارے کاروباری اکائیوں کی کارکردگی کی جھلکیاں درج ذیل ہیں

اداراتی اور سرمایہ کاری بینکاری (CIB)

کمپنی کی بنیادی کاروباری سرگرمیوں کو مد نظر رکھتے ہوئے کریڈٹ پورٹ فولیو میں اضافے کے لیے خاصی اہم کوششیں کی جا رہی ہیں۔ CIB کا کریڈٹ پورٹ فولیو (خالص وصولیوں اور مختصات) بڑھ کر 6.515 ارب پاکستانی روپے تک پہنچ گیا جو گذشتہ سال 5.312 ارب پاکستانی روپے تھا۔ علاوہ ازیں - سال کے دوران، ٹیم اپنے قرضہ سرمایہ کاری پورٹ فولیو برقرار رکھنے کا انتظام کر سکی۔ تاہم، عالمی وباء کی وجہ سے ہونے والے معاشی خلل کے باوجود CIB کے مجموعی پورٹ فولیو میں 884.44 ملین روپے کا اضافہ ہوا جس کا تعلق حکومتی سہولیات اسکیم اور کووڈ-19 لے اثرات کو کم کرنے کے لیے اٹھائے جانے والے اقدامات سے تھا۔ مجموعی کارکردگی دکھانے والا پورٹ فولیو 11.05 فیصد کا منافع دے رہا ہے۔

SME اور ریٹیل بینکاری (SME-RB)

تنوع اور آمدنی کے پھیلاؤ میں زیادہ اضافے کے لیے انتظامیہ، SME شعبے میں موجود امکانات کی وجہ سے اس شعبے میں داخل ہونے پر غور کر رہی ہے۔ مجموعی پورٹ فولیو کی معاونت کے لیے، SME-RB نے SME کے مخصوص ذیلی شعبہ جات کی شناخت کے بعد، متعدد مصنوعات پیش کی ہیں۔ سال کے دوران یہ شعبہ، گاڑیوں اور لیز فنانشنگ اور جائیداد کو رہن رکھنے کے عوض قرضہ جات کی فراہمی اور بینک دولت پاکستان (SBP) کی متعارف کردہ رعائتی اسکیموں میں مصروف عمل رہا۔ عالمی وباء اور اس کے معیشت پر اثرات، خاص طور پر، کاروبار کے اس شعبے، کو مدنظر رکھنے کے ساتھ سودی نرخ کے پس منظر میں، انتظامیہ ہوشیار تھی کہ موجودہ حالات اس شعبے کو بھی ممکنہ طور پر متاثر نہ کرے، جس کو دیکھتے ہوئے انتظامیہ ایک فیصلہ کے تحت گاہکوں کے چناؤ میں محتاط رہی۔ مجموعی کارکردگی دکھانے والا پورٹ فولیو 16.13 فیصد کا منافع دے رہا ہے۔

انتظامیہ نے CIB اور SME-RB کے لیے گاہکوں کے انتخاب کے سلسلے میں سخت خطرہ کے تخمینہ اور قرضہ کی فراہمی کے بعد سخت نگرانی میں اضافی احتیاط کا طریقہ اختیار کیا۔

خزانہ اور فنڈ مینجمنٹ (TFM)

ہمارا خزانہ اور فنڈ مینجمنٹ (TFM) کا شعبہ، گذشتہ سال منفی منافع دینے والی PIB کے رکھے رہنے کے جھٹکے سے باہر نکل آیا ہے۔ خزانہ اور فنڈ مینجمنٹ (TFM)، مالی دستاویزات (instruments) کا انتخاب دھیان سے کیا اور مثبت نتائج دینے والے پورٹ فولیو کی تعمیر کی اور جس نے کمپنی کے زیر جائزہ سال میں منافع بخشی میں خاصہ حصہ ڈالا۔ علاوہ ازیں، کاروباری اکائیوں کے لیے مسابقتی نرخوں پر وسائل کو متحرک کرنے کے علاوہ، ہمارے خزانہ اور فنڈ مینجمنٹ (TFM)، نے ثانوی منڈی اور ڈیٹ (debt) کی مالیاتی دستاویزات (instruments) میں سرمایہ کاری کے ذریعے، بنیادی کاروبار کی آمدنی میں اضافے میں حصہ ڈالنا جاری رکھا۔ زیر جائزہ سال کے دوران، خزانہ اور فنڈ مینجمنٹ (TFM) نے 543.39 ملین روپے کی خالص سودی آمدنی کمائی اور اپنے سرمایہ کاری پورٹ فولیو میں 425.86 ملین روپے کا کیپیٹل اضافہ کیا۔

تمسکات پورٹ فولیو مینجمنٹ (SPM)

ملکی اور عالمی سطح پر معاشی اور سیاسی غیر یقینی کی صورتحال کیپیٹل مارکیٹ کے استحکام کے اشارے نہیں دکھا رہا ہے؛ تجارت کا کم حجم، اور ملکیتی تسمکات پورٹ فولیو کی موجودہ ملکیتی سرمائے کے تسمکات پورٹ فولیو (equity securities portfolio) کا ویٹڈ اوسط (weighted average) لاگت، نامساعد حالات اور کیپیٹل گین کے گئے چنے مواقعوں کی وجہ سے پہلے ہی منافع بخشی کو متاثر کر چکا تھا۔

سال کے دوران، ملکیتی سرمایہ کے تسمکات پورٹ فولیو (SPM) میں منقسمہ منافع (dividend) کی آمدنی کو برقرار رکھا۔ انتظامیہ، ملکیتی سرمایہ AFS پورٹ فولیو کا مسلسل جائزہ لیتی رہتی ہے اور کوشش کر رہی ہے کہ پورٹ فولیو کو متنوع (diversified) اور متحرک (dynamic) بنایا جائے۔ سال کے دوران خرابی (impairment) کا خرچہ 66.13 ملین روپے تھا جس میں سے متعلقہ حصص کی فروخت سے 59.53 ملین روپے واپس ہو چکے ہیں۔

کم سے کم سرمایہ کی پابندی (MCR) میں کمی کی وجہ سے عائد پابندیوں کے باوجود ہمارے ملکیتی سرمایہ کے تسمکات پورٹ فولیو (SPM) کے شعبے نے مجموعی خطرہ کے لیے رغبت اور دستیاب وسائل بنیاد پر تقریباً 5.85 فیصد کی آمدنی دکھائی۔

پس منظر سے معاونت کرنے والے دفاتر (خطرے کو کنٹرول کرنے والے فنکشنز)

عالمی وباء کے دوران نقل و حرکت پر سخت پابندیوں کے ساتھ خطرے کے کنٹرول کرنے کے فنکشنز اپنا کام عمدگی سے سرانجام دیا اور محدود وسائل اور کم عملے کے ساتھ رہتے ہوئے کمپنی کے آپریشن کو یقینی بنایا۔ دوسرے شعبوں کی فعال ٹیموں نے، اول تا آخر، کاروباری سرگرمیوں کو نتیجہ خیز بنانے میں معاونت فراہم کی۔ ایسی مشکل صورتحال منفرد تھی، اس لیے غیر روایتی حل تیار کئے گئے خاص طور پر زندگی میں ایک دفعہ، گھر سے کام کرنے کا تجربہ جو بالکل نیا تھا اور کامیاب تھا۔ مربوط کوششوں سے کاروبار کے مقاصد حاصل کیے، جبکہ ایک مؤثر کاروبار کے تسلسل کے منصوبے کے تحت آپریشن سے متعلق خطرات کو کم کیا اور کاروباری سرگرمیوں کا تسلسل بھی جاری رکھا۔

مالیاتی نتائج اور مالیاتی صورتحال کا مختصر خلاصہ درج ذیل ہے؛

2019	2020	
	پاکستانی روپے 000 میں	اختتام سال کے بقایا جات
29,097,837	37,010,459	کل اثاثہ جات
<u>23,844,340</u>	<u>31,047,398</u>	کل مالیاتی ذمہ داریاں
5,253,517	5,963,061	خالص اثاثہ جات
		حصص کنندگان کا ملکیتی سرمایہ (خالص)
6,141,780	7,871,780	حصصی سرمایہ
311,650	372,477	ذخائر
(36,336)	(281,624)	اثاثہ جات دوبارہ قدر پیمائی پر (کمی) // اضافہ - محصول کا خالص
(2,363,577)	(2,134,572)	جمع شدہ مجموعی نقصان
<u>1,200,000</u>	<u>135,000</u>	شیررز سبسکریپشن پر ایڈوانس
5,253,517	5,963,061	مجموعہ
		برائے سال
(276,827)	459,970	منافع/ (نقصان) قبل از محصول
<u>(303,713)</u>	<u>304,135</u>	نافع/ (نقصان) بعد از محصول
(494.50)	443.23	آمدنی/ (نقصان) فی حصص (پاکستانی روپے)

مالی سال 2020 میں کمپنی نے منافع بعد از محصول کا 20 فیصد کی مالیت کے مساوی رقم دستوری ذخائر میں منتقل کر دیا ہے جو مروجہ قانونی ضروریات کے مطابق ہے۔

کمپنی کے آپریشن کے تسلسل کو جاری رکھنے اور کم سے کم کیپیٹل کی قانونی ضرورت (MCR) جیسے مسائل کو حل کرنے کے بعد اصل مسئلہ کاموکی انرجی لمیٹڈ (KEL) کے استعمال میں لانے کا تھا، یا تو منصوبے کے اثاثہ جات کو استعمال کر کے معاشی استعمال میں لایا جائے یا اس کو فروخت کر کے اس منصوبے سے جان چھڑائی جائے۔

کمپنی کی انتظامیہ نے کافی غور و خوص کے بعد اس کے پاس اس منصوبے کے بارے فیصلہ کیا ہے کہ اس کاموکی انرجی (Energy) لمیٹڈ اثاثہ جات (غیر بینکاری اثاثہ جات) کی فروخت کے لیے سودے کی شرائط و ضوابط کی تیاری کے لیے ماہر انجینئرنگ فرم کو سونپ دیا گیا ہے۔

مارچ 2020 میں پاک-لیبیا نے اپنے کاروباری شراکت دار کے ساتھ ایک ٹرم شیٹ (term sheet) پر دستخط کئے اور قانونی دستاویز کاری (documentation) کے بعد 30 جون 2020 کو دونوں فریقین نے متعلقہ معاہدے پر دستخط کئے۔ اس انتظام کے تحت دونوں کاروباری شراکت دار اس بات پر متفق ہوئے کہ کاروباری سودا (business venture) کیا جائے، جس کے تحت KEL کے اثاثہ جات پاک لیبیا کے ماتحت، اس کے فائدے کی لیے (captive)، توانائی کا پلانٹس تشکیل دیں گے، جو صنعتی یونٹ کے لیے استعمال ہوگا جس کے معاہدے کی بنیاد توانائی کی خریداری کے معاہدے کے ذریعے "بلڈ-اون-اپریٹ ('Build Own Operate') یا "بلڈ-اون-اپریٹ - ٹرانسفر " ('Build Own Operate Transfer') کی بنیاد پر ہوگی جو 1.2 ارب روپے (اور منقسمہ منافع) کے عوض ہوگی جس کی ادائیگی توانائی کے پلانٹ کے کیش فلوز (cash flows) سے ہوگی۔ اس سلسلے میں پاک-لیبیا نے اپنی مکمل طور پر ذیلی کمپنی کاموکی پاور جین (پرائیویٹ) لمیٹڈ (KPL) میں اس کے زیادہ تر حصص کو ختم کر دیا ہے اور اپنے 80 فیصد حصص، KPL کے انتظامی کنٹرول کے ساتھ، اپنے کاروباری شراکت دار کو منتقل کر چکی ہے۔ انتظامیہ کی تبدیلی کی متعلقہ ضروری کاروائیاں دسمبر 2020 میں مکمل کی جا چکی ہیں۔

نتیجتاً، KEL کے سودے کی محتاط طور پر نشاندہی کر کے، پیشہ ورانہ طور پر اس کی ساخت بنائی اور باہمی رضا مندی سے پابند کیا گیا ہے۔ یہ بات انتہائی اہم ہے کہ اس حقیقت کی نشاندہی کی جائے کہ، غیر استعمال شدہ اثاثہ جات کا معیشت میں استعمال ہر صورت میں ملک، اس کی معیشت اور

کمپنیاں جو اس کام میں شامل ہیں ، سب کے لیے جیت ہی جیت ہے جو کہ پورے نظام میں ایک معمولی سا حصہ ہے۔

کمپنی کو کم سے کم سرمایہ رکھنے کی ضرورت (MCR) میں درپیش کمی کو مدنظر رکھتے ہوئے منقسمہ آمدنی (بونس یا نقد) کی حصص یافتگان میں تقسیم کے لیے کسی رقم پر غور نہیں کیا جا سکا ہے۔ تاہم ہم پر اعتماد ہیں کہ جیسے ہی ایک مرتبہ 2 ارب پاکستانی روپے کے سرمایہ کی فراہمی کا معاملہ مکمل ہوا جس سے کمپنی کی MCR کی تعمیل بھی مکمل ہوتے ہی کمپنی مناسب منافع کمانے لگے گی اور اس قابل ہوگی کہ اپنے حصص کنندگان کی منقسمہ منافع تقسیم کر سکے گی۔

سال 2020 کے لیے پاکستان کی کریڈٹ ریٹنگ ایجنسی (PACRA) نے پاک لیویا کی گذشتہ سال کی کریڈٹ درجہ بندی کو برقرار رکھا جو درج ذیل ہے۔ تاہم، مسلسل کوششوں اور پابندی سے بنیادی مسائل کے حل پر توجہ رکھنے کے نتیجے میں کمپنی کے مستقبل کا منظر نامہ میں بہتری ہونے پر منفی سے مستحکم ہو گئی ہے جو درج ذیل ہے ؛

قلیل المدت A1+

طویل المدت AA-

یہ درجہ بند یاں قرضہ جات کی وصولیابی کے کم خطرے کی نشاندہی کرتی ہے اور مالیاتی ادائیگیوں کی یقین دہانیوں کی بروقت ادا کرنے کی انتہائی مضبوط صلاحیت کو ظاہر کرتی ہیں

اداراتی اور مالیاتی رپورٹنگ کے ڈھانچے پر بیان

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت ، عملی امور کے نتائج، نقد بہاؤ (cash flows) اور ملکیتی سرمائے (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط تخمینوں پر رکھی ہے۔ مزید یہ کہ ان پالیسیوں میں تبدیلیوں کو مناسب طور پر مالیاتی گوشواروں میں بیان کیا گیا ہے۔
- پاکستان میں DFIs پر قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
- کمپنی کی ایک جاری رہنے والے ادارے کے طور پر چلتے رہنے میں کوئی شبہ نہیں ہے۔
- مستقبل میں محصول کی غیر یقینی ضروریات کو مالیاتی دستاویزات میں ظاہر کر دیا گیا ہے۔
- اداراتی نظم و ضبط کی بہترین مشقوں (practices) سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- اندرونی نگرانی کا نظام اور اندرونی نگرانی کی مالیاتی رپورٹنگ کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور نگرانی کی جاتی ہے۔
- گذشتہ چھ سالوں کے آپریشنل اور مالیاتی اعداد و شمار کا خلاصہ منسلک ہے۔

اداراتی سماجی ذمہ داری

کمپنی ہمیشہ سے اپنی سماجی ذمہ داری پوری کرنے کے لیے سرگرم رہی ہے اور مستقبل میں بھی اس محاذ پر کوششیں جاری رکھے گی۔ تاہم، کمپنی کی کارکردگی کے باوجود، ہم بینک دولت پاکستان کے کم سے کم سرمایہ کی پابندی اور SBP پروڈینشل قواعد و ضوابط کی وجہ سے ہم نمایاں اور معروف خیراتی اداروں کی مدد نہیں کر سکے۔

سبز بینکاری کا آغاز

کمپنی سبز بینکاری کی پالیسی اپنا چکا ہے، جس کے تحت پاک لیویا نئے منصوبوں کے لیے قرضہ کی فراہمی کے لیے متعلقہ دستاویزات طلب کرتا ہے جن کو ماحول کے تحفظ ایکٹ میں بیان کیا جا چکا ہے جبکہ موجودہ قرضہ جات میں، انتظامیہ ماحول کی ایجنسیز کے تشکیل کردہ ماحول کے معیار کی کسوٹی کی پیروی کا اندازہ لگاتی ہے۔ کسی موقع پر، جہاں قرض لینے والا ماحول کے متعین کسی کسوٹی کی تعمیل نہیں کرتا، تو کمپنی اس کی حوصلہ افزائی اور معاونت کرتی ہے کہ وہ ماحول کے تحفظ کے لیے بہتر اقدامات کرے۔

انتظامیہ سبز بینکاری آفیسر نامزد کر چکی ہے اور گرین بینکاری آفس کی قیام کے مراحل میں ہے تاکہ وہ گرین بینکاری کی سرگرمیوں اور پیشرفتوں کے بارے میں اعداد و شمار / معلومات جمع اور ان کا انضمام (consolidate) کر کے اعلیٰ انتظامیہ/بورڈ اور SBP کوان کے طلب کرنے پر فراہم کرے۔

صارف کی شکایتوں کے تدارک کا طریقہ کار (Mechanism)

کمپنی اپنے گاہکوں کو معیاری خدمات اور بلند ترین سطح کے اطمینان فراہم کرنے کے لیے پرعزم ہے اس کے لیے باقاعدہ پالیسی اپنا چکی ہے اور گاہکوں کی شکایات کے تدارک کے لیے ایک طریقہ کار وضع کر چکی ہے۔ انتظامیہ نے شکایت کے تدارک کے طریقہ کار (mechanism) کے ذریعے سے اس بات کو یقینی بناتی ہے کہ شکایات کا بروقت ازالہ ہو جائے اور جہاں تک ممکن ہو شکایات کے اعادہ کو روکا جائے۔

تمام شکایات سربراہ HRA اور SVP (RMRC) کی زیر نگرانی مرکزی شکایت مینجمنٹ سسٹم کے ذریعے نپٹائی جاتی ہیں۔

بورڈ کی ساخت

سال کے دوران بورڈ کی کوئی آسامی موجود نہیں تھی۔

بورڈ کی کارکردگی کا جائزہ

کمپنی نے بورڈ کے ارکان کی کارکردگی جانچنے کی ذمہ داری، پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG)، جو ایک بورڈ کے ارکان کی کارکردگی کے تخمینے کے لیے ماہر انسٹیٹیوٹ ہے، کو سونپ دی ہے۔ بیرونی تخمینہ کار، بورڈ کی مجموعی کارکردگی کے بارے میں ایک آزادانہ اور مخصوص نقطہ نظر دیتا ہے۔ بورڈ کا چیرمین کارکردگی کے بارے میں نتائج کی اطلاع تمام بورڈ ارکان کو دیتا ہے۔

خطرے سے نپٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

کمپنی کے رسک مینجمنٹ کی ساخت کی نگرانی بورڈ کی رسک مینجمنٹ کمیٹی (BRMC) کرتی ہے جس نے اس کی مزید ذمہ داری، مینجمنٹ رسک مینجمنٹ کمیٹی (MRMC) کو سونپی ہے کہ وہ کمپنی کے مجموعی کاروباری میلان کی بنیاد پر اس کو درپیش خطرات کا تخمینہ لگائے اور ان کو کم کرنے کے لیے حکمت عملی بنائے اور عملی اقدام کرے۔

کمپنی کے قرضہ پالیسی اور قرضہ کی ہدایات کے کتا بچے (manual) کو خطرات اور فوائد و ضوابط کے تبدیل ہوتے ہوئے ماحول کے مطابق ان میں ترمیم یا تجدید کر دی گئی ہے اور ان کا نفاذ کیا جا رہا ہے تاکہ ہر گاہک جو خطرہ اپنے ساتھ لاتا ہے اس کی تسلسل سے بہتر اور جامع قدر پیمائی کی جاتی رہے۔ متعلقہ خطرات کی قدر پیمائی کے لیے Obligor Risk Rating Model اور Facility Risk Rating Model کا تبدیل شدہ ڈیزائن مقاصد کا بھر پور احاطہ کرنے کے لیے اندرونی خطرے کی درجہ بندی کے نمونے (Internal Rating Model) پر زور دیتا ہے۔ نتیجتاً، خطرے کے جذب ہونے کی مخصوص حدود کو شامل کرنے کے لیے مزید وضاحت کی جا چکی ہے۔ مزید یہ کہ نگرانی اور رپورٹنگ کے طریقہ کار کو بھی مضبوط کر دیا گیا ہے جس کا مقصد مجموعی قرضوں کے خطرات کے انتظامی طریق عمل کو بہتر کیا جانا ہے۔

ہمارا خیال ہے کہ سال کے دوران بنا رکاوٹ کے آپریشن کے کاموں کو جاری رکھنے کے لیے مستحکم رسک فنکشن نہایت اہم ہے۔ اس لیے کسی بھی ناگہانی طور پر درپیش خطرے کے لیے چوکس رہنے اور اپنے کاروبار کے آپریشن کے تسلسل کو یقینی بنانے کے لیے ہم نے، BCP سائٹ کو برقرار رکھا جا رہا ہے۔ مزید یہ کہ فوائد کی تعمیل کے ساتھ ساتھ کوئی حادثہ جس کا تدارک فوری ضروری ہو اور آپریشنل رسک میکنزم کے مؤثر ہونے کی قدر پیمائی کے لیے آپریشنل رسک کا ڈیٹا بیس با فائدگی سے رکھا جا رہا ہے۔

عملی کی سرگرمیوں سے پیدا ہونے والے رسک کے انتظام کو مدنظر رکھتے ہوئے ہم نے پوری کمپنی میں ہر کاروباری یونٹ کے کاروبار کے تسلسل کے لیے دستاویزی منصوبے کو باضابطہ بنا چکے ہیں۔ سال کے دوران ہم نے مروجہ بہترین مشقوں (practices) اور رپورٹنگ کی ضروریات کو مدنظر رکھتے ہوئے اپنے اندرونی نگرانی کے نظام کو مضبوط کرنے کا عمل جاری رکھتے ہوئے متعدد اقدامات کئے اور مزید بہتری کے ساتھ مربوط IT سسٹم نافذ کیا جا چکا ہے۔ علاوہ ازیں ہماری تعمیل، رسک مینجمنٹ اور مجموعی اندرونی نگرانی کا نظام مضبوط ہے اور SBP کی ہدایات کا نفاذ اور مالیاتی رپورٹنگ (ICFR) کے لیے اندرونی نگرانی کا ڈھانچہ مستحکم ہے۔

مارکیٹ رسک فنکشن نے مارکیٹ سے متعلق خطرات کی نگرانی جاری رکھی۔ دباؤ ٹیسٹنگ کا تجزیے کا استعمال موجودہ قرضہ جات کو درپیش اہم خطرات کے ممکنہ اثرات کا اندازہ لگایا جا سکے۔ ترمیم شدہ مارکیٹ رسک پالیسی بمع مفصل شرح سود کے نرخ کا نفاذ کیا جا چکا ہے۔ مجموعی مارکیٹ رسک مینجمنٹ کے ڈھانچے سودی نرخ کے خطرات کے لئے نگرانی اور رپورٹنگ کے رہنما اصول کو بڑھا دیا گیا ہے۔

کمپنی کے پاس سیالیت (liquidity) مینجمنٹ پالیسی کے علاوہ سیالیت رسک مینجمنٹ پالیسی بھی موجود ہے۔ تبدیل شدہ سیالیت رسک مینجمنٹ کی ہدایات کے کتابچے میں سیالیت کے لیے تفصیلی اور جامع ہنگامی پلان شامل ہے۔

کمپنی نے پورے سال میں Basel-II اور Basel-III کی ضروریات کے مطابق اپنے CAR کو ضوابط میں دیئے گئے معیار سے بھی بلند درجے پر برقراری جاری رکھی ہے۔ اندرونی سرمایہ کی موزونیت کے تخمینہ کے پراسس (ICAAP) کے ڈھانچہ کا SBP کے فراہم کردہ رہنما اصولوں کی روشنی میں جائزہ لیا گیا تاکہ پراسس کو مضبوط اور مؤثر بنایا جا سکے۔ مزید یہ کہ SBP کے 6 ارب کے کم سے کم سرمایہ کی دستوری پابندی (MCR) کی تعمیل کے لیے کوششیں جاری ہیں۔ MoF اور LAFICO (دونوں حصص کنندگان ہیں) نے اضافی ملکیتی سرمایہ کو ڈالا ہے تاکہ کمپنی میں نقصان برداشت کرنے کی استعداد، ہموار آپریشن اور طویل المدت تسلسل سے جاری رہنے والی نمو میں اضافہ کیا جا سکے۔ اس سلسلے میں کمپنی کا منظور شدہ کیپیٹل بڑھا کر 10 ارب روپے کر دیا گیا ہے۔

کمپنی کے پورٹ فولیو کی نمو کو مؤثر کیا جا رہا ہے تاکہ ہر اہم /متعلقہ ایریا میں اس کی متعین حدود کے ذریعے سے خطرات کے ارتکاز (concentration) کو روکا جا سکے۔ پروڈیشنل کے ضابطوں میں ترمیم، اگر کوئی واقع ہوئی یا ہو گی تو، اس کے بعد ان حدود کو بھی باضابطہ طور سے تبدیل کر دیا گیا ہے یا کر دیا جائے گا۔ کمپنی کا ارادہ ہے کہ کاروبار کی ترقی کے لیے براہ راست شمولیت کے ذریعے اور خطرہ میں اپنا حصہ ڈالے۔ رسک مینجمنٹ فنکشن رسک کے طے شدہ مثبت نکات پر مستعدی سے حصہ لیتا ہے۔

سال کے دوران کمپنی نے تعمیل کے پروگرام کے کو مستحکم کرنے کا عمل جاری رکھا اور اس کے ساتھ مناسب /KYC AML کے کنٹرول موجود ہیں اور وہ ضوابط کی تعمیل کو یقینی بناتے ہیں اور انتظامیہ کی آگاہی تعمیل (compliance) کمیٹی کے فورم کے ذریعے کرتے رہتے ہیں۔ تمام پالیسیاں، طریق کار اور مالی مصنوعات کا جائزہ تعمیل کے تناظر میں لیا جاتا ہے اور اس کے ساتھ ریگولیٹری اتھارٹیز کے ساتھ تعلقات برقرار رکھے جاتے ہیں۔

کمپنی کا مجموعی مالیاتی خطرے سے نپٹنے کا ڈھانچہ مضبوط ہے۔ کمپنی اپنے رسک منیجمنٹ اور اندرونی کنٹرول ڈھانچے کو مزید بہتر اور مضبوط کرنے کے عمل کو جاری رکھے ہوئے ہے۔

اندرونی کنٹرول پر بیان

کمپنی کے مقاصد کو حاصل کرنے کے لیے ایک مضبوط اندرونی کنٹرول کا نظام موجود ہے اور اس میں کاروبار کی ضروریات اور آپریشن کے ماحول میں تبدیلی کی روشنی میں مسلسل بہتری لائی جا رہی ہے۔ انتظامیہ اندرونی کنٹرول بمع مالیاتی رپورٹنگ کا اندرونی کنٹرولز کا اندازہ لگا چکی ہے اور اس کو مؤثر قرار دے چکی ہے جس کی توثیق بورڈ نے بھی کردی ہے۔ کمپنی کے مضبوط کنٹرول کے ماحول کو مد نظر رکھتے ہوئے بینک دولت پاکستان نے کمپنی کو سالانہ بیرونی محتسب کے مالیاتی رپورٹنگ کے اندرونی کنٹرول (ICFR) کے طویل فارم کو جمع کروانے سے استثنیٰ کی منظوری دی ہوئی ہے۔

محاسبین (Auditors) کا اپنی آڈٹ رپورٹ پر تبصرہ

کمپنی کے بیرونی محاسبین (External Auditors) نے سمٹ بینک (کاونٹنر فریق) کی TFC's میں سرمایہ کاری جس کی مالیت 398.58 ملین روپے ہے اس پر اپنی qualified رائے دے دی ہے جس کا حوالہ منسلک مالیاتی دستاویزات کے نوٹ نمبر 8.2.6 دیا گیا ہے جس میں وہ TFC's کی وصولی کے سلسلے میں کافی، مناسب آڈٹ کی شہادت حاصل نہ کر سکے۔

مذکورہ اضافی پیراگراف پر توجہ اپنی آڈٹ رپورٹ میں دے چکے ہیں۔ انہوں نے توجہ دلائی ہے کہ ؛

- منسلک دستاویزات کے نوٹ 1.2 دیکھا جائے، جس میں کمپنی کا کم سے کم کپیٹل کی ضرورت کو پورا کرنے کے لیے اس کا منصوبہ اور اس پر عمل۔
- نوٹ 13 اور 42.2 کو دیکھا جائے جس میں کمپنی کا "کاموکی انرجی لمیٹڈ (KEL)" سے متعلق اثاثہ جات کی فروخت کے سلسلے میں کمپنی کا منصوبہ اور عمل۔

محاسبین (Auditors) کی رائے مذکورہ بالا معاملے پر qualified نہیں ہے۔

محاسبین (Auditors) کا اداراتی نظم و ضبط کی بہترین مشقوں (Practices) پر ان کی جائزہ رپورٹ میں تبصرہ

محاسبین (Auditors) نے اپنی جائزہ رپورٹ میں اداراتی نظم و ضبط کارکردگی کی بہترین مشقوں (Practices) پر کسی مادی عدم تعمیل کی نشاندہی نہیں کی ہے۔

پراویڈینٹ اور گریجویٹی کی سرمایہ کاری کا بیان

31 دسمبر 2019 پر آڈٹ شدہ گوش واروں کی بنیاد پر پراویڈینٹ اور گریجویٹی کی سرمایہ کاری کی مالیت (علاوہ بینک میں نقد رقم) بالترتیب 101.18 ملین پاکستانی روپے اور 132.50 ملین پاکستانی روپے رہی۔

بورڈ کے اجلاس اور بورڈ کی ذیلی کمیٹی کے اجلاس کی حاضری اور ان کی رکنیت کی تفصیلات

سال کے دوران بورڈ کے ناظمین کے 5 اجلاس ہوئے اور ان میں ڈائریکٹرز کی شرکت کی تفصیلات درج ذیل ہیں -

اجلاس		عہدہ	ڈائریکٹر کا نام
میں شرکت کی	منعقد ہوئے		
4	5	چیئرمین	جناب بشیر بی - عمر
5	5	رکن	ڈاکٹر محمد طاہر نور
5	5	رکن	جناب ابرار احمد مرزا
5	5	رکن	جناب عبدالفتح عشور علی ایجائیدی
5	5	ناظم اعلیٰ (Managing Director)	جناب خرم حسین
5	5	نائب ناظم اعلیٰ (Deputy Managing Director)	جناب خالد جمعہ الزرزور

آڈٹ کمیٹی کے اجلاس کی تفصیلات

سال کے دوران آڈٹ کمیٹی کے 4 اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

اجلاس		عہدہ	ڈائریکٹر کا نام
میں شرکت کی	منعقد ہوئے		
4	4	چیئرمین	ڈاکٹر محمد طاہر نور
4	4	رکن	جناب ابرار احمد مرزا
4	4	رکن	جناب عبدالفتح عشور علی ایجائیدی

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

سال کے دوران رسک مینجمنٹ کمیٹی کے دو اجلاس ہوئے اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

اجلاس		عہدہ	ڈائریکٹر کا نام
میں شرکت کی	منعقد ہوئے		
2	2	چیئرمین	جناب ابرار احمد مرزا
2	2	رکن	جناب عبدالفتح عشور علی ایجائیدی
2	2	رکن	جناب خالد جمعہ الزرزور

انسانی وسائل کمیٹی کے اجلاس کی تفصیلات

سال کے دوران بھرتی اور معاوضہ کمیٹی کے ایک اجلاس ہوا اور ان میں ارکان کی شرکت کی تفصیلات درج ذیل ہیں

اجلاس		عہدہ	ڈائریکٹر کا نام
میں شرکت کی	منعقد ہوئے		
-	1	چیئرمین	جناب بشیر - عمر
1	1	رکن	ڈاکٹر محمد طاہر نور
1	1	رکن (Acted as Chairman)	جناب عبدالفتح عشور علی ایجائیدی

کریڈٹ /سرمایہ کاری کمیٹی کے اجلاس کی تفصیلات

سال کے دوران کریڈٹ/سرمایہ کاری کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

اجلاس		عہدہ	ڈائریکٹر کا نام
میں شرکت کی	منعقد ہوئے		
-	-	چیئرمین	جناب بشیر - عمر
-	-	رکن	ڈاکٹر ابرار احمد مرزا
-	-	رکن	جناب خرم حسین

محاسبین

موجودہ محاسب میسرز گرانٹ تھورٹن انجم رحمان (گرانٹ تھورٹن انٹرنیشنل سے منسلک ادارہ) ، چارٹرڈ اکاؤنٹنٹس ، کی مدت معاہدہ ختم ہوگئی ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو دوبارہ منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کی ہیں۔ اڈٹ کمیٹی نے بورڈ کی توثیق کے ساتھ ان کی بطور کمپنی محاسب ، 31 دسمبر 2021 تک کے لیے دوبارہ انتخاب کرنے کی تجویز دی ہے جس کی بورڈ کے ناظمین نے توثیق کر دی ہے۔

حصص کی ملکیت رکھنے کا رجحان

حصص کنندگان	حصص کی ملکیت (%)
گورنمنٹ آف پاکستان بذریعہ بینک دولت پاکستان	50
گورنمنٹ/ریاست آف لیبیا بذریعہ لیبین فاری انویسٹمنٹ کمپنی (LAFICO)	50
کل	100

کمپنی کی امید مستقبل (Company Outlook)

جاری عالمی وباء کے نتیجے میں معاشی تعطل سے ملک بھر میں بہت غیر معمولی غیر یقینی صورتحال پیدا ہو گئی ہے۔ اس غیر یقینی صورتحال کے باوجود کمپنی نے اپنے کچھ ترویجی (strategic) مقاصد حاصل کرنے میں بہت زیادہ لچک دکھائی ہے۔

کم سے کم کیپیٹل کی ضرورت (Minimum Capital Requirement) اور کاموکی انرجی (Energy) لمیٹڈ (KEL) اثاثہ جات جیسے انتہائی اہم دیرینہ مسائل سے خلاصی کے بعد ہم مستقبل کی حکمت عملی اور امید مستقبل کے بارے میں پر عزم ہیں۔ توانائی کے پلانٹ (ایک غیر بینکاری اثاثہ) کے معاشی استعمال، اور متعلقہ خلاصی، ڈپازٹس کو متحرک کرنے، جو فنڈنگ کا ایک مستحکم ذریعہ ہے، اور ایڈوانسز پورٹ فولیو، جو بنیادی سرگرمی ہے، سے ایک مسلسل آمدنی کا ذریعہ ہو گا اور ہم سمجھتے اور یقین رکھتے ہیں کہ کمپنی تسلسل سے منافع بخشی (profitability) اور طویل المدت نمو کے اہداف حاصل کرنے کے قابل ہو گی۔

TFCs میں کی گئی سرمایہ کاری جن کی مالیت 398.58 ملین روپے ہے، اس سرمایہ کی وصولیائی (recoverability) کے حوالے سے، اس کے جاری کرنے والے بینک کے ارادے اور ادائیگی کی صلاحیت کے بارے میں کمپنی کی انتظامیہ مجموعی صورتحال کا تجزیہ کیا؛ نتیجتاً اس کا خلاصہ یہ ہے کہ دونوں عناصر موجود ہیں جیسا کہ وہ قرضہ (debt) تسلیم کرتے ہیں اور اس کے آپریشن پر کوئی پابندی نہیں ہے، اس ادائیگی میں تاخیر کی وجہ " کم سے کم کیپیٹل کی ضروریات " کا پورا نہ ہونا ہے۔ اس سلسلے میں بینک دولت پاکستان، TFCs کا اجراء کنندہ بینک کو 27 اکتوبر 2020 تک کی حتمی منظوری دے چکا ہے، تاہم مذکورہ بینک نے درخواست کی ہے کہ اسے علحدہ سے 27 اکتوبر 2021 تک کی مدت کی اصولی منظوری (سابقہ سال کی طرح) دی جائے۔ اس لیے کمپنی کی انتظامیہ نے مذکورہ TFCs پر بے بنیاد (subjective) خدشات کی بناء پر اس خرابی (impairment) کی تلافی فراہم نہیں کی ہے جس کی وجہ حالی پیش رفت اور مذاکرات جاری ہیں کہ اس معاملے کا باہمی رضامندی سے حل ہو اور رقم کی مکمل وصولی۔

علاوہ ازیں، کمپنی کی سیالیت (liquidity) کا خلا کو پورا کرنے اور غیر یقینی صورتحال کے لیے فنڈ کرنے کی منصوبہ بندی کو یقینی بنانے کے لیے ایک طویل مدت کی نئی کریڈٹ لائن کے لیے مذاکرات جاری ہیں۔ مزید یہ کہ کمپنی نے اپنے کاروبار کے ماڈل، اثاثہ جات کے آمیزہ (mix) اور دستیاب وسائل پر نظر ثانی کی ہے تاکہ منافع بخشی پر مناسب اثرات ہوں اور دستوری ضروریات کی تعمیل کے ساتھ ساتھ طویل المدت تسلسل سے جاری رہنے والی نمو کو حاصل کیا جاسکے۔

انتظامیہ کمپنی کے منافع بخش آپریشن بشمول مسائل پیدا کرنے والے اور نا کارکردگی دکھانے والے اثاثہ جات کی بحالی کی کوششیں کے سلسلے میں تمام ممکنہ امکانات پر توجہ دے رہی ہے

انتظامیہ کی جانب سے کی جانے والی کوششوں کی بنیاد پر ہم کمپنی کی مستقبل میں ترقی، منافع بخش ہونے اور اس کے تسلسل کے بارے میں بہت پر امید ہیں۔

ستانش

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے گاہکوں اور پاک۔لیبیا کے تمام شرکاء مفاد (stakeholders) کا کمپنی پر مسلسل اعتماد کرتے رہنے پر اظہار ممنونیت کرتے ہیں۔ ہم اپنے حصص یافتگان: LAFICO اور بینک دولت پاکستان بشمول وزارت خزانہ کی مسلسل حمایت اور رہنمائی اور کمپنی کے ملازمین کے مسلسل اعتماد اور وفاداری کو بھی سراہتے ہیں۔

گذشتہ چھ سالوں کا اہم آپریشن اور مالیاتی اعداد و شمار

پاکستانی روپیے ملین میں						مالی سال
2015	2016	2017	2018	2019	2020	
782	1,613	2,427	2,313	2,357	4,401	مجموعی منظوریوں*
479	986	1,799	2,540	1,767	2,500	فراہمی قرضہ جات
3,539	2,891	-	2,132	7,188	5,907	سرمایہ کاری- خالص
1,218	1,190	1,001	2,151	1,598	1,031	وصولیابیاں - اصل
138	540	225	259	672	698	واگذاری (Redemption)-سرمایہ
1,830	1,298	1,335	1,507	1,954	3,713	مجموعی آمدن
360	313	265	260	77	713	خالص سودی آمدن
472	1,032	84	(261)	(277)	460	خالص نفع/نقصان قبل از محصول
167	241	36	62	27	156	محصولات- خالص
305	791	48	(323)	(304)	304	خالص نفع/نقصان بعد از محصول
						حصص کنندگان کا ملکیتی سرمایہ-
3,895	4,761	4,555	4,168	5,254	5,963	خالص
15,274	18,895	19,163	20,428	29,089	37,010	کل اثاثہ جات
105	106	111	106	103	104	افراد قوت (تعداد)**

* دوبارہ کی جانے والے سرمایہ کاری شامل ہے

** ٹھیکہ پر کام دئے جانے والا عملہ شامل ہے

نوٹ: متعلقہ سالوں کے اعداد و شمار میں دوبارہ بیان کے اثرات شامل ہیں (جیسا کہ قابل اطلاق ہے)



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PAK LIBYA
HOLDING COMPANY (PRIVATE) LIMITED**

Report on the audit of the financial statements

Qualified Opinion

We have audited the annexed financial statements of **Pak Libya Holding Company (Private) Limited** (the Company), which comprise the statement of financial position as at **December 31, 2020**, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and 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 December 31, 2020 and of the profit and loss, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

Investments (refer note 8.2.6) include term finance certificates (TFC) amounting to Rs. 398.58 million (2019: Rs. 398.58 million). We were unable to obtain sufficient appropriate audit evidence to determine the recoverability of these TFCs. There are no other sufficient alternative audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in these financial statements for the year ended December 31, 2020. Adjustment to the figures described above might have consequential effects on the Company's results for the year ended December 31, 2020 and the financial position of the Company as at December 31, 2020 and the related disclosures presented in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards

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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 qualified opinion.

Emphasis of Matters

We draw attention to the following matters:

- i) Refer note 1.2 to the accompanying financial statements which explains that the Company has been non-compliant with minimum capital requirements since prior years which has a trickle-down effect on every aspect of the operations; and
- ii) Refer note 13.1.1 & 42.2 to the accompanying financial statements relating to the company's plan and actions for disposal of asset relating to Kamoki Energy Limited (KEL).

Our opinion is not modified in respect of the above matters.

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the financial statements does not cover the other information and we 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 in the other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period


and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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) have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Company and the transactions of the Company which have come to our notice have been within the powers of the Company; and
- d) no zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.


Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date: 09 APR 2021



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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF CORPORATE GOVERNANCE

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We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Statement) prepared by the Board of Pak-Libya Holding Company (Private) Limited (the Company) for the year ended December 31, 2020. The Code of Corporate Governance is no longer applicable on Development Finance Institutions (DFI's) vide BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFI's are expected to continue to follow the best practice on corporate governance.

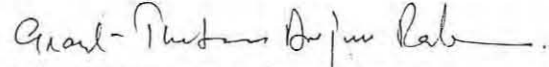
The responsibility for voluntary compliance with the Statement is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of compliance reflects the status of the Company's compliance with the provisions of the Statement and report if it does not and to highlight any non-compliance with the requirement of the Statement. 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 Statement.

As part of our audit of 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 risk.

As a best practice, the Company 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 distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length priced recording proper justification for using such alternate pricing mechanism. 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 best practices of corporate governance followed by the Company for the year ended December 31, 2020.

Date: 09 APR 2021
Karachi


Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner



STATEMENT OF INTERNAL CONTROLS FOR THE YEAR ENDED 31 DECEMBER 2020

OVERVIEW OF INTERNAL CONTROL SYSTEM

It is the responsibility of the Company's management to establish and maintain a sound system of internal controls that helps in effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Due to inherent limitation, internal controls may not prevent or detect and correct, misstatements. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Following is the brief on the internal control systems:

- Management identifies control objectives for key areas, makes necessary policies and procedures for effective controls and ensures implementation of the same.
- Policies for various key areas have been made which have been approved by the Board of Directors.
- Policies and procedures are reviewed and amendments are made to continuously bring required improvements in the same from time to time.
- The Company has internal audit function which reports to the Audit Committee and reviews the application of policies and procedures and ensures identification for rectification of control weaknesses (if any).
- On a regular basis, observation of control environment, appropriate test of transactions, sharing of findings of internal control systems and implementation of relevant appropriate corrective actions are carried out.
- The observations and weaknesses identified and reported by the auditors (internal, external and the State Bank of Pakistan (SBP)) are duly taken into account by the management and necessary control measures are taken to avoid repetition of those observations and exceptions.
- Management endeavors to ensure timely and satisfactory response to the recommendations and suggestions made by the auditors and the same are periodically reviewed for implementation by the internal audit department.
- Budgets and plans are approved by the Board of Directors which are monitored for implementation on periodic basis.
- Due attention is given to enhance overall competence level and knowledge of the employees to achieve the desired level of internal control systems.

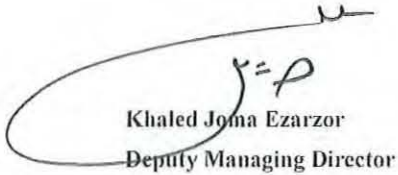
INTERNAL CONTROLS OVER FINANCIAL REPORTING

- Documentation for Internal Controls Over Financial Reporting (ICFR) has been updated in current financial year, as well, to incorporate the updated status of processes and controls as a result of new operating activities and implementation of related controls/system. This is aimed to bring further improvement in the ICFR framework of the Company.
- SBP's instructions (specific or general) issued on the matter of ICFR from time to time are being complied at earliest possible timelines.
- The SBP has granted exemption, to the Company, from the requirement of Statutory Auditors' Long Form Report on ICFR. Consequently, the Company has been submitting the Audit

Committee's annual assessment report on the efficacy of the Internal Control over Financial Reporting as required under circular 'OSD Circular No. 01 of 2014' dated 7 February 2014.

EVALUATION OF INTERNAL CONTROL SYSTEMS INCLUDING INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's internal controls including internal controls over financial reporting are sound in design and are being effectively implemented and monitored. The Company has made efforts during the financial year 2020 to bring further improvements in the internal control systems through implementation of integrated Credit system and related automated controls. The new system is under user acceptance testing process therefore any gaps identified are being reviewed vis-à-vis in the internal control systems, including internal controls over financial reporting and are targeted to be completed at the earliest possible timeline.



Khaled Joma Ezarzor
Deputy Managing Director



Khurram Hussain
Managing Director & CEO



**STATEMENT OF BEST PRACTICES OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2020**

This statement is being presented to conform with the best practices of Corporate Governance which are being practiced by Pak-Libya Holding Company (Private) Limited ("the Company" or "Pak-Libya" or "PLHC"). The Code of Corporate Governance (the Code) as framed by the Securities and Exchange Commission of Pakistan is not mandatory for the DFIs as per BPRD circular 14 of 2016 issued on 20 October 2016 by the State Bank of Pakistan (SBP).

The Company nevertheless, has applied the principles considered to be the best practices in Corporate Governance in the following manner:

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Libya (State of Libya), the Company's board of directors comprises of six directors with three directors nominated by each Government. The Company encourages representation of non-executive directors on its board of directors (the Board). At present the Board includes:

Category	Names
Executive Directors (two)	Mr. Khurram Hussain – Managing Director Mr. Khaled Joma Ezarzor – Deputy Managing Director
Non-Executive Directors (Four)	Mr. Bashir Bilqasim Omer Mr. Abrar Ahmed Mirza Mr. Abdulfatah Ashour Ali Ejayedli Dr. Muhammad Tahir Noor

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. The Company has prepared code of conduct and statement of ethics and business practices and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
6. During the year, no vacancy existed on the Board.
7. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and relevant Regulations.
8. 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 the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

9. The Board of Directors has a formal policy and transparent procedures for remunerations of directors in accordance with the Companies Act, 2017 and the Regulations.
10. All directors were provided with an Orientation Package on their appointment. Currently, one director has completed the Director's Training Certificate under the Director's Training Program.
11. The appointments of the Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms of employment are approved by the Board and complied with relevant requirements of the Regulations.
12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Board has formed committees comprising of members given below:

Committee	Name of Chairman / Members
Audit Committee	Dr. Muhammad Tahir Noor – Chairman Mr. Abrar Ahmed Mirza – Member Mr. Abdulfatah Ejayeddi – Member
Risk Management Committee	Mr. Abrar Ahmed Mirza – Chairman Mr. Abdulfatah Ejayeddi – Member Mr. Khaled Joma Ezarzor – Member
Human Resource Management Committee	Mr. Bashir B. Omer – Chairman Mr. Abdulfatah Ejayeddi – Member Dr. Muhammad Tahir Noor – Member
Credit / Investment Committee	Mr. Bashir B. Omer – Chairman Mr. Abrar Ahmed Mirza – Member Mr. Khurram Hussain – Member

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
15. The frequency of meeting of the committees, during the year, were as per follows:

Audit Committee	4
Risk Management Committee	2
Human Resource Management Committee	1

16. The Board has set up an effective internal audit function.
17. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

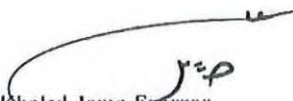
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors confirmed that they have observed IFAC guidelines in this regard.
19. The SBP vide BPRD circular No. 14 dated October 2016 has intimated that the requirement of CCG as mentioned in Prudential Regulations are now no longer applicable on DFIs, however it is expected that all DFIs will continue to follow the best practices on corporate governance.



Bashir B Omar
Chairman



Khurram Hussain
Managing Director & CEO



Khaled Joma Ezarzor
Deputy Managing Director

Pak Libya Holding Company (Private) Limited

Financial Statements

For the year ended December 31, 2020

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020	2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	5	63,155	32,474
Balances with other banks	6	82,159	134,554
Lendings to financial institutions	7	3,400,000	2,800,000
Investments	8	24,912,515	19,019,915
Advances	9	5,674,009	4,525,151
Fixed assets	10	97,813	87,155
Intangible assets	11	1,964	3,190
Deferred tax asset - net	12	189,306	52,526
Non-banking assets acquired in satisfaction of claim - held for sale	13	1,179,360	1,179,360
Other assets	13	1,410,178	1,263,532
		<u>37,010,459</u>	<u>29,097,857</u>
LIABILITIES			
Bills payable	15	-	-
Borrowings	16	26,391,955	21,914,147
Deposits and other accounts	17	4,042,892	1,551,020
Liabilities against assets subject to finance lease	18	-	-
Sub-ordinated loans	19	-	-
Deferred tax liabilities	20	-	-
Other liabilities	21	612,551	379,173
		<u>31,047,398</u>	<u>23,844,340</u>
NET ASSETS		<u><u>5,963,061</u></u>	<u><u>5,253,517</u></u>
REPRESENTED BY			
Share capital	22	7,871,780	6,141,780
Reserves		372,477	311,650
(Deficit) on revaluation of assets - net of tax	23	(281,624)	(36,336)
Unappropriated / unremitted (loss)		(2,134,572)	(2,363,577)
Advance against shares subscription		135,000	1,200,000
		<u>5,963,061</u>	<u>5,253,517</u>
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 51 and annexures I & II form an integral part of these financial statements. *S/S*


 Chief Financial Officer


 Managing Director & CEO



 Director


 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
Mark-up / return / interest earned	26	3,208,957	1,928,804
Mark-up / return / interest expensed	27	<u>2,496,438</u>	<u>1,852,255</u>
Net mark-up / interest income		712,519	76,549
 NON MARK-UP / INTEREST INCOME			
Fee and commission income	28	15,183	10,001
Dividend income		55,339	54,376
Foreign exchange income		99	13
Income / (loss) from derivatives		-	-
Gain / (loss) on securities - net	29	428,909	(44,515)
Other income	30	4,069	5,402
Total non mark-up / interest income		<u>503,599</u>	<u>25,277</u>
Total Income		<u>1,216,118</u>	<u>101,826</u>
 NON MARK-UP/INTEREST EXPENSES			
Operating expenses	31	559,329	446,192
Workers welfare fund	24.3.7	-	-
Other charges	32	16,525	15,365
Total non mark-up / interest expenses		<u>575,854</u>	<u>461,557</u>
Profit / (loss) before provisions		640,264	(359,731)
Provisions / (reversal) and write offs - net	33	180,294	(82,904)
Extraordinary / unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		<u>459,970</u>	<u>(276,827)</u>
Taxation	34	155,835	26,886
PROFIT / (LOSS) AFTER TAXATION		<u>304,135</u>	<u>(303,713)</u>
— (Rupees) —			
Basic earnings / (loss) per share	35	<u>443.23</u>	<u>(494.50)</u>
Diluted earnings / (loss) per share	36	<u>443.23</u>	<u>(494.50)</u>

The annexed notes 1 to 51 and annexures I and II form an integral part of these financial statements. *SSM*


 Chief Financial Officer


 Director


 Managing Director & CEO

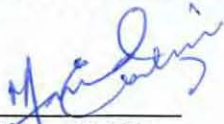

 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
----- (Rupees in '000) -----			
Profit / (loss) after taxation		304,135	(303,713)
Other comprehensive income - net			
Items that may be reclassified to profit and loss account in subsequent periods:			
Effect of translation of net investment in foreign branches		-	-
Movement in (deficit) / surplus on revaluation of investments - net of tax*		(245,287)	178,835
Others		-	-
		(245,287)	178,835
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement gain on defined benefit obligations	39.8.2	5,367	9,906
Movement in surplus on revaluation of operating fixed assets - net of tax		-	-
Movement in surplus on revaluation of non-banking assets - net of tax		-	-
		5,367	9,906
Total comprehensive income / (loss)		<u>64,215</u>	<u>(114,972)</u>

*Surplus / (deficit) arising on revaluation of 'Available-for-sale securities' - net of tax has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on 26 June 2014.

The annexed notes 1 to 51 and annexures I and II form an integral part of these financial statements. *Sim*


 Chief Financial Officer


 Director


 Managing Director & CEO


 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital/ Head office capital account	Statutory reserve*	Surplus/(Deficit) on revaluation of		Unappropriated/ Unremitted profit/ (loss)	Total
			Investments	Fixed / Non Banking Assets		
(Rupees in '000)						
Opening balance as at 1 January 2019	6,141,780	311,650	(215,171)	-	(2,069,770)	4,168,489
(Loss) after taxation for the year 2019	-	-	-	-	(303,713)	(303,713)
Other comprehensive income - net of tax	-	-	178,835	-	-	178,835
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-
Remeasurement gain on defined benefit obligations	-	-	-	-	9,906	9,906
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Exchange adjustments on revaluation of capital	-	-	-	-	-	-
Opening balance as at 01 January 2020	6,141,780	311,650	(36,336)	-	(2,363,577)	4,053,517
Profit after taxation for the year 2020	-	-	-	-	304,135	304,135
Other comprehensive income - net of tax	-	-	(245,287)	-	-	(245,287)
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	60,827	-	-	(60,827)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-
Remeasurement gain on defined benefit obligations	-	-	-	-	5,367	5,367
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of share capital	1,730,000	-	-	-	-	1,730,000
Stamp duty on shares issuance	-	-	-	-	(19,670)	(19,670)
Exchange adjustments on revaluation of capital	-	-	-	-	-	-
Closing balance for the year 2020	7,871,780	372,477	(281,623)	-	(2,134,572)	5,828,062

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 and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

The annexed notes 1 to 51 and annexures I and II form an integral part of these financial statements. *SM*

M. J. Khan
Chief Financial Officer

M. J. Khan
Managing Director & CEO

M. J. Khan
Director

M. J. Khan
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		459,970	(276,826)
Less: Dividend income		<u>(55,339)</u>	<u>(54,376)</u>
		404,631	(331,202)
Adjustments:			
Depreciation	10.2	30,720	25,331
Amortization	11	1,226	1,142
(Reversal) / provision and write-offs	9.4	(52,518)	(20,537)
Unrealised loss on revaluation of investments classified as 'held-for trading'		412	397
Reversal of provision against lendings to financial institutions		-	-
(Reversal) of provision / provision against other assets	13.2.1	-	19,504
Provision against contingencies	21	215,000	-
Provision / (reversal) of provision for diminution in the value of investments - net	8.3.1	17,811	(81,871)
(Gain) on sale of operating fixed assets	30	(544)	(449)
		<u>212,107</u>	<u>(56,483)</u>
		616,738	(387,685)
(Increase) / decrease in operating assets			
Lendings to financial institutions		50,000	(850,000)
Held-for-trading securities		(7,313)	502,555
Advances		(1,096,340)	(154,305)
Others assets (excluding advance taxation)		26,809	(342,432)
		<u>(1,026,844)</u>	<u>(844,182)</u>
Increase / (decrease) in operating liabilities			
Bills payable		-	-
Borrowings from financial institutions		4,477,808	6,561,154
Deposits		2,491,872	907,445
Other liabilities		23,745	117,662
		<u>6,993,425</u>	<u>7,586,261</u>
		6,583,318	6,354,394
Income tax paid		<u>(356,332)</u>	<u>(121,421)</u>
Net cash generated from operating activities		6,226,987	6,232,973
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in 'available-for-sale' securities - net		(6,393,230)	(7,278,058)
Investments in 'held-to-maturity' securities - net		130,695	(68,106)
Dividend received		55,339	56,576
Investments in operating fixed assets - net		(43,282)	(56,177)
Proceeds from sale of operating fixed assets		2,448	2,170
Proceeds from sale of shares of subsidiary company		4,000	-
Net cash flow (used) in investing activities		<u>(6,244,030)</u>	<u>(7,343,595)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts/payments of subordinated debt		-	-
Receipts/payments of lease obligations		-	-
Issue of share capital		1,730,000	-
Advance against share subscription		(1,065,000)	1,200,000
Stamp duty on shares issuance		(19,670)	-
Dividend paid		-	-
Remittances made to/received from company		-	-
Net cash flow generated from financing activities		<u>645,330</u>	<u>1,200,000</u>
Net increase in cash and cash equivalents		628,287	89,379
Cash and cash equivalents at beginning of the year		1,867,029	1,777,650
Cash and cash equivalents at end of the year	37	<u>2,495,315</u>	<u>1,867,029</u>

The annexed notes 1 to 51 and Annexures I & II form an integral part of these financial statements. *CSM*


Chief Financial Officer


Managing Director & CEO


Director


Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATUS AND NATURE OF BUSINESS

- 1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure of the Company for further thirty years upto 14 October 2038. The objectives of the Company inter alia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has one sales and service center located at Lahore. Effective 05 August 2012, activities of Islamabad office have been suspended for the time being after review of the business strategy.

- 1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs. 6 billion. The paid-up capital of the Company (free of losses) as of 31 December 2020 amounted to Rs. 5.737 billion (31 December 2019: Rs. 3.778 billion). The Company has been non-compliant with minimum capital requirements since prior years which has a trickle-down effect on every aspect of the operations including various reduced prudential limits.

Therefore, the BoD of the Company approved a 5-year plan, prepared by the management, together with projections. As a result, the management of the Company has taken following steps to improve the financial position of the Company.

During the year, the Company has increased its paid up capital against the equity received in tranches from shareholders. Consequently, the paid up capital of the Company has increased from Rs. 6.141 billion to Rs.7.871 billion. Since the Libyan shareholder has already injected entire share of equity, its remaining amount of Rs.135 million has been treated as advance against share subscription till issuance of remaining shares.

Subsequent to the year end, the Company has received remaining portion of final tranche of Rs. 135 million from GoP and issued shares amounting to Rs. 270 million (Rs. 135 million each shareholder); therefore, the paid up capital of the Company has increased to Rs. 8.141 billion and its capital free of losses met the minimum capital requirements.

The existence of novel corona virus (COVID-19) was confirmed in early 2020 and spread across the globe, causing disruption to businesses and economic activities. The spread of contagion and its impacts on international economy, triggered an unsettling fear of global recession as the pandemic causing disruption to businesses and economic activities all over the world.

The Pakistan government has taken unprecedented steps to dampen the impact of COVID-19 and has unveiled a sizable rescue and stimulus package with a good balance between providing direct assistance to the vulnerable and protecting industry and businesses. State Bank of Pakistan (SBP) was equally supportive and introduced various measure to support economy of Pakistan.

In this regard, SBP reduced the policy rate by cumulative 625 basis points between March to June 2020 and took following measures to ensure soundness of overall banking system and to support economic activities by:

- Reducing the capital conservation buffer by 100 basis points to 1.5% to enable financial institutions to lend additional amounts,
- Increasing the regulatory limit on extension of credit to SMEs to Rs. 180 million,
- Allowing banks to defer clients' payment of principal on loan obligation by one year, and relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief for principal and mark up,
- Reducing margin requirement of 30% vis-à-vis banks' financing against listed shares to 10%, and
- Relaxation in recording impairment of capital market investment etc.

The Company responded to this fluid situation and implemented mitigating factors by having lean structure in place, holding Credit, ALCO and Investment committees meeting via video-link, invoking business continuity planning (BCP) arrangements and continuous review of the existing credit and investment portfolios. Further, the Company responded the aforementioned efforts of GoP/SBP and extended support to customers under various relief schemes amounting to PKR 1,220 million. Simultaneously, the Company availed relaxation in recording impairment in phase manner on capital market investments.

Moreover, the Company has taken various measures including efforts to dispose of non-banking assets related to Kamoki Energy Limited with an objective to deploy these assets into economic use so that it could contribute many positive benefits to the economy and a sustainable income stream supplementing the core activities of the Company together with focus on tighten the controls over operating cost with the aim to attain profit and positive cash flows from operations.

The investors were conscious for their existing investments, due to overall uncertainty, let alone considering new investment. Despite all the challenges, the management managed to implement the revised business strategy and is taking steps to improve the Company's liquidity, profitability and cash flows via active cost saving and other measures. The management is confident that, taking into account the above mentioned plans and measures vis-a-vis actual performance, the Company will have sufficient funds to finance its operations and to meet its financial obligations. The Company based on these developments, requested SBP for MCR extension.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- The accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the ICAP, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan ("the SECP").

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

The SBP through its BSD circular No. 10 dated 26 August 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement', and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. The SECP has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The SBP vide BPRD circular No. 2 dated 25 January 2018 has issued revised format of annual financial statements. These financial statements have been presented in accordance with such revised format.

These financial statements represents standalone financial statements of the Company.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operation and therefore not detailed in these financial statements, except as follows:

New or Revised Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 3 Definition of a Business (Amendment to IFRS 3)	January 1, 2020
IAS 1 and IAS 8 Definition of Material (Amendment to IAS 1 and IAS 8)	January 1, 2020
IFRS 9, IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2020

The adoption of IFRS does not have any material impact on the Company's financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have any material impact on the Company's financial statements in the period of their initial application.

The following new standards and amendments to existing accounting standards will be effective from dates mentioned below against respective standards or amendments.

	Effective date (annual periods beginning on or after)
IFRS 16, IFRS 9 and IAS 21 specific application is now applicable to all companies including those having PPAs signed on or after 01 January 2019	June 1, 2020
IFRS 16 COVID-19 Rent Related Concessions	June 1, 2020
IFRS 9, IAS 39, IFRS7, IFRS4, and IFRS16 Interest Rate Benchmark Reform Phase 2	January 1, 2021
IFRS 17 Insurance Contracts	January 1, 2022
IFRS 17 and IFRS 4 Ammenment to IFRS 17 Insurance Contracts	January 1, 2022
IFRS 3 References to Conceptual Framework	January 1, 2022
IFRS 1, IFRS 9, IFRS 16 and Annual Improvements to IFRS Standards 2018-2020 cycle	January 1, 2022

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 9 (ECL model on the financial assets due from Government)	July 1, 2021

2.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for bad and doubtful advances including net investment in lease (note 4.5)
- b) Classification and provisioning of investments (note 4.4 & 4.15)
- c) Depreciation of property and equipment and amortisation of intangible assets (note 4.6)
- d) Assumptions and estimation in recognition of deferred taxation (note 4.13)
- e) Accounting for defined benefit plan and compensated absences (note 4.9)
- f) Impairment (note 4.14)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these financial statements are same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2019.

4.1 These financial statements have been prepared in accordance with SBP revised format of financial statements for Banks / DFIs issued vide BPRD circular No. 02 of 2018.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.3 Securities under repurchase / resale agreements

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

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

4.4 Investments

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

The Company has classified its investments, except for strategic investment in joint venture, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to profit and loss account.

Intra day trading

The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale

These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost being its fair value which includes transaction costs associated with the investment. These are carried at market value except for unlisted securities where market value is not available, which are carried at lower of cost and break-up value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account. Provision for diminution in value of investments in respect of unlisted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' is included in the profit and loss account for the period.

The Company amortises the premium / discount on acquisition of government securities using the effective yield method.

Provision for diminution in value of investments for unlisted debt securities is calculated as per the SBP's Prudential Regulations.

The Company follows the 'Settlement date' accounting for investments.

Gains and losses arising on sale of investments are recognised in the profit and loss account.

Investment in subsidiary

Investment in subsidiary are valued at cost less impairment, if any. Gains and losses on disposal of investments is recognised in the profit and loss account.

Investment in associate

Associates are those entities in which the Company has significant influence but does not have control over the financial and operating policies. The Company recognizes gains and losses of the associates on equity accounting basis, from the date significant influence commences until the date that significant influence ceases, until the share of losses exceeds its interest in associate.

4.5 Advances including net investment in finance leases

Advances are stated as net of provisions for bad and doubtful debts, if any, which are charged to the profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets are transferred to the lessee, such leases are classified as finance lease.

A receivable is recognised at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

Provisions**Specific**

Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account.

General provision

General provision is maintained on consumer financing portfolio in accordance with the requirements of Prudential Regulations for Consumer Financing issued by SBP and charged to the profit and loss account.

4.6 Operating fixed assets and depreciation**4.6.1 Owned**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

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

Assets are derecognised when no future economic benefit is expected from its use or disposal. Profit or loss on sale or retirement of fixed assets is included in the profit and loss account.

4.6.2 Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6.3 Right of use assets (ROUA)

The Company recognises 'Right of use asset' (ROUA) in respect of the leases measured as the present value of the remaining lease payments on property lease agreements and discounted using the incremental borrowing rate for the Company. These assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. These assets are also reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

4.6.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight line method over their estimated useful lives after taking into account the residual value, if any.

Amortisation on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

Amortisation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no amortisation is charged on additions during the second half of the month and disposals in the first half of the month.

4.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at cost / forced sale value at the time of acquisition. These assets are revalued as per SBP's requirement by independent professionally qualified valuer to ensure that their carrying value does not exceed their fair value / valuation.

4.8 Borrowings and deposits

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to profit and loss account on a time proportion basis.

4.9 Staff retirement benefits

Defined benefit plan

- Gratuity Fund

The Company operates a funded gratuity scheme for all its permanent employees in accordance with the human resource policy of the Company and terms of employment for managing director and deputy managing director. Contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised).

The last actuarial valuation of the scheme was carried out as at 31 December 2020. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

- Benevolent Fund

The Company operates a benevolent fund scheme for its employees where equal fixed contributions are being made by employees and the Company. Employees or their legal heirs are entitled to certain pre-defined benefits on happening of specified events including retirement, incapacitation, marriage and death etc. as per their entitlement. Contributions paid by Company to the fund are included in expenses for the period.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at a rate of 3.5 and 4 (2020: 3.5 and 4) percent respectively and 10 percent of salary for the managing director and deputy managing director, as applicable. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of the future payments is available.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the statement of financial position date.

The Company recognises provision for compensated absences on the basis of actuarial valuation under Projected Unit Credit Method. The last actuarial valuation was carried out as at 31 December 2020.

4.10 Functional and presentation currency

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

4.11 Foreign currencies

Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in the profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

Commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

4.12 Revenue recognition

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

Dividend income is recognised when the Company's right to receive payment is established.

Gain on sale of securities is recognised at the time of sale of relevant securities.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates, sukuk, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis using the effective interest method except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Premium or discount on debt securities is amortised using the effective interest method and taken to profit and loss account.

The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

4.13 Taxation

Current

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

Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.15 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Company to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the provision is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.16 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.17 Dividend and reserves

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

4.18 Earnings per share

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

4.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Company's primary format of reporting is based on its business segments for which individual business strategies are formulated based on Company's overall business strategy and implementation plan.

Business segments

Following are the main segments of the Company:

Corporate & Investment Banking	Includes loans, advances, lease financing, advisory services, mergers and acquisitions and other such corporate and investment banking transactions.
Treasury	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the interbank market and manages the interest rate risk exposure of the Company.
Capital Market	Undertakes trading and investment primarily in listed securities with an aim to earn trading gains from market fluctuation and to hold securities for dividend income and price appreciation in the form of capital gain.
SME & Retail Banking	Undertakes SME and Retail Finance activities via bills discounting, business loans against mortgaged property, auto-lease financing and consumer financing.

Geographical segments

The geographical spread of Company's operations is limited to Pakistan only.

4.20 Borrowing cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.21 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

	Note	2020	2019
		----- (Rupees in '000) -----	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6	6
Foreign currency		5,749	157
		5,755	163
With State Bank of Pakistan in			
Local currency current account	5.1	56,448	31,534
		56,448	31,534
With other central banks in			
Foreign currency current account		-	-
Foreign currency deposit account		-	-
		-	-
With National Bank of Pakistan in			
Local currency current account		952	777
Local currency deposit account		-	-
		952	777
Prize bonds		-	-
		<u>63,155</u>	<u>32,474</u>

5.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

	Note	2020	2019
		----- (Rupees in '000) -----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		29,992	12,355
In deposit accounts	6.1	52,167	122,199
		82,159	134,554
Outside Pakistan			
In current accounts		-	-
In deposit accounts		-	-
		-	-
		<u>82,159</u>	<u>134,554</u>

6.1 The return on these balances ranges from 5.50 to 11.30 (2019: 8.00 to 11.75) percent per annum.

	Note	2020	2019
		----- (Rupees in '000) -----	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	7.1.1	3,433,064	2,833,064
		3,433,064	2,833,064
Less: provision held against lending to financial institutions	7.3	(33,064)	(33,064)
Lending to financial institutions - net of provision		<u>3,400,000</u>	<u>2,800,000</u>
7.1 Particulars of lending			
In local currency		3,400,000	2,800,000
In foreign currencies		-	-
		<u>3,400,000</u>	<u>2,800,000</u>

7.1.1 Call / clean money lending includes term deposit receipts carrying mark-up at rates ranging from 7.65 to 9.50 (31 December 2019: 14.50 to 15.00) percent per annum. These are due to mature between 29 January 2021 and 28 April 2021.

15 PAK-LIBYA HOLDING COMPANY(PRIVATE) LIMITED

		2020		2019			
		----- (Rupees in '000) -----					
7.2	Securities held as collateral against-Lending to financial institutions	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
	Market treasury bills	-	-	-	-	-	-
	Pakistan investment bonds	-	-	-	-	-	-
	Others	-	-	-	-	-	-
	Total	-	-	-	-	-	-

		2020		2019	
		Classified Lending	Provision held	Classified Lending	Provision held
		----- Rupees in '000 -----			
Domestic					
	Other assets especially mentioned	-	-	-	-
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	33,064	33,064	33,064	33,064
	Total	33,064	33,064	33,064	33,064

Overseas

The Company does not have any overseas lending during 2020 (2019 : Nil).

8 INVESTMENTS

8.1 Investments by type:

Held-for-trading securities

Federal government securities
Shares

	2020				2019			
	(Rupees in '000)				(Rupees in '000)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	-	-	-	-	-	-	-	-
	15,214	-	(412)	14,803	8,298	-	(397)	7,901
	15,214	-	(412)	14,803	8,298	-	(397)	7,901
Available-for-sale securities								
Federal government securities Shares	22,033,674	-	(367,698)	21,665,976	15,380,521	-	27,459	15,407,980
Non government debt securities	1,227,537	(373,166)	(35,798)	818,573	1,309,674	(366,564)	(79,630)	863,480
	2,690,746	(343,758)	(3,701)	2,343,287	2,868,532	(332,549)	-	2,535,983
	25,951,957	(716,924)	(407,197)	24,827,836	19,558,727	(699,113)	(52,171)	18,807,443
Held-to-maturity securities								
Non government debt securities	74,742	(6,366)	-	68,376	205,437	(6,366)	-	199,071
	74,742	(6,366)	-	68,376	205,437	(6,366)	-	199,071
Associates	706,367	(704,867)	-	1,500	705,367	(704,867)	-	500
Subsidiaries	-	-	-	-	5,000	-	-	5,000
Total	26,748,280	(1,428,157)	(407,609)	24,912,515	20,482,829	(1,410,345)	(52,568)	19,019,915

Particulars of Associates

Name of investee	% Holding	2020		2019		Assets	Liabilities	Based on Audited financial statements as at
		Number of shares	Cost	Number of shares	Cost			
		— (Rupees in '000) —						
FTC Management Company Limited (CEO - Mr. Kalim Sheikh)								
Unlisted ordinary Shares	9.10%	50,000	500	50,000	500	516,981	101,336	30 June 2020
Kamoki Energy Limited (under liquidation)								
Unlisted ordinary shares	50%	50,000,000	404,867	50,000,000	404,867	-	-	Under liquidation
Unlisted preference shares	100%	30,000,000	300,000	30,000,000	300,000	-	-	
Kamoke Powergen (Private) Limited (CEO - Mr. Farooq Mughal)								
Unlisted ordinary shares	20%	100,000	1,000	-	-	5,717	1,466	30/11/2020 (Unaudited)
			<u>706,367</u>		<u>705,367</u>	<u>522,698</u>	<u>102,802</u>	

Particulars of Subsidiaries

Name of investee	% Holding	2020		2019		Assets	Liabilities	
		Number of shares	Cost	Number of shares	Cost			
		— (Rupees in '000) —						
Kamoke Powergen (Private) Limited (CEO - Mr. Kashif Shabbir)								
Unlisted ordinary shares	100%	-	5,000	500,000	5,000	5,757	1,376	31 December 2019
			<u>-</u>		<u>5,000</u>	<u>5,757</u>	<u>1,376</u>	

Note	2020 — (Rupees in '000) —				2019 — (Rupees in '000) —			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:								
Federal government securities								
Market treasury bills	-	-	-	-	2,371,312	-	(3,603)	2,367,709
Pakistan investment bonds	22,033,674	-	(367,698)	21,665,976	13,009,209	-	31,062	13,040,271
	<u>22,033,674</u>	<u>-</u>	<u>(367,698)</u>	<u>21,665,976</u>	<u>15,380,521</u>	<u>-</u>	<u>27,459</u>	<u>15,407,980</u>
Shares								
Listed companies	1,190,450	(320,865)	(36,210)	833,376	1,265,670	(314,262)	(80,027)	871,381
Unlisted companies	52,301	(52,301)	-	-	52,301	(52,301)	-	-
	<u>1,242,751</u>	<u>(373,166)</u>	<u>(36,210)</u>	<u>833,376</u>	<u>1,317,971</u>	<u>(366,563)</u>	<u>(80,027)</u>	<u>871,381</u>
Non government debt securities								
Listed	867,300	(22,387)	(3,701)	841,212	881,466	(22,387)	-	859,080
Unlisted	1,898,189	(327,737)	-	1,570,451	2,192,503	(316,528)	-	1,875,974
	<u>2,765,489</u>	<u>(350,124)</u>	<u>(3,701)</u>	<u>2,411,663</u>	<u>3,073,969</u>	<u>(338,915)</u>	<u>-</u>	<u>2,735,054</u>
Associates								
FTC Management Company Limited								
Unlisted ordinary shares	500	-	-	500	500	-	-	500
Kamoki Energy Limited (Joint Venture under Liquidation)								
Unlisted ordinary shares	404,867	(404,867)	-	-	404,867	(404,867)	-	-
Unlisted preference shares	300,000	(300,000)	-	-	300,000	(300,000)	-	-
Kamoke Powergen (Pvt.) Limited								
Unlisted ordinary shares	1,000	-	-	1,000	-	-	-	-
	<u>706,367</u>	<u>(704,867)</u>	<u>-</u>	<u>1,500</u>	<u>705,367</u>	<u>(704,867)</u>	<u>-</u>	<u>500</u>
Subsidiaries								
Kamoke Powergen (Pvt.) Limited								
Unlisted ordinary shares	-	-	-	-	5,000	-	-	5,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total	<u>26,748,281</u>	<u>(1,428,157)</u>	<u>(407,609)</u>	<u>24,912,515</u>	<u>20,482,828</u>	<u>(1,410,345)</u>	<u>(52,568)</u>	<u>19,019,915</u>

8.2.1 Investments given as collateral

Market treasury bills
Pakistan investment bonds

2020	2019
Cost	
— (Rupees in '000) —	
-	650,000
17,885,000	13,000,000
<u>17,885,000</u>	<u>13,650,000</u>

- 8.2.2 This represents 50% shareholding in the ordinary shares (Rs.10 each) of Kamoki Energy Limited (KEL), which has been fully provided. The book value represents cost of investment amounting to Rs. 500 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment was designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.
- 8.2.3 These include preference shares amounting to Rs.300 million which are cumulative, convertible, redeemable and non-participatory carrying dividend at the rate of 17% per annum having face value of Rs.10 each. These were redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon would be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.
- 8.2.4 It includes unlisted ordinary shares of FTC Management Company (Private) Limited. FTC Management Company (Private) Limited was incorporated in Pakistan. It is engaged in managing, operating and maintaining building housing offices with the name Finance and Trade Centre (FTC) for the mutual benefits of its owners and thus providing a nucleus for all joint and common services which are available in the FTC situated in Karachi.
- 8.2.5 The Company established a wholly owned subsidiary named Kamoke Powergen (Private) Limited with a paid-up capital of Rs. 5 million representing 500,000 ordinary shares of Rs. 10 each. The Company appointed an SVP grade executive (Mr. Kashif Shabbir) as Chief Executive Officer (CEO) of KPL. KPL has been established as a Special Purpose Vehicle (SPV) to obtain power generation license from NEPRA to increase the saleability of assets of KEL. SBP's approval was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016. During the year, the Company has disposed off its major shareholding and management control, therefore, the subsidiary has become an associate.
- 8.2.6 It includes an investment in listed term finance certificates (TFC) amounting to Rs. 398.58 million comprising 79,955 units. During last quarter of the 2018, upon maturity, the issuer informed investors the status of minimum capital requirements and its pending merger with and into another Bank. As a result, issuer could not make the final payment of its mark-up and entire principal amount. Consequently, an extraordinary meeting of the TFC holders was held on 19 November 2018 wherein the majority of the TFC holders agreed to extend the maturity date of the TFC Issue for a period of one year (27 October 2019) on the existing terms and conditions as the counter party invoked the lock-in clause governed by clause 4.1.1) of the 'Declaration of Trust' to hold the payment till the minimum capital requirement is met. The clause is mandatorily invoked for the time being until proposed merger; however, the pending merger had been called off and the Bank started working to resolve the issue. Therefore, another extraordinary meeting of the TFC holders was held on 20 November 2019 wherein, considering the developments, the majority TFC holders agreed to extend the maturity of the TFC Issue for a period of another one year (27 October 2020) on the same terms.
- Considering the delay in resolution, the TFC holders again agreed to extend the maturity period for another year ending 27 October 2021 so the Bank could finalise new arrangement with the investors for equity injection. The Bank acknowledges the debt and related mark-up as payable on the TFC Issue.
- In this regard, SBP has given its final approval for the period till 27 October 2020 however the Bank has requested a separate in-principal approval (similar to prior year) for the period covering till 27 October 2021.
- The management has evaluated overall situation vis-à-vis Bank's intention and ability to pay, accordingly, concluded that both the elements exist as it acknowledges the debt and there are no restrictions on its operations while the payment is delayed due to minimum capital requirements. Therefore, management has not provided any impairment on the said TFCs on subjective basis due to above facts and the recent developments & negotiations, in these financial statements.
- 8.2.7 It includes investment in unlisted TFCs of PIA amounting to Nil (31 December 2019 : Rs.11.058 million) against which no provision had been made on the basis of exposure being guaranteed by the Government as stated in Annexure V "Guidelines in the matter of classification and provisioning of assets" of Prudential Regulations R-8 of Corporate / Commercial Banking.

	Note	2020	2019
		-- (Rupees in '000) --	
8.3 Provision for diminution in value of investments			
8.3.1 Opening balance		1,410,345	1,492,216
Add: adjustments during the period / year		-	-
Charge / reversals			
Charge for the year		77,339	78,659
Reversals for the year		-	-
(Reversal) / charge on disposals		(59,528)	(160,530)
	33	17,811	(81,871)
Transfers / Mark-to-market - net		-	-
Amounts written off		-	-
Closing balance		1,428,156	1,410,345

8.3.2 Particulars of provision against debt securities Category of classification	2020		2019	
	Classified	Provision	Classified	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard*	99,940	11,209	-	-
Doubtful	-	-	-	-
Loss	338,915	338,915	338,915	338,915
	438,855	350,123	338,915	338,915

* Included herein is subjective provision on a certain exposure.

Overseas

The Company does not have any overseas investment during the year ended December 2020 (2019 : Nil).

8.4 Quality of Available for Sale securities

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

	Note	2020	2019
		-- (Rupees in '000) --	
		Cost	Cost
Federal Government Securities - Government guaranteed			
Market treasury bills		-	2,500,000
Pakistan investment bonds	8.4.1	17,885,000	13,000,000
Ijarah sukuk		-	-
Others		-	11,058
		17,885,000	15,511,058

8.4.1 Pakistan Investment Bonds

Floater

These Pakistan investment bonds carry interest rate of 7.89 (31 December 2019: 14.69) percent per annum. Effective yield on investment is 7.57 (31 December 2019: 14.26) percent per annum maturing latest by August 2029 (2019: August 2029). These are held by the SBP and are eligible for rediscounting.

Fixed

These Pakistan investment bonds carry interest rate of 9.50 to 10.00 (31 December 2019: 9.00 to 10.00) percent per annum. Effective yield on investment ranges 8.25 to 11.51 (31 December 2019: 11.25 to 11.68) percent per annum and will be maturing latest by September 2029 (31 December 2019: September 2029). These are held by the SBP and are eligible for rediscounting.

Provincial government securities - government guaranteed

The Company does not have any investment in provincial government guaranteed securities (2019: Nil).

8.4.2	Shares	2020		2019	
		Cost	Sector Wise Exposure	Cost	Sector Wise Exposure
		(Rupees in '000)		(Rupees in '000)	
8.4.2.1	Listed companies				
	- Fertilizer	506,110	43.06%	481,491	39.01%
	- Commercial banks	214,660	18.27%	188,076	15.24%
	- Financial services	42,026	3.58%	31,063	2.52%
	- Chemicals	-	0.00%	41,282	3.34%
	- Non life insurance	174,808	14.87%	240,506	19.48%
	- Food & Personal care products	31,387	2.67%	-	-
	- Pharmaceuticals	-	-	-	-
	- Refinery	-	-	-	-
	- Technology & communication	-	-	21,953	1.78%
	- Textile	80,764	6.87%	91,903	7.45%
	- Power generation & distribution	25,012	2.13%	42,843	3.47%
	- Engineering	11,507	0.98%	-	0.00%
	- Oil & gas	77,069	6.56%	95,302	7.72%
	- Cable & electrical goods	11,893	1.01%	-	-
		1,175,236		1,234,419	

8.4.2.1.1 The nominal value of each share held in a listed company is Rs.10 per share as at 31 December 2020 and 31 December 2019.

8.4.2.2	Unlisted companies	% holding	2020		2019	
			Cost	Breakup value	Cost	Breakup value
			(Rupees in '000)		(Rupees in '000)	
	Agro Dairies Limited	*	2,301	*	2,301	*
	CEO - Mr. Mukhtar Hussain Rizvi					
	Pakistan Textile City Limited	4%	50,000	**	50,000	**
	CEO - Mr. Muhammad Hanif					
			52,301		52,301	
			1,227,537		1,286,720	

* Under litigation

** Latest financial statements of Pakistan Textile City Limited are not available. The Company was under liquidation however, Ministry of Commerce & textile vide letter F.5(7) TID/18/Dev-II dated 24 April 2019 has stopped the process of liquidation and is working on a business plan for submission to ECC.

8.4.2.2.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at 31 December 2020 and 31 December 2019.

8.4.3 Non government debt securities

		Cost	
		2020	2019
		---- (Rupees in '000) ----	
8.4.3.1	Listed		
	AA+	-	-
	A	446,333	460,500
	A-	-	-
	BBB-	-	-
	CCC and below	398,580	398,580
	Unrated	22,387	22,386
		867,300	881,466
8.4.3.2	Unlisted		
	AA+	231,250	425,000
	A+	237,220	255,975
	AA	-	130,000
	A	635,000	434,910
	A-	189,814	99,960
	AA-	220,000	320,000
	BB+	-	-
	Unrated	310,163	321,221
		1,823,447	1,987,066
		2,690,747	2,868,532

8.4.4 Equity securities

8.4.4.1	Listed		
	Habib Bank Limited	40,257	-
	National Bank of Pakistan	-	50,223
	MCB Bank Limited	77,573	88,654
	United Bank Limited	17,871	8,716
	Bank Alfalah Limited	62,380	40,484
	The Bank of Punjab	16,580	-
	Pakistan Stock Exchange	-	31,064
	Agritech Limited	266,766	266,766
	Ittehad Chemicals Limited	-	41,282
	Fauji Fertilizer Company Limited	141,197	141,197
	Engro Corporation Limited	24,619	-
	Engro Fertilizers Limited	73,528	73,528
	Dawood Hercules Corporation Limited	42,025	-
	Pakistan Reinsurance Company Limited	87,265	85,796
	Adamjee Insurance Company Limited	47,469	67,115
	IGI holdings Limited	19,981	66,484
	Atlas Insurance Limited	20,093	21,112
	Treet Corporation Limited	17,400	-
	The Organic Meat Company Limited	13,986	-
	Gul Ahmed Textile Mills Limited	39,812	29,680
	TPL Corporation Limited	-	21,953
	Nishat Mills Limited	40,952	62,223
	Lalpir Power Limited	25,012	24,296
	Pakgen Power Limited	-	18,547
	Agha Steel Industries Limited	11,507	-
	Pakistan Petroleum Limited	36,214	-
	Pakistan State Oil	11,052	82,233
	Sui Southern Gas Company Limited	4,773	4,773
	Sui Northern Gas Pipeline Ltd	25,031	8,296
	Waves Singer Pakistan Limited	11,893	-
		1,175,236	1,234,419

		Cost	
		2020	2019
		---- (Rupees in '000) ----	
8.4.4.2	Unlisted		
	Agro Dairies Limited	2,301	2,301
	Pakistan Textile City Limited	50,000	50,000
		<u>52,301</u>	<u>52,301</u>
		<u>1,227,537</u>	<u>1,286,720</u>

Foreign securities

The Company does not have any investment in foreign securities (31 December 2019 : Nil).

		Cost	
		2020	2019
		---- (Rupees in '000) ----	
8.4.5	Particulars relating to held to maturity securities are as follows:		
8.4.5.1	Federal government securities - government guaranteed		
	Market treasury bills	-	-
	Pakistan investment bonds	-	-
	Sukuk	-	-
	Others	-	-

8.4.5.2 Provincial government securities - government guaranteed

The company does not have any investment in provincial government guaranteed securities (31 December 2019 : Nil)

		Cost	
		2020	2019
		---- (Rupees in '000) ----	
8.4.6	Non government debt securities		
8.4.6.1	Listed		
	- AAA	-	-
	- AA+, AA, AA-	-	-
	- A+, A, A-	-	-
	- BBB+, BBB, BBB-	-	-
	- BB+, BB, BB-	-	-
	- B+, B, B-	-	-
	- CCC and below	-	-
	- Unrated	-	-
8.4.6.2	Unlisted		
	A+	-	199,596
	A	68,376	-
	Unrated	6,366	5,841
		<u>74,742</u>	<u>205,437</u>

8.4.6.2.1 The carrying value of securities classified as held-to-maturity as at 31 December 2020 is approximate to their fair values due to the shorter tenor of these securities.

Foreign securities

The Company does not have any foreign debt investment during the year 2020 (2019 : Nil).

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
(Rupees in '000)							
Loans		4,259,574	3,492,830	1,266,807	1,320,703	5,526,381	4,813,533
Net investment in finance lease	9.1	321,717	484,849	146,938	146,938	469,655	631,787
Staff loans		145,087	144,145	-	-	145,087	144,145
Consumer loans and advances		2,309	3,823	38,014	37,907	40,323	41,730
Long-term financing of export oriented projects (LTF-EOP)		-	-	60,180	60,180	60,180	60,180
Long-term financing facility (LTFF)		318,830	336,223	-	-	318,830	336,223
Refinance scheme for payment of wages & salaries		506,666	-	-	-	506,666	-
Temporary economic relief facility (TERF)		56,816	-	-	-	56,816	-
Advances - gross		5,611,999	4,461,870	1,511,939	1,565,728	7,123,939	6,027,598
Provision against advances							
- Specific	9.4	-	-	1,449,884	1,502,343	1,449,884	1,502,343
- General		-	-	46	104	46	104
		-	-	1,449,930	1,502,447	1,449,930	1,502,447
Advances - net of provision		5,611,999	4,461,870	62,009	63,281	5,674,009	4,525,151

9.1 Net investment in finance lease as disclosed below:

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	335,597	158,552	-	494,149	416,574	323,551	-	740,125
Residual value	58,532	19,150	-	77,682	58,532	19,150	-	77,682
Minimum lease payments	394,129	177,702	-	571,831	475,106	342,701	-	817,807
Financial charges for future periods	91,421	10,755	-	102,176	134,655	51,364	-	186,019
	91,421	10,755	-	102,176	134,655	51,364	-	186,019
Present value of minimum lease payments	302,708	166,947	-	469,655	340,451	291,337	-	631,788

9.1.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amounts recoverable under these arrangements are receivable by the year 2024 and carry mark-up at rates ranging between 9.19 to 16.57 (31 December 2019: 9.10 to 17.12) percent per annum. In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs.77.682 million (31 December 2019: Rs.77.682 million) as security deposits on behalf of the lessees which are included under 'other liabilities'.

9.2 Particulars of advances (Gross)

In local currency
In foreign currency

2020	2019
(Rupees in '000)	
7,123,939	6,027,598
-	-
7,123,939	6,027,598

- 9.3 Advances include Rs.1,511.94 million (31 December 2019: Rs.1,565.73 million) which have been placed under non-performing status as detailed below:-

Category of classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	764	-	3,136	-
Substandard	3,018	755	1,274	319
Doubtful	993	497	1,523	761
Loss	1,507,164	1,448,632	1,559,795	1,501,263
Total	1,511,939	1,449,884	1,565,728	1,502,343

Overseas

The Company does not have any overseas advances during the year ended 31 December 2020 (31 December 2019 : Nil).

- 9.4 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,502,343	105	1,502,448	1,522,851	134	1,522,985
Charge for the year	2,284	-	2,283	9,212	-	9,212
Less: Reversal during the year	(54,743)	(58)	(54,801)	(29,720)	(29)	(29,749)
Net (reversal) for the year	(52,459)	(58)	(52,518)	(20,508)	(29)	(20,537)
Less: Amounts written off	-	-	-	-	-	-
Closing balance	1,449,884	46	1,449,930	1,502,343	105	1,502,448

- 9.4.1 Particulars of provision against advances

In local currency	1,449,884	46	1,449,930	1,502,343	105	1,502,448
In foreign currency	-	-	-	-	-	-
	1,449,884	46	1,449,930	1,502,343	105	1,502,448

- 9.4.2 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.Nil (31 December 2019: Nil) in respect of consumer financing and Rs.58.532 million (31 December 2019: Rs.58.532 million) being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

- 9.4.3 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

9.5 PARTICULARS OF WRITE OFFS:	Note	2020	2019
		(Rupees in '000)	
9.5.1 Against provisions	9.4	-	-
Directly charged to profit & loss account		-	-
9.5.2 Write offs of Rs. 500,000 and above	9.6	-	-
- Domestic		-	-
- Overseas		-	-
Write offs of below Rs. 500,000		-	-

- 9.6 Details of loans written off of Rs.500,000 and above (refer Annexure I)

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended 31 December 2020 is given in Annexure I.

10 FIXED ASSETS

Capital work-in-progress
Property and equipment

Note

	2020	2019
	--- (Rupees in '000) ---	
10.1	1,350	-
10.2	96,463	87,155
	<u>97,813</u>	<u>87,155</u>

10.1 Capital work-in-progress

The Company has capital work-in-progress amounting to Rs.1.35 million in relation to renovation work in Lahore office (31 December 2019 : Nil).

10.2 Property and equipment

	2020									
	Freehold land	Leasehold land	Building on Freehold land	Building on Lease hold land (Office)	Building on Lease hold land (Residence) (10.2.7)	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Vehicles (10.2.7)	Total
	Rupees '000									
At 1 January 2020										
Cost	-	1,952	-	88,432	11,363	49,285	40,179	19,337	55,496	266,044
Accumulated depreciation	-	(647)	-	(52,871)	(10,575)	(41,356)	(35,206)	(14,347)	(23,888)	(178,889)
Net book value	-	1,305	-	35,561	788	7,929	4,973	4,991	31,608	87,155
Year ended December 2020										
Opening net book value	-	1,305	-	35,561	788	7,929	4,973	4,991	31,608	87,155
Additions	-	-	-	-	-	1,097	7,433	242	33,160	41,932
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(74)	(1,830)	(1,904)
Depreciation charge	-	(22)	-	(2,668)	(109)	(2,606)	(2,954)	(1,983)	(20,378)	(30,720)
Exchange rate adjustments	-	-	-	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-	-	-	-
Closing net book value	-	1,283	-	32,893	679	6,420	9,452	3,176	42,560	96,463
At 31 December 2020										
Cost	-	1,952	-	88,432	11,362	48,940	46,939	19,367	66,656	283,649
Accumulated depreciation	-	(668)	-	(55,539)	(10,683)	(42,521)	(37,487)	(16,191)	(24,095)	(187,186)
Net book value	-	1,283	-	32,893	679	6,420	9,452	3,176	42,560	96,463
Rate of depreciation (percentage)		1.11%		5%	5%	15%-25%	10%-30%	25%	33.33%	

2019										
Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land (Office)	Building on Lease hold land (Residence) (10.2.7)	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Vehicles (10.2.7)	Total	
Rupees '000										
At 1 January 2019										
Cost	-	1,951	-	69,591	11,363	47,793	46,509	19,337	42,278	238,822
Accumulated depreciation	-	(625)	-	(50,673)	(10,466)	(39,871)	(38,779)	(11,403)	(28,476)	(180,293)
Net book value	-	1,326	-	18,918	897	7,922	7,730	7,934	13,802	58,529
Year ended December 2019										
Opening net book value	-	1,326	-	18,918	897	7,922	7,730	7,934	13,802	58,530
Additions	-	-	-	18,841	-	2,661	638	-	33,537	55,677
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(28)	-	-	(1,693)	(1,722)
Depreciation charge	-	(22)	-	(2,198)	(109)	(2,625)	(3,395)	(2,944)	(14,038)	(25,331)
Exchange rate adjustments	-	-	-	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-	-	-	-
Closing net book value	-	1,304	-	35,561	788	7,930	4,973	4,990	31,609	87,155
At 31 December 2019										
Cost	-	1,951	-	88,432	11,363	49,285	40,179	19,337	55,496	266,044
Accumulated depreciation	-	(647)	-	(52,871)	(10,574)	(41,356)	(35,206)	(14,347)	(23,888)	(178,889)
Net book value	-	1,304	-	35,561	788	7,930	4,973	4,990	31,609	87,155
Rate of depreciation (percentage)		1.11%		5%	5%	15%-25%	10%-30%	25%	33.33%	

10.2.1 Assets shown above in fixed assets do not include any items under finance lease arrangement (31 December 2019: Nil).

10.2.2 Assets shown above in fixed assets do not include any items which have been revalued (31 December 2019: Nil).

10.2.3 Furniture and fixture includes house hold furnishing items provided to employees (SVP and above) under the human resource policies of the Company.

10.2.4 During the year, following items have been disposed off to related parties of the company:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in '000)						
Key Management Personnel						
Vehicle	21,960	20,130	1,830	2,196		
Mercedes Benz	21,960	20,130	1,830	2,196	Company Policy	Khaled Joma Ezarzor**
Furniture and fixtures						
House hold furnishing items	651	651	-	-		
House hold furnishing items	377	377	-	-	Company Policy	Abdul Latif Memon**
House hold furnishing items	275	275	-	-	Company Policy	Sohail Ahmed Faruqi**

** These are related parties of the Company.

10.2.5 The transfer of title to leasehold land and building thereon in respect of the Company's premises at the Finance and Trade Centre, Karachi in favour of the Company is pending.

10.2.6 Assets having cost of Rs.100.946 million (31 December 2019: Rs. 94.50 million) are fully depreciated, however, these assets are still in use.

10.2.7 The Managing Director (MD) and Deputy Managing Director (DMD) are entitled for the fully furnished accomodation and company maintained cars as per their terms of appointment.

11 INTANGIBLE ASSETS

	2020		
	Computer software	Others	Total
	— (Rupees in '000) —		
At 1 January 2020			
Cost	8,935	-	8,935
Accumulated amortisation and impairment	5,745	-	5,745
Net book value	<u>3,190</u>	<u>-</u>	<u>3,190</u>
Year ended December 2020			
Opening net book value	3,190	-	3,190
Additions:			
- developed internally	-	-	-
- directly purchased	-	-	-
- through business combinations	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-
Disposals	-	-	-
Amortisation charge	(1,226)	-	(1,226)
Exchange rate adjustments	-	-	-
Other adjustments	-	-	-
Closing net book value	<u>1,964</u>	<u>-</u>	<u>1,964</u>
At 31 December 2020			
Cost	8,935	-	8,935
Accumulated amortisation and impairment	6,971	-	6,971
Net book value	<u>1,964</u>	<u>-</u>	<u>1,964</u>
Rate of amortisation (percentage)	<u>20%</u>	<u>-</u>	<u>20%</u>
Useful life	<u>5</u>	<u>-</u>	<u>5</u>
	2019		
	Computer software	Others	Total
	---- (Rupees in '000) ----		
At 1 January 2019			
Cost	8,435	-	8,435
Accumulated amortisation and impairment	4,604	-	4,604
Net book value	<u>3,831</u>	<u>-</u>	<u>3,831</u>
Year ended December 2019			
Opening net book value	3,831	-	3,831
Additions:			
- developed internally	-	-	-
- through acquisitions / purchased	500	-	500
- through business combinations	-	-	-
	500	-	500
Impairment loss recognised in the profit and loss account - net	-	-	-
Disposals	-	-	-
Amortisation charge	(1,141)	-	(1,141)
Exchange rate adjustments	-	-	-
Other adjustments	-	-	-
Closing net book value	<u>3,190</u>	<u>-</u>	<u>3,190</u>
At 31 December 2019			
Cost	8,935	-	8,935
Accumulated amortisation and impairment	5,745	-	5,745
Net book value	<u>3,190</u>	<u>-</u>	<u>3,190</u>
Rate of amortisation (percentage)	<u>20%</u>	<u>-</u>	<u>20%</u>
Useful life	<u>5</u>	<u>-</u>	<u>5</u>

Intangible assets having cost of Rs. 1.407 million (31 December 2019: Rs. 1.407 million) are fully depreciated, however, these intangible assets are still in use.

12 DEFERRED TAX ASSETS

Deductible temporary differences on
 - Tax losses carried forward
 - Post retirement employee benefits
 - Deficit on revaluation of investments
 - Accelerated tax depreciation
 - Provision against advances, off balance sheet etc.
 - Others

2020			
At 1 Jan 2020	Recognised in P&L A/c	Recognised in OCI	At 31 Dec 2020
----- (Rupees in '000) -----			
-	-	-	-
4,876	952	-	5,828
-	-	-	-
-	-	-	-
77,568	-	-	77,568
-	-	-	-
82,444	952	-	83,396
Taxable temporary differences on			
- Surplus on revaluation of fixed assets	-	-	-
- Surplus on revaluation of investments	15,895	2	109,740
- Accelerated tax depreciation	(51)	(1,654)	-
- Net investment in finance lease	(45,762)	27,740	-
	(29,918)	26,088	109,740
	52,526	27,040	109,740
			189,306

Taxable temporary differences on
 - Surplus on revaluation of fixed assets
 - Surplus on revaluation of investments
 - Accelerated tax depreciation
 - Net investment in finance lease

Deductible temporary differences on
 - Tax losses carried forward
 - Post retirement employee benefits
 - Deficit on revaluation of investments
 - Accelerated tax depreciation
 - Provision against advances, off balance sheet etc.
 - Others

2019			
At 1 Jan 2019	Recognised in P&L A/c	Recognised in OCI	At 31 Dec 2019
----- (Rupees in '000) -----			
-	-	-	-
5,354	(478)	-	4,876
-	-	-	-
-	-	-	-
77,568	-	-	77,568
-	-	-	-
82,922	(478)	-	82,444
Taxable temporary differences on			
- Surplus on revaluation of fixed assets	-	-	-
- Surplus on revaluation of investments	99,954	(111)	(83,948)
- Accelerated tax depreciation	170	(221)	-
- Net Investment in finance lease	(59,414)	13,652	-
	40,710	13,320	(83,948)
	123,632	12,842	(83,948)
			52,526

12.1 As at 31 December 2020, the Company has available provision for advances, investments and other assets amounting to Rs.1,731.52 million (31 December 2019: Rs.1,785.41 million) and unused tax losses upto 31 December 2020 amounting to Rs. 265.640 million (31 December 2019: Rs. 539.047). However, the management has prudently recognised the deferred tax asset, if any, only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections approved by the Board of Directors. Moreover, no deferred tax asset has been recognised on unused tax losses.

	Note	2020	2019
		--- (Rupees in '000) ---	
13 OTHER ASSETS			
Income / mark-up accrued in local currency-net of provision		844,071	892,374
Advances, deposit, advance rent and other prepayments		38,739	19,801
Advance taxation (payments less provisions)		546,357	372,901
Staff retirement gratuity - asset / (liability)	21.1 & 39.7	10,683	8,437
Other receivables		8,514	8,205
		<u>1,448,364</u>	<u>1,301,718</u>
Less: provision held against other assets	13.3	<u>(38,186)</u>	<u>(38,186)</u>
Other assets - (net of provision)		<u>1,410,178</u>	<u>1,263,532</u>
13.1 Non-banking assets acquired in satisfaction of claims - held for sale	13.2.1	1,179,360	1,179,360
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		-	-
		<u>1,179,360</u>	<u>1,179,360</u>

13.2 Market value of non-banking assets acquired in satisfaction of claims has been disclosed in note 13.2.1 & note 42.2.

	2020	2019
	--- (Rupees in '000) ---	
13.2.1 Non-banking assets acquired in satisfaction of claims - held for sale		
Opening balance	1,179,360	1,179,360
Additions	-	-
Revaluation	-	-
Disposals	-	-
Depreciation	-	-
Impairment	-	-
Closing balance	<u>1,179,360</u>	<u>1,179,360</u>

This includes non-banking assets acquired under satisfaction of claim in relation to KEL's exposure. These assets comprise of land measuring 14.125 acre, building structure and power plant. The project is situated at Kamoki, District Gujranwala, Punjab, Pakistan.

Considering the strategic importance of KEL, consequent to transfer of the said assets in Company's name the management presented a Management Plan, highlighting all aspects, regarding the Power Project Assets to the Board of Directors. In continuation to the efforts made for the disposal, management appointed M/s. Iqbal A. Nanjee for a new valuation as at 31 December 2019. As per the new valuation the assessed value of these assets were Rs.2.531 billion (31 December 2019: Rs.2.531 billion) whilst forced sale value was Rs.1.570 billion (31 December 2019 : Rs.1.570 billion). However, the surplus on revaluation on the non-banking assets has not been recorded in these financial statements on prudent basis.

	2020	2019
	--- (Rupees in '000) ---	
13.2.2 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	-	-
less		
- Cost	-	-
- Impairment / depreciation	-	-
Gain/loss	<u>-</u>	<u>-</u>

	2020	2019
	— (Rupees in '000) —	
13.3 Provision held against other assets		
Advances, deposits, advance rent & other prepayments	38,186	38,186
Non banking assets acquired in satisfaction of claims	-	-
Others	-	-
	<u>38,186</u>	<u>38,186</u>
13.3.1 Movement in provision held against other assets		
Opening balance	38,186	18,682
Charge for the period / year	-	19,504
Reversals	-	-
Amount written off / (recovered)	-	-
Closing balance	<u>38,186</u>	<u>38,186</u>
14. Contingent assets		
The Company does not have any contingent assets as at year end December 2020 (31 December 2019 : Nil).		
15. Bill payable		
The Company does not have any bills payable as at year end December 2020 (31 December 2019 : Nil).		
16. BORROWINGS		
	2020	2019
	— (Rupees in '000) —	
<i>Secured</i>		
Borrowings from State Bank of Pakistan under:		
Long-term financing facility (LTFF)	16.1 318,723	336,223
Refinance scheme for payment of wages & salaries	16.1 506,666	-
Temporary economic relief facility (TERF)	16.1 41,139	-
Repurchase agreement borrowings - Repo	16.2 17,885,000	13,444,982
Borrowings from financial institutions	16.3 5,199,000	3,411,500
<i>Total secured</i>	23,950,528	17,192,705
<i>Unsecured</i>		
Clean borrowings	1,596,000	500,000
Bai Muajjal	16.4 845,427	4,221,443
	<u>26,391,955</u>	<u>21,914,147</u>

16.1 This includes borrowings from State Bank of Pakistan as under:

- (a) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to customers. According to terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 2.0 to 2.5 (31 December 2019: 2.0 to 2.5) percent per annum.
- (b) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for refinance scheme for payment of wages & salaries to customers. According to terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry Nil (31 December 2019: nil) percent per annum interest for all types of eligible borrowers that are on active tax payer list.
- (c) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for temporary economic relief facility (TERF). According to terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry 1.0 (31 December 2019: nil) percent per annum.

16.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by 18 January 2021 (31 December 2019: 14 January 2020). The rate of mark-up on these facilities range from 6.92 to 7.20 (31 December 2019: 12.85 to 13.40) percent per annum.

16.3 This includes borrowings from financial institutions as under:

- (a) Rs.5,000.00 million (31 December 2019: Rs.3,212.50 million) representing long term borrowings from certain financial institutions which are secured by way of first hypothecation charge over assets of the Company with 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 0.25 percent to 0.50 percent per annum payable on semi-annual basis (2019: six months KIBOR plus 0.25 percent to 0.50 percent per annum payable on semi-annual basis). As at 31 December 2020, the applicable interest rates were 7.13 to 7.85 (31 December 2019: 13.37 to 14.58) percent per annum. These borrowings are due for maturity latest by December 2023 (31 December 2019: July 2023).
- (b) This represents short term borrowings (running finance) amounting to Rs.199 million (31 December 2019: Rs.199 million) from certain financial institutions for the period ranging from overnight to 12 months. They carry mark-up rate of three months KIBOR plus 0.75 percent per annum. The borrowing is secured by way of hypothecation on all present and future assets of the Company with 30 percent margin.

16.4 This represents financing through unsecured Bai Muajjal from a financial institution due for repayment latest by 22 February 2021. The rate of mark-up on this facility is 7.4 (31 December 2019: 13.5 to 14.25) percent per annum.

16.2 Particulars of borrowings with respect to currencies	2020	2019
	--- (Rupees in '000) ---	
In local currency	26,391,955	21,914,147
In foreign currency	-	-
	<u>26,391,955</u>	<u>21,914,147</u>

17 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	-----Rupees in '000-----					
Customers						
Certificate of Investment	4,042,892	-	4,042,892	1,551,020	-	1,551,020
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>4,042,892</u>	<u>-</u>	<u>4,042,892</u>	<u>1,551,020</u>	<u>-</u>	<u>1,551,020</u>
Financial Institutions						
Certificate of Investment	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>4,042,892</u>	<u>-</u>	<u>4,042,892</u>	<u>1,551,020</u>	<u>-</u>	<u>1,551,020</u>

The profit rates on these Certificates of Investment (COIs) range from 7.00 to 13.26 (31 December 2019: 13.40 to 14.50) percent per annum. These COIs are due for maturity on various dates latest by 17 December 2021 (31 December 2019: 03 September 2020).

17.1 Composition of deposits	2020	2019
	---- (Rupees in '000) ----	
- Individuals	46,000	30,000
- Government (Federal and Provincial)	2,878,756	1,336,020
- Public sector entities	-	-
- Banking companies	-	-
- Non-banking financial institutions	-	-
- Private sector	-	-
	<u>1,118,136</u>	<u>185,000</u>
	<u>4,042,892</u>	<u>1,551,020</u>

17.2 This includes deposits amounting to Nil eligible to be covered under insurance arrangements (31 December 2019: Nil).

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company does not have any liabilities subject to lease finance as at year ended December 2020 (31 December 2019: Nil)

19 SUBORDINATED DEBT

The Company does not have any subordinated debt as at year ended December 2020 (31 December 2019: Nil)

20 DEFERRED TAX LIABILITIES

The deferred tax liabilities have been considered in note 12, since a net deferred tax asset amount has been disclosed.

21 OTHER LIABILITIES	Note	2020	2019
		— (Rupees in '000) —	
Mark-up/ Return/ Interest payable in local currency		123,458	227,270
Accrued expenses		148,463	51,067
Advance payments		27,339	5,647
Current taxation (provisions less payments)		-	-
Unclaimed dividends		-	-
Dividends payable		-	-
Mark to market loss on forward foreign exchange contracts		-	-
Employees' compensated absences	21.1	20,095	16,993
Charity fund balance		-	-
Provision against off-balance sheet obligations		-	-
Security deposits against lease		77,682	77,682
Provision against contingencies	21.2 & 33.1	215,000	-
Other		514	514
		<u>612,551</u>	<u>379,173</u>

21.1 This is based on actuarial valuation carried out as of 31 December 2020 for regular employees and MD & DMD of the Company.

21.2 Movement in provision held against other assets	2020	2019
	— (Rupees in '000) —	
Opening balance	-	-
Addition during the year	215,000	-
Utilised during the year	-	-
Closing balance	<u>215,000</u>	<u>-</u>

21.3 Provision against off-balance sheet obligations
The Company does not have any provision against off-balance sheet obligations.

22 SHARE CAPITAL

22.1 Authorized Capital

2020	2019		2020	2019
Number of shares			— (Rupees in '000) —	
<u>1,000,000</u>	<u>1,000,000</u>	Ordinary shares of Rs.10,000 each	<u>10,000,000</u>	<u>10,000,000</u>

22.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
Number of shares			— (Rupees in '000) —	
		<u>Ordinary shares</u>		
644,836	471,836	Fully paid in cash	6,448,360	4,718,360
<u>142,342</u>	<u>142,342</u>	Issued as bonus shares	<u>1,423,420</u>	<u>1,423,420</u>
<u>787,178</u>	<u>614,178</u>		<u>7,871,780</u>	<u>6,141,780</u>

22.3 Government of Pakistan and State of Libya hold 393,589 each (2019: 307,089 each) ordinary shares of the Company through their representatives (MoF/SBP and LAFICO) as at 31 December 2020.

23 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS	2020	2019
	— (Rupees in '000) —	
Surplus / (deficit) on revaluation of		
- Available for sale securities	(407,198)	(52,171)
- Fixed Assets	-	-
- Non-banking assets acquired in satisfaction of claims	-	-
	(407,198)	(52,171)
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	125,574	15,835
- Fixed Assets	-	-
- Non-banking assets acquired in satisfaction of claims	-	-
	<u>125,574</u>	<u>15,835</u>
	<u>(281,624)</u>	<u>(36,336)</u>

	Note	2020	2019
		--- (Rupees in '000) ---	
24 CONTINGENCIES AND COMMITMENTS			
-Guarantees	24.1	870,743	869,736
-Commitments	24.2	2,475,708	826,128
-Other contingent liabilities	24.3	213,227	213,227
		<u>3,559,678</u>	<u>1,909,092</u>
24.1 Guarantees:			
Financial guarantees	24.1.1	841,120	841,120
Performance guarantees	24.1.1	29,623	28,616
Other guarantees		-	-
		<u>870,743</u>	<u>869,736</u>

24.1.1 This represents the guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, there cannot be any exposure of the Company under the same.

	Note	2020	2019
		--- (Rupees in '000) ---	
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		350,000	350,000
Commitments in respect of:			
- forward foreign exchange contracts		-	-
- forward government securities transactions		-	-
- derivatives		-	-
- forward lending		-	-
- operating leases		-	-
Commitments for acquisition of:			
- operating fixed assets		3,150	-
- intangible assets		708	708
Other commitments	24.2.2	2,121,850	475,420
		<u>2,475,708</u>	<u>826,128</u>

24.2.1 Commitments in respect of forward foreign exchange contract, government securities transactions, derivatives, forward
The Company does not have any commitment in respect to foreign exchange contract, government securities transactions, derivatives and forward lending at year end (31 December 2019: Nil).

	2020	2019
	--- (Rupees in '000) ---	
24.2.2 Other commitments		
Commitments to extend credit	2,087,891	466,040
Unsettled investment transactions for sale / purchase of listed ordinary shares	32,534	7,955
Commitments against other services	1,425	1,425
	<u>2,121,850</u>	<u>475,420</u>

24.3 Other contingent liabilities

- 24.3.1 In financial year 2014, the Company received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Company's rectification application, a rectified order was issued which resulted in a refund of Rs.122.777 million in tax year 2010. The Tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.
- 24.3.2 For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August, 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return. The Company filed an appeal with Commissioner Inland Revenue Appeals on 14 October 2013. The CIR (A) disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIR (A) confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.3 For the tax year 2013, the Company received a tax demand of Rs.24.3 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIR (A) disposed the appeal vide his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.4 For the tax year 2014, the ACIR passed an order wherein he demanded tax of Rs.57.866 million disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIR (A) disposed the appeal vide his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.5 For the tax year 2015, the ADCIR passed an order wherein he demanded tax of Rs.46.669 million disallowing the provision for non-performing advances, Write off against KSE-TREC and loss on sale of non-banking assets, apportioned the financial and administrative expenses against dividend income and capital gain, disallowed penalty imposed by the State Bank of Pakistan and treated the expenditure incurred on privately placed TFCs as capital expenditure, whilst treatment on certain matters were decided in favour of the Company. Therefore, an appeal before CIR(A), to contest the various treatments adopted in the above mentioned order issued by ADCIR, has been filed on 16 April 2019.
- 24.3.6 For the tax year 2017, the ADCIR passed an order under section 122(1)/(5) of the Ordinance on September 30, 2019. As a result of the order passed there is no change in the tax liability. However, loss declared as per return Rs.611.559 million reduced to Rs.133.227 million. In the order passed DCIR disallowed the provision for non-performing advances, apportioned the financial and administrative expenses against dividend income and capital gain, board meeting expenses and treated the expenditure incurred on privately placed TFCs as capital expenditure, whilst treatment on certain matters were decided in favour of the Company. Therefore, an appeal before CIR(A), to contest the various treatments adopted in the above mentioned order issued by ADCIR, appeal has been filed on 29 October 2019.
- No provision has been made in these unconsolidated financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters considering the appellate history and tax advisor's opinion.
- 24.3.7 The Company, through its lawyer, has challenged in Sindh High Court (SHC) section 2(g)(V), 5(3), 5(4) and 6(1) of the Sindh Workers Welfare Fund Act, 2014 to be unlawful and void ab initio. The Court as an interim measure passed the order that no coercive action shall be taken against the Company till next date of hearing as suit No 610/2017, in which almost 20 Financial Institutions have filed a Composite Suit challenging the same law, requires hearing. At year end, the outcome was still pending.

25 DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year (31 December 2019: Nil)

	Note	2020	2019
--- (Rupees in '000) ---			
26 MARK-UP/RETURN/INTEREST EARNED			
loans and advances		530,525	525,361
Investments		2,368,029	1,154,329
Lendings to financial institutions		306,692	246,037
Balance with banks		3,711	3,077
Others		-	-
		<u>3,208,957</u>	<u>1,928,804</u>
27 MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		200,104	124,315
Borrowings		2,296,334	1,727,940
Subordinated debt		-	-
Cost of foreign currency swaps against foreign currency deposits/ borrowings		-	-
		<u>2,496,438</u>	<u>1,852,255</u>
28 FEE & COMMISSION INCOME			
Branch banking customer fees		-	-
Consumer finance related fees		-	-
Card related fees (debit and credit cards)		-	-
Credit related fees		10,234	9,030
Investment banking fees		-	-
Commission on trade		-	-
Commission on guarantees		4,949	971
Commission on cash management		-	-
Commission on remittances including home remittances		-	-
Commission on bancassurance		-	-
Others		-	-
		<u>15,183</u>	<u>10,001</u>
29 GAIN / (LOSS) ON SECURITIES - NET			
Realised	29.1	429,321	(44,118)
Unrealised-held for trading	8.1	(412)	(397)
		<u>428,909</u>	<u>(44,515)</u>
29.1 Realised gain on:			
Federal government securities		426,290	28,395
Shares		3,555	(73,020)
Non-government debt securities		(524)	507
Associates		-	-
Subsidiaries		-	-
Others		-	-
		<u>429,321</u>	<u>(44,118)</u>
30 OTHER INCOME			
Rent on property		3,511	3,943
Gain on sale of operating fixed assets		544	449
Gain on sale of non-banking assets - net		-	-
Bank charges on consumer and SME-RBD portfolio		14	960
Others		-	50
		<u>4,069</u>	<u>5,402</u>

	Note	2020	2019
--- (Rupees in '000) ---			
31 OPERATING EXPENSES			
Total compensation expense	31.1	426,479	316,844
Property expense			
Rent and taxes		235	100
Insurance		3,706	3,066
Utilities cost		4,453	4,172
Security (including guards)		1,072	1,015
Repair and maintenance (including janitorial charges)		16,745	15,115
Depreciation		2,799	2,329
Others		-	-
		29,010	25,797
Information technology expenses			
Software maintenance		2,157	2,286
Hardware maintenance		1,146	1,080
Depreciation		1,814	2,198
Amortisation		1,226	1,142
Network charges		1,122	952
BCP expense		732	731
		8,197	8,389
Other operating expenses			
Directors' fees and allowances		16,472	5,391
Fees and allowances to Shariah Board		-	-
Legal and professional charges		12,677	7,692
Outsourced services costs *		5,403	6,446
Travelling and conveyance		3,907	4,843
NIFT clearing charges		-	-
Depreciation		26,106	20,804
Training and development		537	558
Postage and courier charges		266	277
Communication		5,134	4,510
Head office / regional office expenses (only for branches of foreign banks operating in Pakistan)		-	-
Stationery and printing		2,281	2,277
Marketing, advertisement & publicity		3,345	2,912
Donations	31.2	-	-
Auditors' remuneration	31.3	3,225	2,372
Board meeting expenses		13,558	34,484
Meal and business networking expenses		334	645
Canteen expenses		702	748
Liveries and uniform		316	214
Hajj expense		1,021	654
Bank charges		314	239
Miscellaneous expenses		45	100
		95,643	95,163
		<u>559,329</u>	<u>446,192</u>

* All amounts were related to the payment to the outsourcing companies incorporated in Pakistan. These activities were not with related parties.

Note	2020	2019
31.1 Total compensation expense	--- (Rupees in '000) ---	
Fees and allowances	-	-
Managerial remuneration		
i) Fixed	297,215	265,548
ii) Variable		
of which;		
a) Cash bonus / awards	46,543	6,010
b) Bonus and awards in shares		
Charge for defined benefit plan	12,298	14,308
Contribution to defined contribution plan	8,587	8,227
Rent and house maintenance	1,856	3,673
Utilities	3,844	3,810
Medical	11,096	9,944
Conveyance	710	1,047
Group insurance	1,180	1,209
Benevolent fund	115	122
EOBI	579	623
Club Membership	456	2,323
Others	-	-
<i>Sub-total</i>	384,479	316,844
Sign-on Bonus	-	-
Severance	42,000	-
31.1.1	426,479	316,844
<i>Grand Total</i>		

31.1.1 The Board of Directors have granted an approval of a severance scheme / package on 31 December 2020 keeping in view the revised business strategy already approved in August 2019.

31.2 The Company did not make any donation during 2020 (31 December 2019 : Nil).

	2020	2019
31.3 Auditors' remuneration	--- (Rupees in '000) ---	
Audit fee	1,119	1,054
Fee for other statutory certifications	366	435
Fee for audit of foreign branches (for banks incorporated in Pakistan)	-	-
Fee for audit of employee funds	-	-
Special certifications and sundry advisory services	323	311
Tax services	1,160	382
Out-of-pocket expenses	257	190
	3,225	2,372

The Auditors of the Company are also engaged in the audit of the Pak-Libya Holding Company (Private) Limited - Employees' Gratuity Fund and Pak-Libya Holding Company (Private) Limited - Employees' Provident Fund. However, audit fee for both the Funds amounting to Rs.88 thousand and was borne by the respective Funds (2019: Rs. 88 thousand).

	2020	2019
32 OTHER CHARGES	--- (Rupees in '000) ---	
Arrangement fee and documentation charges	229	393
Brokerage commission	8,457	7,544
Expenses for privately placed term finance certificates	-	-
Expenses pertaining to KEL	7,556	7,428
Penalties imposed by State Bank of Pakistan	183	-
Penalties imposed by other regulatory bodies	100	-
	16,525	15,365

	Note	2020	2019
		--- (Rupees in '000) ---	
33 PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
Provisions against lending to financial institutions		-	-
Loss on non-banking assets acquired in satisfaction of claims		-	-
Provisions for diminution in value of investments	8.3.1	17,812	(81,871)
(Reversal) / provisions against loans and advances	9.4	(52,518)	(20,537)
(Reversal) / provision against other receivable		-	19,504
Bad debts written off directly		-	-
Recovery of written off / charged off bad debts		-	-
Provision against contingencies	33.1	215,000	-
		<u>180,294</u>	<u>(82,904)</u>

33.1 The general market environment remained conducive for Company's business operations despite COVID-19 pandemic.

After reduction in policy rate by 625 bps and then no further change after June 2020, the existing discount rate scenario and further investments in government securities losing incentive; the principal and mark up deferral initiative by SBP shall enable the private sector credit to pick momentum. However, on the other hand, considering the Consumer Price Index (CPI), completion/expiry of SBP relaxations, 2nd wave of COVID-19 and its related impact on existing portfolios, the Company created a provision against contingencies to absorb any adverse movement in interest rate or eventuality. Therefore, in this regard, the Board in its meeting held on 31 December 2020 approved a provision of Rs. 215 million for the contingencies. No deferred tax asset has been recognised in relation to contingencies.

	Note	2020	2019
		--- (Rupees in '000) ---	
34 TAXATION			
Current		182,876	39,728
Prior years		-	-
Deferred	12	(27,040)	(12,842)
		<u>155,835</u>	<u>26,886</u>

Due to minimum tax applicable on the Company at fixed rates. Therefore, relationship between tax expense and accounting profit for the period / year has not been presented.

	Note	2020	2019
		--- (Rupees in '000) ---	
35 BASIC EARNINGS/ (LOSS) PER SHARE			
Profit / (loss) for the year		<u>304,135</u>	<u>(303,713)</u>
Weighted average number of ordinary shares		<u>686,181</u>	<u>614,178</u>
Basic earnings per share (Rupees)		<u>443.2</u>	<u>(494.5)</u>
36 DILUTED EARNINGS/ (LOSS) PER SHARE			
Profit / (loss) for the year		<u>304,135</u>	<u>(303,713)</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>686,181</u>	<u>614,178</u>
Diluted earnings per share (Rupees)		<u>443.2</u>	<u>(494.5)</u>
37 CASH AND CASH EQUIVALENTS			
Term deposit receipts (TDRs)	37.1	2,350,000	1,700,000
Cash and balance with treasury banks	5	63,155	32,474
Balance with other banks	6	82,160	134,555
Others		-	-
		<u>2,495,315</u>	<u>1,867,029</u>

37.1 These term deposit receipts (TDRs) are due for maturity on various dates between January 2021 to March 2021.

	2020	2019
	--- Number ---	
38 STAFF STRENGTH		
Permanent	74	77
Temporary / on contractual basis	5	3
Daily wagers	11	11
Bank's own staff strength at the end of the year	<u>90</u>	<u>91</u>
Outsourced (Third Party)	<u>14</u>	<u>12</u>

38.1 In addition to the above no employee (2019: Nil) of outsourcing services companies were assigned to the Company during the year to perform services other than guarding and janitorial services.

39 DEFINED BENEFIT PLAN

39.1 General description

Pak-Libya Holding Company (Private) Limited - Employees' Gratuity Fund was established for the benefit of all eligible employees of Pak-Libya Holding Company (Private) Limited through a trust deed dated 01 January 1999. The fund has been approved by the Commissioner of Income tax under Rule 1 of Part III of the sixth schedule to the repealed Income tax ordinance 1979 to take effect from 01 February 1999.

39.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2020	2019
	----- (Number) -----	
- Pension fund	-	-
- Gratuity fund	76	79
- Other benefits schemes	-	-

39.3 Principal actuarial assumptions

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

	2020	2019
	----- Per annum -----	
Discount rate	9.75	11.25
Expected rate of return on plan assets	9.75	11.25
Expected rate of salary increase	8.25	9.75
Expected rate of increase in pension	-	-
Expected rate of increase in medical benefit	-	-

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

	Note	2020		2019	
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
		Pension fund	Gratuity fund	Pension fund	Gratuity fund
Present value of obligations	39.5	-	132,233	-	125,477
Fair value of plan assets (Receivable) / payable	39.6	-	(142,916)	-	(133,914)
	39.7	-	(10,683)	-	(8,437)

39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	-	125,477	-	116,781
Current service cost	-	13,763	-	14,859
Interest cost	-	13,211	-	14,725
Benefits paid	-	(16,096)	-	(11,297)
Past service cost	-	-	-	-
Re-measurement loss / (gain)	-	(4,122)	-	(9,591)
Obligations at the end of the year	-	132,233	-	125,477

39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	133,914	-	112,256
Interest income on plan assets	-	14,676	-	15,276
Contributions	-	9,177	-	17,364
Benefits paid	-	(16,096)	-	(11,297)
Re-measurements: Net return on plan assets over interest income gain / (loss)	-	1,245	-	315
Fair value at the end of the year	-	142,916	-	133,914

39.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	-	(8,437)	-	4,525
Charge / (reversal) for the year - net	-	12,298	-	14,308
Contribution by the Company - net	-	(9,177)	-	(17,364)
Re-measurement loss / (gain) recognised in OCI during the year	39.8.2	(5,367)	-	(9,906)
Benefits paid	-	-	-	-
Closing balance	-	(10,683)	-	(8,437)

39.8 Charge for defined benefit plans

39.8.1 Cost recognised in profit and loss

	2020		2019	
	— (Rupees in '000) —		— (Rupees in '000) —	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
Current service cost	-	13,763	-	14,859
Net interest on defined benefit asset / liability	-	(1,465)	-	(551)
	-	12,298	-	14,308

39.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation				
- Demographic assumptions	-	-	-	-
- Financial assumptions	-	(2,317)	-	(9,591)
- Experience adjustment	-	(3,050)	-	(315)
Return on plan assets over interest income	-	-	-	-
Total re-measurements recognised in OCI	-	(5,367)	-	(9,906)

39.9 Components of plan assets

	2020		2019	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
Cash and cash equivalents - net	-	61	-	80
Government securities	-	142,855	-	6,421
Shares	-	-	-	-
Non-government debt securities	-	-	-	127,413
Units of mutual funds	-	-	-	-
	-	142,916	-	133,914

39.9.1 Amounts for the current year and previous four annual periods of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

Financial year	Present value	Fair value	Surplus / (deficit)
	— (Rupees in '000) —		
2020	132,233	142,916	10,683
2019	125,477	133,914	8,437
2018	116,781	113,384	(3,397)
2017	110,649	121,764	11,115
2016	130,755	125,582	(5,173)

39.10 Sensitivity analysis

Sensitivity analysis given below disclosed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes:

	Gratuity fund	
	2020	2019
	— (Rupees in '000) —	
1% increase in discount rate	(7,328)	(6,694)
1% decrease in discount rate	8,103	7,404
1% increase in expected rate of salary increase	8,789	8,043
1% decrease in expected rate of salary increase	(8,068)	(7,382)
1% increase in expected rate of pension increase	-	-
1% decrease in expected rate of pension increase	-	-
1% increase in expected rate of medical benefit increase	-	-
1% decrease in expected rate of medical benefit increase	-	-
39.11 Expected contributions to be paid to the funds in the next financial year	1,899	12,235
39.12 Expected charge / (reversal) for the next financial year	12,582	12,235
39.13 Maturity profile	Undiscounted	
Particulars	2020	2019
	(Rupees in '000)	
Year 1	14,629	21,335
Year 2	13,133	10,947
Year 3	3,616	12,862
Year 4	22,547	3,301
Year 5	37,647	20,978
Year 6 to Year 10	73,784	100,981
Year 11 and above	105,020	119,745

39.14 Funding Policy

The Company funds its annual contribution, based on actual valuation, in quarterly instalments during the year.

39.15 The scheme has various risks associated with it, however, following risks have been considered significant:

Asset volatility	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Changes in bond yields	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

40 DEFINED CONTRIBUTION PLAN

Pak-Libya Holding Company (Private) Limited - Employees' Provident Fund was established for the benefit of all permanent employees of Pak-Libya Holding Company (Private) Limited through a trust deed dated 20 September 1981. The fund has been approved by the Commissioner of Income tax under Part I of the sixth schedule to the repealed Income tax ordinance 1979 to take effect from 30 November 1981.

	2020	2019
	— (Rupees in '000) —	
Contribution from the Company	8,587	8,227
Contribution from the Employees	8,587	8,227

40.1 Provident Fund Disclosures

The following information is based on the latest financial statements of the Fund:

	Note	Unaudited	Audited
		2020	2019
		— (Rupees in '000) —	
Size of the Fund - total assets		125,315	103,168
Cost of investment made		122,488	100,915
Fair value of investments	40.2	122,679	101,608
Percentage of investment made		98%	98%

40.2 The break-up of fair value of investments is:

	Unaudited		Audited	
	2020		2019	
	Rupees in '000	Percent	Rupees in '000	Percent
Bank balances	191	0.2%	429	0.4%
Market treasury bills	122,488	99.8%	3,591	3.5%
Pakistan investment bonds	-	-	-	-
Certificate of Investment (COIs) - at amortised cost	-	-	97,588	96.0%
Units of mutual funds	-	-	-	-
	<u>122,679</u>	<u>100%</u>	<u>101,608</u>	<u>100%</u>

40.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Act, 2017 and the rules formulated for this purpose.

41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	2020						
	Directors			Members Shariah Board	CEO (Executive director)	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executive (other than CEO)	Non-Executive				
Fees and allowances etc.	2,486	-	13,986	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-
i) Fixed	-	44,042	-	-	37,553	57,815	29,450
ii) Total variable	-	-	-	-	-	-	-
of which	-	-	-	-	-	-	-
a) Cash bonus / awards	-	-	-	-	-	-	-
b) Bonus and Awards in shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	2,200	-	-	2,058	4,836	1,478
Contribution to defined contribution plan	-	2,257	-	-	1,965	1,828	670
Rent and house maintenance	-	1,263	-	-	563	-	-
Utilities and communication	-	2,172	-	-	1,437	628	328
Medical	-	601	-	-	-	858	1,936
Conveyance / Vehicle running expense	-	1,310	-	-	925	772	431
Leave fare assistance	-	12,205	-	-	9,006	4,428	2,553
Club membership and subscription	-	-	-	-	-	-	-
Children education	-	5,693	-	-	5,757	-	-
Repatriation expense	-	-	-	-	-	-	-
House furnishing	-	-	-	-	-	-	-
Security services	-	763	-	-	529	-	-
Visa fee and immigration	-	431	-	-	-	-	-
Others	-	241	-	-	88	484	374
Total	2,486	73,178	13,986	-	59,881	71,649	37,220
Number of persons	1	1	4	-	1	12	5

Items	2019						
	Directors			Members Shariah Board	CEO (Executive director)	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executive (other than CEO)	Non-Executive				
Fees and allowances etc.	1,685	-	3,706	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-
i) Fixed	-	37,327	-	-	31,340	45,056	30,820
ii) Total variable	-	2,364	-	-	2,097	4,716	2,084
of which	-	-	-	-	-	-	-
a) Cash bonus / awards	-	-	-	-	-	825	-
b) Bonus and Awards in shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	1,806	-	-	1,949	4,811	2,077
Contribution to defined contribution plan	-	2,106	-	-	1,824	1,128	625
Rent and house maintenance	-	486	-	-	2,368	-	-
Utilities and communication	-	1,645	-	-	1,335	672	326
Medical	-	735	-	-	93	941	407
Conveyance / Vehicle running expense	-	1,628	-	-	1,002	602	553
Leave fare assistance	-	8,581	-	-	7,197	3,824	2,470
Club membership and subscription	-	48	-	-	3,156	211	60
Children education	-	4,897	-	-	4,814	-	-
Repatriation expense	-	-	-	-	3,932	-	-
House furnishing	-	159	-	-	628	-	-
Security services	-	896	-	-	495	-	-
Visa fee and immigration	-	680	-	-	-	-	-
Others	-	-	-	-	501	204	141
Total	1,685	63,358	3,706	-	62,731	62,165	39,563
Number of persons	1	1	4	-	* 2	11	7

The Managing Director and Deputy Managing Director (Executive Committee) are also entitled to usage of certain Company maintained assets as per their terms of employment and human resource policy.

* Out of total Rs. 62,731 million, Rs. 11,124 million (including repatriation expenses) is related to compensation during the period to former Managing Director of the Company. His directorship had been concluded on 8 March 2019 and a new Managing Director resumed the office on 11 March 2019.

Key management personnel are those executives reporting directly to the CEO / MD of the Company, whilst other material risk takers / controllers are those executives, other than key management personnel, involved in material risk taking and related controlling activities respectively.

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

2020							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Management Committee	Human Resources & Rem. Committee	Credit/Investment Committee	
Rs. in '000'							
1	Mr. Bashir B. Omer	2,400	-	-	86	-	2,486
2	Dr Muhammad Tahir Noor	2,500	1,400	-	436	-	4,336
3	Mr. Abdulfatah Ashour Ejayed	2,500	1,400	700	350	-	4,950
4	Mr. Abrar Ahmed Mirza	2,600	1,400	700	-	-	4,700
	Total Amount Paid	10,000	4,200	1,400	872	-	16,472

2019							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Management Committee	Human Resources & Rem. Committee	Credit/Investment Committee	
Rs. in '000'							
1	Mr. Bashir B. Omer	1,685	-	-	-	-	1,685
2	Dr Muhammad Tahir Noor	843	336	-	-	-	1,179
3	Mr. Abdulfatah Ashour Ejayed	843	421	-	-	-	1,264
4	Mr. Abrar Ahmed Mirza	843	421	-	-	-	1,264
	Total Amount Paid	4,214	1,178	-	-	-	5,392

41.3 Remuneration paid to Shariah Board Members

The Company does not have shariah board members, being a conventional financial institution, therefore, there is no remuneration to shariah board.

42 FAIR VALUE MEASUREMENTS

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

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

42.1 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).

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:

	Note	2020			
		Level 1	Level 2	Level 3	Total
-----Rupees in '000-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	8.2	-	21,665,975	-	21,665,975
Provincial government securities	8.2	-	-	-	-
Shares	8.2	833,376	-	1,500	834,876
Non-government debt securities	8.2	-	841,212	-	841,212
Foreign securities		-	-	-	-
Others		-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments	8.2	-	-	1,570,452	1,570,452
Cash and balances with treasury banks	5	-	-	63,155	63,155
Balances with other banks	6	-	-	82,159	82,159
Lendings to financial institutions	7	-	-	3,400,000	3,400,000
Advances	8	-	-	5,674,009	5,674,009
Other assets	13	-	-	1,410,178	1,410,178
Financial liabilities - disclosed but not measured at fair value					
Borrowings	16	-	-	(26,391,955)	(26,391,955)
Deposits and other accounts	17	-	-	(4,042,892)	(4,042,892)
Other liabilities	21	-	-	(612,551)	(612,551)
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange		-	-	-	-
Forward sale of foreign exchange		-	-	-	-
Forward agreements for lending		-	-	-	-
Forward agreements for borrowing		-	-	-	-
Derivatives purchases		-	-	-	-
Derivatives sales		-	-	-	-
		<u>833,376</u>	<u>22,507,187</u>	<u>(18,845,945)</u>	<u>4,494,619</u>

	Note	2019			
		Level 1	Level 2	Level 3	Total
-----Rupees in '000-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	8.2	-	15,407,980	-	15,407,980
Provincial government securities	8.2	-	-	-	-
Shares	8.2	871,381	-	5,500	876,881
Non-government debt securities	8.2	-	861,228	-	861,228
Foreign securities		-	-	-	-
Others		-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments	8.2	-	-	1,875,974	1,875,974
Cash and balances with treasury banks	6	-	-	32,474	32,474
Balances with other banks	7	-	-	134,554	134,554
Lendings to financial institutions	8	-	-	2,800,000	2,800,000
Advances	13	-	-	4,525,152	4,525,152
Other assets		-	-	1,255,095	1,255,095
Financial liabilities - disclosed but not measured at fair value					
Borrowings	16	-	-	(21,914,147)	(21,914,147)
Deposits and other accounts	17	-	-	(1,551,020)	(1,551,020)
Other liabilities	21	-	-	(370,736)	(370,736)
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange		-	-	-	-
Forward sale of foreign exchange		-	-	-	-
Forward agreements for lending		-	-	-	-
Forward agreements for borrowing		-	-	-	-
Derivatives purchases		-	-	-	-
Derivatives sales		-	-	-	-
		871,381	16,269,208	(13,207,155)	3,933,434

42.2 Fair value of non-financial assets

	2020			
	Level 1	Level 2	Level 3	Total
-----Rupees in '000-----				
On balance sheet non-financial assets				
Non-banking assets acquired in satisfaction of claims	-	2,530,518	-	2,530,518
	-	2,530,518	-	2,530,518
	2019			
	Level 1	Level 2	Level 3	Total
-----Rupees in '000-----				
On balance sheet non-financial assets				
Non-banking assets acquired in satisfaction of claims	-	2,530,518	-	2,530,518
	-	2,530,518	-	2,530,518

Methodology and Valuation Approach

For the purposes of valuation, valuer carried out inspection and survey of the land, building, plant and machinery. They verified the capacity of the Engines and Alternators from their nameplate rating. The plant is mostly second-hand and the engines have run 50/60,000 hours.

Land

The valuer verified the land by examining the land purchase/ ownership documents or copies thereof, apart from physical verification. The valuation of land is based upon prevailing market rates for similar usage without any restrictions for sale, transfers, etc. for large areas and the prevailing market condition at the location. For this purpose the valuer also made inquiries from the local dealers of the area and assessed the value at Rs.56.500 million (31 December 2019: Rs.56.500 million).

Buildings And Civil Works

All civil works were physically inspected to ascertain the type of construction, finishes and present condition. The structures covered are the owned and developed assets on owned land and long leased land holdings. The verification was also made from the architectural drawings and completion drawings as available. The buildings were checked to ascertain the maintenance standard and construction at site in accordance with the drawings. A suitable depreciation factor depending upon the present condition and life of the buildings was applied to arrive at the present assessed value is Rs.150.570 million (31 December 2019: Rs.150.570 million).

Plant and Machinery Including Spares

The machinery at the site (including spares) were physically verified as far as possible, according to their description, specification and location. Purchase invoices were used in order to determine the historical cost.

For the purpose of valuation of plant, machinery and equipment, valuer enquired values of second-hand machinery and checked their own archives, apart from the local market, keeping in view the make, model, capacity & present condition of the plant, which resulted in valuation of Rs.1,363.009 million (31 December 2019: Rs.1,363.009 million).

As the machinery items are also lying at the port and segments are distributed into various containers at the Plant site, this will present some problems in assembling and in absence of comprehensive assembly drawings and technical specification / rusting problems, the realisable value will suffer.

At year end 2018, the Company performed an impairment review to ascertain that the carrying amount of the power plant does not exceed its recoverable amount; the review was based on a financial model with various assumptions, as the power plant has not started its operations yet. Considering the assets being non-operational, the management engaged an external valuation expert to assess the value of these assets. As a result of the assessment, the management considered that no impairment on these assets is required for the year ended 31 December 2019, as the revised market/assessed as well as forced sales values based on the report of valuation expert, exceeded their carrying values as at 31 December 2019. Consequently, as per new valuation at year end the assessed value is Rs. 2,530.518 million (31 December 2019: Rs. 2,530.518 million).

Management of the Company, during the year, after critically evaluating its options finalized the terms of restructuring deal for the disposal of these non-banking assets with a specialized engineering firm. Under the arrangement, both the parties agreed to enter into a business venture whereby the assets of KEL would be used for setting up of captive power plants to be used for industrial units through power purchase agreements on 'Build Own Operate' or 'Build Own Operate Transfer' basis.

As per the agreement, the total consideration will be paid from the power plant cashflows to be received time to time and on such dates and with such amounts as mutually agreed by the parties. The parties involved, currently, negotiating the terms of power purchase agreement (PPA) with identified buyers which will become the basis for relevant PPAs expected to be signed in due course accordingly.

43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follow:

	2020					Total
	Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	
Profit and loss						
Net mark-up/return/profit	168,331	543,385	-	30,438	(29,634)	712,519
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	15,172	425,864	58,482	24	4,056	503,599
Total Income	183,503	969,249	58,482	30,462	(25,578)	1,216,118
Segment direct expenses	25,084	22,233	15,858	14,206	205,069	282,450
Inter segment expense allocation	2,875	3,369	2,204	5,688	279,268	293,404
Total expenses	27,959	25,602	18,062	19,894	484,337	575,854
(Reversal) / (recovery) / provision	(42,687)	215,000	6,602	1,378	-	180,294
Profit / (loss) before tax	198,231	728,647	33,818	9,190	(509,915)	459,970

	2020					Total
	Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	
Balance Sheet						
Cash and bank balances	-	145,314	-	-	-	145,314
Investments	3,590,715	21,874,748	863,998	-	-	26,329,461
Net inter segment lending	-	-	-	-	-	-
Lendings to financial institutions	-	3,433,064	-	-	-	3,433,064
Advances - performing	5,041,383	-	-	425,530	145,087	5,611,999
- non-performing	1,473,926	-	-	38,013	-	1,511,939
Others	1,323,491	684,223	-	9,049	900,046	2,916,809
Less: Provision (Loan and advances)	(1,415,394)	-	-	(34,536)	-	(1,449,930)
Less: Provision (Investments)	(1,334,110)	(9,371)	(73,466)	-	-	(1,416,947)
Less: Provision (Lending)	-	(33,064)	-	-	-	(33,064)
Less: Provision (Others)	(22,320)	(9,757)	-	-	(6,109)	(38,186)
Total Assets	8,657,691	26,085,157	790,532	438,056	1,039,024	37,010,460
Borrowings	4,063,034	21,865,377	-	463,543	-	26,391,954
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	4,042,892	-	-	-	4,042,892
Net inter segment borrowing	-	-	-	-	-	-
Others	106,702	121,777	304	7,936	375,833	612,551
Total liabilities	4,169,736	26,030,046	304	471,479	375,833	31,047,397
Equity	4,259,810	-	923,272	-	779,979	5,963,061
Total equity and liabilities	8,429,546	26,030,046	923,576	471,479	1,155,812	37,010,460
Contingencies and commitments	3,001,196	-	32,534	299,668	226,280	3,559,678

	2019					Total
	Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	
Profit and loss						
Net mark-up/return/profit	10,287	75,577	-	30,838	(40,154)	76,549
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	10,102	28,407	(19,041)	1,369	4,443	25,279
Total Income	20,389	103,984	(19,041)	32,207	(35,711)	101,828
Segment direct expenses	23,259	21,213	15,531	14,117	115,181	189,301
Inter segment expense allocation	2,433	3,675	1,613	5,531	259,005	272,256
Total expenses	25,692	24,888	17,144	19,648	374,186	461,557
(Reversal) / (recovery) / provision	9,856	9,767	(101,321)	(1,205)	-	(82,904)
Profit / (loss) before tax	(15,159)	69,329	65,136	13,764	(409,897)	(276,825)

	2019					Total
	Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	
Balance Sheet						
Cash and bank balances	-	167,029	-	-	-	167,029
Investments	3,896,567	15,616,753	917,337	-	-	20,430,657
Net inter segment lending	-	-	-	-	-	-
Lendings to financial institutions	-	2,833,064	-	-	-	2,833,064
Advances - performing	3,784,404	-	-	533,323	144,145	4,461,873
- non-performing	1,527,820	-	-	37,907	-	1,565,727
Others	1,351,197	705,439	-	15,098	552,215	2,623,949
Less: Provision (Loan and advances)	(1,469,289)	-	-	(33,158)	-	(1,502,448)
Less: Provision (Investments)	(1,334,110)	(9,371)	(67,261)	-	-	(1,410,742)
Less: Provision (Lending)	-	(33,064)	-	-	-	(33,064)
Less: Provision (Others)	(22,320)	(9,757)	-	-	(6,109)	(38,186)
Total Assets	7,734,269	19,270,093	850,076	553,170	690,251	29,097,859
Borrowings	3,868,100	17,492,877	-	553,170	-	21,914,147
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	1,551,020	-	-	-	1,551,020
Net inter segment borrowing	-	-	-	-	-	-
Others	83,330	227,270	7,399	8,612	52,563	379,173
Total liabilities	3,951,430	19,271,167	7,399	561,782	52,563	23,844,340
Equity	3,782,839	-	998,904	-	471,775	5,253,518
Total equity and liabilities	7,734,269	19,271,167	1,006,303	561,782	524,338	29,097,858
Contingencies and commitments	1,669,736	-	7,956	14,340	217,060	1,909,092

44 TRUST ACTIVITIES

The Company did not act as trustee during the year and in corresponding year.

45 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its parent, associate, joint venture, subsidiary, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity. Key management personnel herein include those executives reporting directly to CEO / MD.

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

	31 December 2020 (Audited)						31 December 2019 (Audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
	(Rupees in '000)													
Balances with other banks														
In current accounts	-	-	-	-	-	-	57,400	-	-	-	-	-	-	32,311
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	57,400	-	-	-	-	-	-	32,311
Lendings to financial institutions														
Opening balance	-	-	-	-	-	-	250,000	-	-	-	-	-	-	250,000
Addition during the year	-	-	-	-	-	-	1,250,000	-	-	-	-	-	-	750,000
Repaid during the year	-	-	-	-	-	-	(500,000)	-	-	-	-	-	-	(750,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	1,000,000	-	-	-	-	-	-	250,000
Investments														
Opening balance	-	-	-	5,000	500	704,867	15,726,138	-	-	-	5,000	500	704,867	8,789,804
Investment made during the year	-	-	-	(4,000)	-	-	17,013,578	-	-	-	-	-	-	67,889,598
Investment redeemed / disposed off during the year	-	-	-	(1,000)	1,000	-	(10,467,035)	-	-	-	-	-	-	(60,949,106)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,158)
Closing balance	-	-	-	-	1,500	704,867	22,272,681	-	-	-	5,000	500	704,867	15,726,138
Provision for diminution in value of investments														
	-	-	-	-	-	704,867	72,448	-	-	-	-	-	704,867	69,854
Surplus / (deficit) in value of investments														
	-	-	-	-	-	-	(383,585)	-	-	-	-	-	-	2,135
Advances														
Opening balance	-	-	49,273	-	-	-	38,835	-	-	59,207	-	-	-	39,822
Addition during the year	-	-	12,588	-	-	-	21,275	-	-	2,081	-	-	-	2,304
Repaid during the year	-	-	(25,442)	-	-	-	(3,496)	-	-	(12,015)	-	-	-	(3,291)
Transfer in / (out) - net	-	-	12,035	-	-	-	(13,789)	-	-	-	-	-	-	-
Closing balance	-	-	48,454	-	-	-	42,825	-	-	49,273	-	-	-	38,835
Provision held against advances														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	31 December 2020 (Audited)						31 December 2019 (Audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
	(Rupees in '000)													
Other Assets														
Interest / mark-up accrued	-	-	1,996	-	-	-	603,863	-	-	1,364	-	-	-	609,978
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivable (4)	-	5,983	-	-	1,466	-	-	-	5,983	-	1,376	-	-	-
Other advances	-	4,830	350	-	-	-	100	-	1,430	338	-	-	-	200
Advance taxation	-	-	-	-	-	-	546,392	-	-	-	-	-	-	372,901
Provision against other assets	-	(5,983)	-	-	-	-	-	-	(5,983)	-	-	-	-	(985)
Borrowings														
Opening balance	-	-	-	-	-	-	6,059,105	-	-	-	-	-	-	6,590,493
Borrowings during the year	-	-	-	-	-	-	352,445,482	-	-	-	-	-	-	183,148,765
Settled during the year	-	-	-	-	-	-	(348,893,059)	-	-	-	-	-	-	(183,680,153)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	9,611,528	-	-	-	-	-	-	6,059,105
Subordinated debt														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts														
Opening balance	-	-	-	-	185,000	-	1,336,020	-	-	-	-	200,000	-	315,576
Received during the year	-	-	-	-	360,000	-	14,466,087	-	-	-	-	790,000	-	5,502,353
Withdrawn during the year	-	-	-	-	(360,000)	-	(12,198,351)	-	-	-	-	(805,000)	-	(4,481,909)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	185,000	-	3,603,756	-	-	-	-	185,000	-	1,336,020
Other Liabilities														
Interest / mark-up payable	-	-	-	-	150	-	51,533	-	-	-	-	348	-	35,895
Payable to staff retirement fund	-	-	-	-	-	-	(5,378)	-	-	-	-	-	-	(8,437)
Other liabilities	4,808	-	-	-	-	1,008	463	-	-	-	-	-	1,008	64
Contingencies and Commitments														
Other contingencies	-	-	-	-	-	870,743	213,227	-	-	-	-	-	869,736	213,227

	31 December 2020 (Audited)						31 December 2019 (Audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
	(Rupees in '000)													
Income														
Mark-up / return / interest earned -net	-	-	3,015	-	-	-	2,132,592	-	-	1,483	-	-	-	909,200
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	-	-	-	5,350	-	-	-	-	-	-	7,824
Gain on sale of securities - net	-	-	-	-	-	-	12,230	-	-	-	-	-	-	21,782
Gain on disposal of fixed assets	-	366	-	-	-	-	-	-	339	-	-	-	-	-
Expense														
Mark-up / return / interest expensed	-	-	-	-	19,015	-	751,785	-	-	-	-	23,082	-	381,152
Operating expenses														
Office maintenance and related expenses	-	1,700	-	-	16,031	-	-	-	-	-	-	15,370	-	-
Non-executive directors' remuneration	-	16,472	-	-	-	-	-	-	5,391	-	-	-	-	-
Board Meeting Expense	-	5,431	3,737	-	-	-	1,514	-	26,869	4,102	-	-	-	2,057
Remunerations	-	126,702	64,985	-	-	-	35,072	-	118,372	56,225	-	-	-	36,861
Consultancy expense	-	-	-	-	-	1,392	-	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	4,222	1,828	-	-	-	670	-	3,930	1,128	-	-	-	626
Contribution to defined benefit plan	-	4,257	4,836	-	-	-	1,478	-	3,756	4,811	-	-	-	2,077
Depreciation	-	20,118	785	-	-	-	177	-	14,147	622	-	-	-	303
Other Charges														
Others	-	-	-	4	-	2,772	-	-	-	-	2	-	3,779	-
Insurance premium paid	-	-	-	-	-	3,388	-	-	-	-	-	-	3,648	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Executives directors and key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

(2) It includes state controlled entities, certain other material risk takers and controllers.

(3) Transactions with owners have been disclosed in "Statement of changes in equity".

(4) In financial year 2017, Rs. 26.11 million was paid to former Deputy Managing Director (DMD) of the Company, who was relocated to Libya on 31 March 2017, on account of depreciation benefit, transportation cost and tax paid by the Company. The Board subsequently resolved that the said benefits will be recovered from former DMD partly from sale proceeds of the car surrendered by former DMD to the Company and partly from actual payment. The car was disposed off in financial year 2018 against sale proceeds of Rs. 9.11 million in addition to actual cash received amounting to Rs. 11.004 million. The management has been following up for the remaining amount of 5.983 million, which is appearing in other receivables (Note 13).

(5) Remuneration and short term employee benefits are disclosed in note 41 to the unconsolidated financial statements.

PAK-LIBYA HOLDING COMPANY(PRIVATE) LIMITED

	2020	2019
46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENT:	--- (Rupees in '000) ---	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>5,737,208</u>	<u>3,778,204</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>4,565,709</u>	<u>2,254,643</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>4,565,709</u>	<u>2,254,643</u>
Eligible Tier 2 Capital	<u>-</u>	<u>-</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>4,565,709</u>	<u>2,254,643</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>12,217,871</u>	<u>9,360,978</u>
Market Risk	<u>5,466,114</u>	<u>2,506,235</u>
Operational Risk	<u>803,417</u>	<u>514,012</u>
Total	<u>18,487,402</u>	<u>12,381,225</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>24.70%</u>	<u>18.21%</u>
Tier 1 Capital Adequacy Ratio	<u>24.70%</u>	<u>18.21%</u>
Total Capital Adequacy Ratio	<u>24.70%</u>	<u>18.21%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>4,565,709</u>	<u>2,254,643</u>
Total Exposures	<u>56,743,118</u>	<u>42,146,137</u>
Leverage Ratio	<u>8.05%</u>	<u>5.35%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>3,722,130</u>	<u>1,816,155</u>
Total Net Cash Outflow	<u>2,065,310</u>	<u>2,632,983</u>
Liquidity Coverage Ratio	<u>180%</u>	<u>69%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>14,459,512</u>	<u>9,921,272</u>
Total Required Stable Funding	<u>9,832,361</u>	<u>8,844,084</u>
Net Stable Funding Ratio	<u>147%</u>	<u>112%</u>

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS is available at https://paklibya.com.pk/financial_reports.php?type=Capital_Adequacy_Statements

46.1 CAPITAL ASSESSMENT AND ADEQUACY

46.1.1 Capital adequacy

SBP's regulatory capital guidelines under Basel III allow for three tiers of capital. Common Equity Tier I capital includes common shares and retained earnings. Pak Libya currently does not hold any instruments in Additional Tier 1 or Tier 2 capital. The authorised share capital of the Company is Rs.10,000 million and the paid-up capital is Rs.7,871.780 million consisting of 787,178 shares with a par value of Rs.10,000 per share.

Company's regulatory capital is divided into three tiers.

- * Common Equity Tier 1 capital (CET1), which includes fully paid up capital and statutory reserves as per the financial statements and unappropriated loss after all regulatory adjustments applicable on CET1.
- * There is no amount for Additional Tier 1 Capital (AT1) of the Company.
- * Tier 2 capital includes revaluation reserves on account of unrealised gain on available-for-sale investments and general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets).

The table below illustrates the following approaches that are adopted at Pak Libya for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

Minimum capital requirement

SBP has prescribed that the minimum paid-up capital (free of losses) for DFI is required to be maintained at Rs.6 billion and ratio of total regulatory capital to risk weighted asset is to be maintained at or above 10% alongwith Capital Conservation Buffer (CCB) of 1.5% which is reduced from 2.5% as a result of COVID-19 pandemic. The paid-up capital (free of losses) of the Company as of 31 December 2020 amounted to Rs.5.737 billion, which is marginally below the minimum capital requirement of Rs.6 billion. The Board of Directors of the Company has approved the financial projections for the next 5 years, envisaging a capital injection plan which is aimed to comply with minimum capital requirement, enhance the risk absorption capacity and future growth and expansion in business prospects of the Company. During the year, the Company has increased its paid-up capital to Rs.7.871 billion and is following up for remaining Rs.135 million from Government of Pakistan, Government of Libya has already injected the entire equity, its remaining amount of Rs.135 million has been treated as advance against shares. The Company based on these developments, requested SBP for MCR extension.

Capital management

A strong capital position is essential to the Company's business strategy and competitive position. The Company's capital strategy focuses on long-term stability, which aims to build and invest in core business activities. The Company seeks to maintain adequate levels of capital in order to:

- comply with the capital requirement set by the regulators of the Company;
- safeguard Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- acquire, develop and maintain a strong capital base to support the development of its business activities;
- support the underlying risks inherited in the core business activities; and
- be able to withstand capital demands under market shocks and stress conditions.

The Company carries out Capital Planning annually to ensure the sufficiency of capital keeping in view the business strategy, expected growth, regulatory requirements, Basel III guidelines and risks associated with the business operations. The capital planning is normally undertaken for the horizon of next three to five years. The plan takes the following into account:

- current capital requirement
- growth of core financing and investment business based on activities plans of the various business units (Corporate & Investment Banking, SME-Retail banking Treasury and Capital Market)
- the funding structure and sources of funding, liabilities and equity to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III guidelines
- maintenance of regulatory capital requirements and capital adequacy ratios

The Company has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Company's ICAAP covers the capital management, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of three to five years. The ICAAP report is produced on an annual basis and is approved by the Board of Directors.

Under the ICAAP methodology, the following risk types are identified and measured:

- risks covered under Pillar 1 (credit risk, market risk and operational risk)
- risks not fully covered under Pillar 1 (Residual Risk)
- risks covered under Pillar 2 (concentration risk, interest rate risk, liquidity risk, reputational risk, strategic/business risk)

The Company has also implemented Stress Testing Framework as per the SBP guidelines. This involves the use of various techniques to assess the Company's susceptibility to plausible yet extreme stress scenarios. The stress tests cover shocks related to credit risk, interest rate risk, exchange rate risk, equity price risk, liquidity risk and operational risk. The stress tests are performed quarterly and results are reported to Management and Board of Directors through respective Risk Management Committee.

Scope of applications

The Basel III Capital Regulations (Basel III) are applicable to Pak Libya Holding Company (Private) Limited (Pak Libya) in line with the guidelines issued by State Bank of Pakistan (SBP).

SBP has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 31 December 2013. Accordingly, the Company's Risk Weighted Assets (RWA), total capital and related ratios are calculated under the Basel framework.

Basel-III framework enables a more risk-sensitive regulatory capital calculation along with tightening of capital requirements, raising the quality, consistency and transparency of capital base to promote long term viability of the Company. As the Company carry on the business, it is critical that the Company is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Company to a particular segment of business.

Significant subsidiary

Pak Libya had wholly owned subsidiary named Kamoke Powergen (Private) Limited until November 2020. During the year, the Company has disposed off 80% its shareholding and management control in KPL. Furthermore, the Company does not have significant investment in any insurance entity.

47. RISK MANAGEMENT

The Company has an independent risk management function and developed risk management framework to continuously manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the Company. The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework is in place including the required human resources, policies, procedures and systems. The Board's Risk Management Committee along with various management committees supports Board of Directors in order to achieve this task. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits prescribed by the Board of Directors; and
- Risk taking decisions are in line with the policy guidelines, business strategy and objectives set by the Board.

Scope of application of Basel III framework

State Bank of Pakistan, through BPRD circular no. 06 dated 15 August 2013, requires Banks/DFIs to report the Capital Adequacy Ratio (CAR) under the Basel III framework with CAR requirements increasing in a transitory manner through 2019.

The Company is exposed to a number of risks, which it manages at different levels.

The main categories of risk associated to / with the Company are as follows:

Credit risk

The risk of losses resulting from counterparties' failure to meet all or part of their obligations towards the Company. The Company has adopted Standardized Approach for credit risk reporting under Basel III framework.

The Company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk management structure facilitates the Credit approval function by its Internal Credit Risk Rating model through which an appropriate risk level of the borrower / counterparty is assessed for credit sanctioning and disbursement.

The Company manages credit risk through:

- Establishment of acceptable risk appetite and tolerance levels;
- Sound procedures, tools and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence; and
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses resulting from the variance in the market value of the Company's assets and liabilities owing to changes in market conditions. The Company has adopted Standardized Approach for market risk reporting under Basel III framework.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in respect to the Company's assets and liability management is primarily associated with the capital market exposure and the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensures that sound market risk and effective risk management systems are established and complied with regulatory guidelines.

Operational risk

The risk of losses resulting from deficient or erroneous internal procedures, human or system errors, or external events. The Company has adopted Basic Indicator Approach for operational risk reporting under Basel III framework.

The Company has in place a duly approved operational risk policy, manual, disaster recovery system (DRS) and a business continuity plan (BCP). These are continuously reviewed to strengthen operational controls prevailing in the Company.

Operational risk policy and manual set minimum standards and require all business units to identify and assess risks through loss data collection, Risk Control Self Assessment (RCSA) and key risk indicators (KRIs). The departments are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The department is responsible to report any potential deviation giving rise to operational risk events in the Company.

The Company is in the process of continuously improving its internal controls which aids in strengthening the Operational Risk Management of the Company. In this regards, the Company maintains a detailed internal control over financial reporting (ICFR) documentation.

Liquidity risk

The risk arising due to failure in raising funds at reasonable cost within the required time duration to finance the Company's operations and meet its liabilities when these become due is categorised as liquidity risk.

The Company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Company has also formulated Liquidity Risk Management policy as per SBP's guidelines. The risk management division uses different tools for identifying, assessing, measuring and controlling liquidity risk and periodically reports to senior management and risk management committees. The Company is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The Basel Committee on Banking Supervision has developed two standards intended for use in liquidity risk supervision: the "Liquidity Coverage Ratio" and "Net Stable Funding Ratio".

The LCR is a regulatory requirement set to ensure that the Company has unencumbered high quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. The Company monitors and reports its liquidity position under the State Bank of Pakistan (SBP) guidelines on Basel III Liquidity Standards implementation in Pakistan. The LCR became effective on 31 March 2017, with currently no minimum ratio requirement in Pakistan for DFIs, however, the Company ratio stood at 72% on an average during the year 2020 while the ratio stood at 180% as on December 31, 2020.

The Net Stable Funding Ratio is the regulatory metric for assessing the Company's structural funding profile. The NSFR is intended to reduce long-term funding risks by requiring banks/DFIs to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The ratio is defined as the amount of Available Stable Funding (ASF) (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (RSF) (a function of the liquidity characteristics of various assets held). Banks/DFIs are expected to meet the NSFR requirement of at least 100% on an ongoing basis from 31 December 2017, however, the Company remained above the required level while maintaining the ratio at 147% as on 31 December 2020.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to Asset & Liability Committee (ALCO). The ALCO of the Company deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that the Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

47.1 Credit risk

Credit risk management objectives and policies

Credit risk refers to the risk of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the Company arises primarily from the lending and investment activities.

Credit exposures include both individual borrowers, corporates and groups of connected counterparties and portfolios in the Company's banking/trading books.

The management of credit risk is governed by credit risk management policies and procedures approved by the Board and management respectively. The procedures and policy guidelines spell out relevant process flow, approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in compliance with the Prudential Regulations and Risk Management Guidelines of the State Bank of Pakistan.

Appropriate levels of facilities are approved by the Board of Directors through Policy Guidelines. The Executive Committee (EC) approves facilities of upto the limit defined in Credit Policy guidelines based on the internal or external risk rating of the borrower. The facilities exceeding this limit require approval from the Board of Directors on recommendation of the EC. Credit Committee (CC) considers and recommends the said facilities to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower / counterparty.

The Company currently uses Standardised Approach for computing capital charge on credit risk weighted assets. Currently, the Company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to identify changes in risk profiles at early stages, credits with deteriorating ratings are subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower / guarantor / counterparty. Risk ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower / guarantor / counterparty. The Credit scoring in the ICRRS is being conducted by Corporate and Investment Banking Department/ SME & Retail Banking Department which is reviewed by the Risk Management Function on periodic basis and from time to time upon receiving the required information and documents of the credit proposal/obligor for its credit approval.

Objective of Internal Credit Risk Rating (ICRR)

Credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management; and
- Setting of credit risk concentration limits.
- identifying key financial trends.

The Company constantly updates and improves upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the Company.

The Company also uses and give due weightage to external rating while evaluating the risk. The Company considers external ratings assigned by external credit rating agencies including PACRA and / or VIS.

Exposures	VIS	PACRA	Other
Corporate	Yes	Yes	x
Banks	Yes	Yes	x

Credit exposures subject to standardised approach

Exposures	Rating Category	2020			2019		
		Amount outstanding	Deduction CRM*	Net amount	Amount outstanding	Deduction CRM*	Net amount
		(Rupees in '000)			(Rupees in '000)		
Corporate	0	-	-	-	-	-	-
	1	99,626	-	99,626	324,071	-	324,071
	2	3,113,163	-	3,113,163	1,925,189	-	1,925,189
	3-4	639,099	-	639,099	374,877	-	374,877
	5-6	-	-	-	-	-	-
	Unrated	2,598,238	-	2,598,238	2,643,522	-	2,643,522
		<u>6,450,126</u>	-	<u>6,450,126</u>	<u>5,267,659</u>	-	<u>5,267,659</u>
Banks	0	-	-	-	-	-	-
	1	580,567	-	580,567	633,265	-	633,265
	2-3	2,901,592	-	2,901,592	1,001,289	-	1,001,289
	4-5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		<u>3,482,159</u>	-	<u>3,482,159</u>	<u>1,634,554</u>	-	<u>1,634,554</u>
Sovereigns		-	-	-	-	-	-
Total Credit Exposure		<u>9,932,285</u>	-	<u>9,932,285</u>	<u>6,902,214</u>	-	<u>6,902,214</u>

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Company are in accordance with the requirements of SBP guidelines and prudential regulations. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.4 of these financial statements.

47.1.1 Lendings to financial institutions

Credit risk by public / private sector

	2020	2019	2020	2019	2020	2019
	Gross		Non-performing		Provision held	
	Rs '000					
Public/ Government	33,064	33,064	33,064	33,064	33,064	33,064
Private	-	-	-	-	-	-
	<u>33,064</u>	<u>33,064</u>	<u>33,064</u>	<u>33,064</u>	<u>33,064</u>	<u>33,064</u>

47.1.2 Investment in debt securities

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	1,925	1,925	1,925	1,925	1,925	1,925
Mining and Quarrying	-	-	-	-	-	-
Textile	841,817	291,817	291,817	291,817	291,817	291,817
Chemical and Pharmaceuticals	-	35,000	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	15,957	18,770	15,957	15,957	15,957	15,957
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	232,292	-	-	-	-
Vehicle & Asset Tracking	105,876	50,000	-	-	-	-
Food & Agriculture	85,000	100,000	-	-	-	-
Transport, Storage and Communication	-	77,407	-	-	-	-
Financial	1,710,472	2,318,181	24,775	24,775	24,775	24,775
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Others	4,441	4,441	4,441	4,441	4,441	4,441
	<u>2,765,488</u>	<u>3,129,833</u>	<u>338,915</u>	<u>338,915</u>	<u>338,915</u>	<u>338,915</u>

Credit risk by public / private sector

Public/ Government	-	-	-	-	-	-
Private	2,765,488	3,129,833	338,915	338,915	338,915	338,915
	<u>2,765,488</u>	<u>3,129,833</u>	<u>338,915</u>	<u>338,915</u>	<u>338,915</u>	<u>338,915</u>

47.1.3 Advances

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	323,003	7,354	7,354	7,354	7,354.00	7,354
Mining and Quarrying	-	-	-	-	-	-
Textile	1,131,856	1,158,489	201,758	201,758	193,227	193,227
Chemical and Pharmaceuticals	573,617	588,339	500,000	500,000	500,000	500,000
Cement	200,000	200,000	200,000	200,000	200,000	200,000
Sugar	539,318	614,493	70,999	70,999	70,999	70,999
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	338,781	138,781	138,781	138,781	138,781	138,781
Electronics and electrical appliances	907,371	500,000	-	-	-	-
Construction	2,711	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	1,454,815	1,092,550	301,135	301,135	301,135	301,135
Wholesale and Retail Trade	-	-	-	-	-	-
Engineering	478,897	541,397	53,897	53,897	3,897	3,897
Transport, Storage and Communication	360,630	429,613	-	53,896	-	53,896
Financial	91,838	133,382	-	-	-	-
Insurance	-	-	-	-	-	-
Services	102,409	205,609	-	-	-	-
Individuals	185,411	185,875	38,014	37,907	34,491	33,054
Manufacturing	433,281	231,718	-	-	-	-
Others	-	-	-	-	-	-
	<u>7,123,938</u>	<u>6,027,600</u>	<u>1,511,938</u>	<u>1,565,727</u>	<u>1,449,884</u>	<u>1,502,343</u>

Credit risk by public / private sector	2020	2019	2020	2019	2020	2019
	Gross advances		Non-performing advances		Provision held	
	Rs '000					
Public/ Government	-	-	-	-	-	-
Private	7,123,938	6,027,600	1,511,938	1,565,727	1,449,884	1,502,343
	<u>7,123,938</u>	<u>6,027,600</u>	<u>1,511,938</u>	<u>1,565,727</u>	<u>1,449,884</u>	<u>1,502,343</u>

47.1.4 *Contingencies and Commitments*

Credit risk by industry sector

	2020	2019
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	-	-
Mining and Quarrying	-	-
Textile	500,000	-
Chemical and Pharmaceuticals	175,000	-
Cement	-	-
Sugar	-	200,000
Footwear and Leather garments	-	-
Automobile and transportation equipment	-	-
Electronics and electrical appliances	-	250,000
Construction	77,152	-
Power (electricity), Gas, Water, Sanitary	1,720,743	1,219,736
Wholesale and Retail Trade	-	-
Exports/Imports	-	-
Transport, Storage and Communication	-	-
Financial	300,000	-
Insurance	-	-
Engineering	350,000	-
Services	-	2,133
Individuals	-	1,700
Manufacturing	177,969	-
Others	258,814	227,567
	<u>3,559,678</u>	<u>1,901,136</u>
Credit risk by public / private sector		
Public / Government	213,227	166,558
Private	3,346,451	1,734,578
	<u>3,559,678</u>	<u>1,901,136</u>

47.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 4,825.50 million (2019: Rs 4,457.13) are as following:

	2020	2019
	(Rupees in '000)	
Funded	3,604,761	3,237,396
Non Funded	1,220,743	1,219,736
Total Exposure	<u>4,825,504</u>	<u>4,457,132</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 18.032 million (2019: Rs 18.032 million)

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	801,135	801,135	801,135	801,135
Total	<u>801,135</u>	<u>801,135</u>	<u>801,135</u>	<u>801,135</u>

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

47.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2020						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	-	-	-	-	-	-	-
Sindh	2,286,446	2,234,219	52,227	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	2,286,446	2,234,219	52,227	-	-	-	-

Province/Region	2019						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	-	-	-	-	-	-	-
Sindh	1,768,450	1,613,810	154,640	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	1,768,450	1,613,810	154,640	-	-	-	-

Disbursements mean the amounts disbursed by banks either in Pak Rupee or in foreign currency against loans.

"Disbursements of Province/Region wise" refers to the place from where the funds are being issued by scheduled banks to the borrowers.

"Utilization of Province/Region wise" refers to the place where the funds are being utilized by borrower.

47.2 Market Risk

Market risk refers to the impact on the Group's financial condition resulting from future price volatility or adverse movements in the value of assets contained in its trading book and / or investment portfolio. The principal market risk in respect of the Group's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities and equity price risk. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely.

Transaction undertaken by the financial institution for the banking book means any position or financial instrument held by Group in the normal course of business, not for trading purpose, or financial instrument that the financial institution intends to hold until maturity. All investment excluding trading book are considered as part of banking book which includes Available-for-Sale, Held-to-Maturity and Strategic Investments. Due to diversified nature of investments in banking book, it shall be subject to interest rate and equity price risk.

The Company has a sound framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies duly approved by the Board.

The Market Risk Management framework of the Company comprises of exposure limits, a series of stop loss limits and potential loss limits recommended by Asset and Liability Committee (ALCO) / Investment committee of the Company to ensure that front line risk-takers do not exceed or breach the defined boundaries set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis is conducted on regular basis in order to assess the quantum of market risk and liquidity position of the Company. The limits are set and reviewed regularly taking into account number of factors, including market trading, liquidity of the instruments, returns and Company's business strategy.

Management of interest rate risk of the banking and / or trading book is primarily focused on interest cum fair value through Re-pricing Gap Analysis and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice. On quarterly basis, the Stress Test reports are being prepared for senior management, risk management committees and regulator to have an accurate understanding of Company's risk tolerance levels.

The description of portfolios covered under the approach shall also be detailed along with the capital charge required there against.

47.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	63,155	-	63,155	32,474	-	32,474
Balances with other banks	82,159	-	82,159	134,554	-	134,554
Lendings to financial institutions	3,400,000	-	3,400,000	2,800,000	-	2,800,000
Investments	24,079,139	833,376	24,912,515	18,148,534	871,381	19,019,915
Advances	5,674,009	-	5,674,009	4,525,152	-	4,525,152
Fixed assets	97,813	-	97,813	87,155	-	87,155
Intangible assets	1,964	-	1,964	3,190	-	3,190
Deferred tax assets	189,306	-	189,306	52,526	-	52,526
Other assets	2,589,538	-	2,589,538	2,434,455	-	2,434,455
	36,177,083	833,376	37,010,459	28,218,040	871,381	29,089,421

47.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Group's exposure to this risk is negligible as its assets and liabilities are primarily denominated in Pakistan rupees.

	2020				2019			
	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 in '000				Rupees in '000			
Pak-rupee	-	-	-	-	-	-	-	-
United States Dollar	115	-	29,623	-	100	-	28,616	-
Great Britain Pound Sterling	-	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
	115	-	29,623	-	100	-	28,616	-

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	1	-	1	-
- Other comprehensive income	-	-	-	-
- Other*	296	-	286	-

* 1) The impact of changes in foreign exchange rate will not affect profitability of the Company since the exposure is off-balance sheet.

* 2) Off-balance sheet items include a guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Group under the same.

47.2.3 Equity position Risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. Banks/DFIs are required to disclose their objectives and policies regarding trading in equities.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	-	740	-	395
- Other comprehensive income	-	40,929	-	41,401

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

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the banks/DFIs are required to disclose as the following also:-

- The nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurements
- The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and then translated into Rupees)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account	-	-	31,420	-
- Other comprehensive income	1,048,390	-	209,311	-

47.3 Operational Risk

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

PLHC has a minimal appetite for operational risk and seeks to minimize risk from the impact of unforeseen operational failures within the organization. However, any unforeseen event beyond the risk appetite level might be a cause or consequence of operational loss, whenever it affects or impacts adversely on PLHC's tolerance level in terms of PLHC's capital, profitability or risk profile.

Operational risk tolerance level consists of zero tolerance level for fraud, forgeries and theft, strict compliance for avoiding any regulatory and legal risk emanating from regulatory, legal and professional requirements, avoidance of any deviations from approved policies and procedures of respective departments thereby ensuring an acceptable assessment, with a positive risk-reward trade-off, of the control environment and ensuring proper arrangements to avoid system failures or information and data security breaches.

Operational risk may arise through various events, including internal fraud, external fraud, employment practices and workplace safety, clients, products, & business practices, damage to physical Assets, business disruption & system failures and execution, etc. The causes, consequences, effect and impact are all mapped to mitigate the occurrence of such events in future.

The ultimate accountability for operational risk management rests with the board with all business and support functions forming an integral part of the overall operational risk management framework with adequate support from line management in order to establish processes for the identification, assessment, mitigation, monitoring and reporting of operational risks.

The tools and techniques used for operational risk identification, assessment and monitoring comprise of internal loss data collection and analysis and risk control and self-assessment tools by each business unit and support function.

In addition, the Disaster Recovery and Business Continuity Plan enables the company to operate as a going concern and minimize losses in the event of severe business disruption at the main site(s). These alternate arrangements are periodically reviewed and tested for any contingencies that may arise due to an internal or external event leading to business disruption and / or failure.

Considering the current epidemic of COVID-19, the global economy will be affected and a lot more efforts will be required to contain the disease, its cure and recovery of overall actual and potential financial losses around the globe. In this situation, Pakistan would be no exception and will bear its share of the crises. Consequently, all sector of the of our economy will continue to show subdued activities which will impact the banking sector as well; our operational cash flows and financial conditions could also be negatively affected by the following:

- If employees are quarantined as the result of exposure to COVID-19, this could result in disruption of operations and impact economic activity
- Similarly, operational issues resulting from the rapid spread of COVID-19 in Pakistan may have a material effect on our business and results of operations

At Company level, the management has taken a number of measures for Business Continuity Planning (BCP) which includes a fully functional Disaster Recovery (DR) site. Further, considering the best practice, skeleton staff is being maintained to curb the spread of COVID-19, and work from home option has been adopted. Further, SBP has also been approached for the relaxation in certain clauses of the Code of Conduct for Treasuries of Banks, DFIs and PDs to allow the Company to perform/execute Capital and Money Market deals/transactions from Off-Premises other than Primary and DR site as required under Chapter I, Para 1 of Code of Conduct as well as usage of Wireless Communication devices and waiver of Chapter 5, Para 4 (i.e. recording of telephone conversations) of the said Code of Conduct. Moreover, various management committees have also been set up online and discussing proposals through teleconferencing at relevant forums. A focal person has been dealing with the regulator on continuous basis. At Country level, the longer the lockdown approach to managing this risk continues, the deeper and longer-lasting the economic slowdown will be. However, the federal government and SBP has been active in decision making and providing relief to various sectors by introducing financing schemes, relief packages, reduction in policy rate and petroleum prices, relaxation in regulations to ease out the current situation.

47.4 Liquidity Risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to finance its commitments as they fall due without incurring unacceptable cost or losses. In addition, liquidity risk may be a result of a financial institution's inability to unwind or offset underlying risks from assets it currently holds or a situation, which will force the financial institution to sell its assets at a loss as the assets are illiquid or the market is suffering a liquidity crunch.

The Company's approach towards liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management. The Company has also formulated Liquidity Risk Management policy as per SBP's guidelines. The Risk Management Division uses different tools for identifying, assessing, measuring and controlling liquidity risk and periodically reports to senior management and risk management committees. The Company is also preparing leverage ratio report on quarterly basis for senior management, risk management committees and regulator.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to Asset & Liability Committee (ALCO). The ALCO of the Company deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that the Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

The Company has established a robust liquidity Risk Management framework, which ensures sufficient liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The Company has clearly articulated liquidity risk tolerance level that is appropriate for business strategy and manage liquidity risk within the risk tolerance limit while ensuring that the Company maintains sufficient liquidity. The liquidity management framework provides the Board, Senior Management and other appropriate committees with timely information on the liquidity position of the Company. The Company has also incorporated liquidity costs, benefits and risk in the internal pricing, performance measurement and new product approval process for all significant business activities, thereby aligning the risk taking incentives of individual business lines with the liquidity exposures.

Pak-Libya has two available sources to raise funds for meeting the liquidity requirements to cater the business operations. These funding sources comprises of primary market and secondary market. Under the primary market the corporate or non banking sources are tapped whereas the secondary market source is mainly the banks & financial institutions. Since Pak Libya may raise funds against CoIs, so the reliance of raising funds through Clean borrowing would be based on wholesale funds as well as retail deposits. In order to increase funding base, Pak Libya continues to explore other funding sources including secured long term borrowings from FIs.

In order to assess liquidity levels for PLHC's needs, the Company uses different parameters that set minimum liquidity buffers for both asset-based liquidity and total liquidity. Pak-Libya believes that in order to reduce liquidity risk, access to reliable funding sources with relatively low liquidity risk is of high importance than volatile sources of fund. The distinction between reliable and volatile sources is based on prudent liquidity planning. Apart from liability side, liquidity risk is also mitigated by maintaining the liquidity on the asset side of the balance sheet which mostly dependent on unencumbered high quality liquid assets.

The Company conducts stress tests on a regular basis for a variety of short term and protracted institution-specific and market wide scenarios to identify sources of potential liquidity strain and to ensure that current exposures should remain in accordance with the established liquidity risk tolerance level.

The Asset & Liability Committee is responsible for reviewing and monitoring of Liquidity Position in its meeting on regular basis and communicates its views and recommendations to the respective front office(s) and Executive Committee. Besides, the liquidity aspects are also deliberated in the meetings of Board's/ Management's Risk Management Committee (BRMC & MRMC) on regular basis.

The Company has well-defined Contingency Funding Plan in-place. The objective of the contingency plan is to ensure that when any of the indicators or tools being monitored by ALCO enters into the warning or stress zone, corrective measures/plans would be in place. The monitoring of liquidity position and funding strategies is an ongoing activity, but any change must be noted and reported with respect to unexpected events, economic or market conditions, earnings problems or situations beyond its control causing either a short or long term funding crisis.

The Company's LCR is mainly dependent on the availability of high quality unencumbered government securities along with short term REPOs and clean borrowings to manage liquidity position of the company. Being DFI, the Company is largely dependent on short term as well as long-term borrowing from financial institutions, which affects LCR position.

48 CUSTOMER SATISFACTION AND FAIR TREATMENT

The management through complaint handling mechanism, ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our office, Company's website and through email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Company. During the year, two complaints were received directly by Pak-Libya and the average time taken to resolve these complaints was three working days.

49 NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these financial statements.

50 DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorised for issue on 02 April 2021 by the Board of Directors of the Company.


51 GENERAL

51.1 In its latest rating announcement (June 2020), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with Stable outlook assigned to ratings; 2019: Negative outlook).

51.2 Amounts in these financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

51.3 Certain comparative figures have been reclassified in order to present information on a basis consistent with current year. The classification changes relate to notes 8, 13 and 21 of these financial statements. *R/S*


Chief Financial Officer


Managing Director & CEO


Director


Director

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

Annexure - I

31 December 2020		OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR						Ruppes in '000)			
S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	CNIC NUMBER	FATHER'S/HUSBAND'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR			Principal written-off	Interest/ Markup written-off/walved	Other financial relief provided	Total
					Principal	Interest/ Markup	Other than Interest/ Markup				
1	Zulfikar Ali House No. D-321/5, Khudadad Colony, New Town, Karachi	-	42201-5446845-1	Yousuf Ali	-	3,284	8,940	-	9,223	-	9,223
Total:					-	3,284	8,940	-	9,223	-	9,223

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

Annexure - I

31 December 2019

S.No	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	CNIC NUMBER	FATHER'S/HUSBAND'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total
					Principal	Interest/ Mark-up	Other than Interest/ Mark-up	Total				
1	NINA INDUSTRIES LIMITED A-29/A, SITE, MANGHOTIR ROAD, KARACHI	WAQAR A. SATTAR	42201-6071316-3	SHAIKH ABDUL SATTAR	27,582	42,973	85,339	155,894	-	42,973	85,339	128,312
		UROOJ SAEED	42301-3309641-9	SAEED A. SATTAR								
		KASHIF SAEED SATTAR	42000-6177233-5	SAEED A. SATTAR								
		M. AMJAD KHAN	42101-3102136-1	M. ARMEED KHAN								
		TAUQEER HASHIMI	42401-5533740-1	HAFIZ ABDUS SAMAD HASHIMI								
	Total				27,582	42,973	85,339	155,894	-	42,973	85,339	128,312

ISLAMIC BANKING BUSINESS

The Company, being a conventional financial institution / DFI, does not have any Islamic banking operation / activities.