

ANNUAL REPORT 2018



Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait



A JOINT VENTURE

The Company is a joint venture between the Governments of Kuwait and Pakistan



COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. Established in 1979, the company initiated operations with a paid-up capital of Rs. 62.50 million. Over the years paid-up capital and reserves have increased manifold reflecting upon the company's impressive performance since inception.

PKIC continues to serve as a medium for catalyzing infrastructure development and enhancing real economic activity, helping the nation in achieving a steep yet sustainable growth trajectory.





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



MISSION

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





CORPORATE VALUES

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





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CORPORATE INFORMATION

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

LEGAL ADVISOR

M/s. KMS Law Associate Advocates and
Corporate Consultants

AUDITORS

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

REGISTERED OFFICE

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

REPRESENTATIVE OFFICE

LAHORE

Siddiq Trade Centre, 1st Floor, Office # 104
Main Boulevard Gulberg, Lahore.
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611
Fax: (92-42) 35781725



BOARD OF DIRECTORS



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director



Faisal Adnan Al-Hunaif
Director



Abdullah Salah A. Al-Sayer
Director



Rana Assad Amin
Director



Naveed Alauddin
Director

Executive Committee

Abdullah Abdulwahab Al-Ramadhan
Member

Mansur Khan
Member

Audit Committee

Rana Assad Amin
Chairman

Naveed Alauddin
Member

Abdullah Salah A. Al-Sayer
Member

Risk Management Committee

Faisal Adnan Al-Hunaif
Chairman

Naveed Alauddin
Member

Abdullah Salah A. Al-Sayer
Member

MANAGEMENT



Mansur Khan
Managing Director



Naeem Sattar
Company Secretary



Atif Anwer
Head of Capital
Markets, Treasury & FI



Umair Aijaz
Head of Corporate
Finance & Investment Banking



Syed Ali Abid Zaidi
Chief Financial Officer



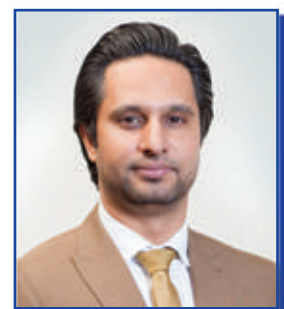
Naveed Sherwani
Head of Risk Management



Naveed Lodhi
Head of Compliance



Mazhar Sharif
Head of Internal Audit



Muhammad Hammad Anwar
Head of Human
Resources & GSSD



Chairman's Review

Dear Shareholders,

I am pleased to present the performance of your company for the year ended 31 December 2018. This year marks the 40th anniversary of Pakistan Kuwait Investment Company (Private) Limited (PKIC, the Company). Commencing operations with paid up capital of PKR 62.50 million, over the years paid up capital has increased to PKR 6 billion. Currently the total equity stands at PKR 26.55 billion, which reflects commitment, dedication and resilience of our stakeholders, customers and team members. PKIC continues to play a pivotal role in promoting industrial activity and supporting infrastructure development, by way of equity and debt investments in key areas of the economy, while ensuring an attractive return on investment for its shareholders.



The overall economic environment remained challenging during the year, a steep rise in global crude oil prices coupled with currency weakness, reinforced already strong inflationary pressures underlying the economy. Notwithstanding the slowdown in economic activity, PKIC recorded a Profit After Tax of PKR 2.77 Billion during the year, showing an increase of 50% as compared to last year.

The Company aims to enhance its existing offerings while improving business processes and adopting robust risk management practices. Given the sharp interest rate hikes and the current economic scenario, PKIC intends to improve its profitability by investing in avenues with competitive returns keeping in view the risk-reward relationship.

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

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

Abdullah Abdulwahab Al- Ramadhan
Chairman

Date: February 28, 2019
Karachi

چیئر مین کا جائزہ



محترم حصص کنندگان

31 دسمبر 2018 کو اختتام پذیر سال پر آپ کی کمپنی کی کارکردگی پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔ یہ سال پاکستان کو ایٹمیٹڈ کمپنی (پرائیویٹ) لمیٹڈ (PKIC، کمپنی) کی چالیسویں سالگرہ کا ہے۔ آپریشن کا آغاز 62.50 ملین روپے کے ادا شدہ سرمائے سے کرتے ہوئے، سالوں میں اس کی مالیت بڑھ کر 6 ارب روپے ہو چکی ہے۔ موجودہ کل ملکیتی سرمایہ (equity) 26.55 ارب روپے جو ہمارے شرکاء و مفاد (stakeholders)، گاہکوں اور ٹیم کے ارکان کے یقین دہانی، وابستگی اور واپس ابھرنے کی صلاحیت کی نشاندہی کرتا ہے۔ PKIC اپنے حصص کنندگان کے سرمائے پر پرکشش منافع کو یقینی بنانے کے ساتھ ساتھ، صنعتی سرگرمیوں کے فروغ اور ڈھانچاتی ترقی میں معاونت کے لیے معیشت کے مرکزی شعبہ جات میں ملکیتی سرمائے اور قرضہ کی سرمایہ کاری کے ذریعے کردار ادا کرتا رہے گا۔

سال کے دوران مجموعی معاشی ماحول مسائل کا شکار رہا، تیل کی عالمی قیمتوں میں تیزی سے اضافے کیساتھ روپے کی کمزوری نے پہلے سے مضبوط افراط زر کے دباؤ میں اضافہ کیا جو معیشت کا بنیادی جز ہیں۔ بلا لحاظ معیشت کی سست روی کے، PKIC نے 2.77 ارب روپے کا منافع بعد از محصول کمایا جو گذشتہ سال کے مقابلے میں 50 فیصد اضافہ دکھاتا ہے۔

کمپنی کا ارادہ ہے کہ موجودہ پیشکشوں کو بڑھائے اور اس کے ساتھ اپنے کاروبار کے پراسسز کو بہتر کرے اور مضبوط خطرے کے انتظام کی طریقوں کو اختیار کرے۔ موجودہ سودی نرخ میں اضافہ اور معاشی پس منظر میں، PKIC کا ارادہ ہے کہ وہ مسابقتی آمدنی کے مواقعوں میں سرمایہ کاری کے ذریعے سے، خطرے۔ انعام کے تعلق کو مد نظر رکھتے ہوئے، منافع بخشی کو بہتر کیا جائے۔

PKIC پر امید ہے کہ وہ اپنے طویل المدت ترقی مقاصد حاصل کرنے کے لیے معاشی طور پر قابل عمل اور تکنیکی طور پر ممکن منصوبوں کی قیام کی سہولت کرے گی اور ملکی معیشت کی ترقی میں حصہ ڈالے گی۔ PKIC کوشش کرے گی کہ طویل المدت کیپٹل کی قدر میں اضافے کیلئے سرمایہ کاری کے مواقع تلاش کرے گی اور اپنے ترقی سرمایہ کاری پورٹ فولیو میں تنوع پیدا کرے کے ساتھ اپنی اعلیٰ معیار کے حسن نظم و ضبط اور ملکیتی درجہ بندی کو برقرار رکھے گی۔

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



عبداللہ عبدالواہاب ال رمضان

چیئر مین

بتاریخ: 28 فروری 2019

کراچی



Directors' Report

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present the Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2018, together with Auditors' Report thereon.

Company Performance

<i>For the Year (PKR million)</i>	2018	2017
Net Markup Income	862	637
Non Markup Income	3,534	2,403
Total Income	4,396	3,040
Operating Expenses	582	510
Profit before provisions	3,814	2,530
Provisions / (Reversal of Provisions)	299	(64)
Profit Before Taxation	3,515	2,594
Taxation	747	744
Profit After Taxation	2,768	1,850

<i>At Year end (PKR million)</i>	2018	2017
Total Assets	29,977	Restated 29,129
Liabilities	3,428	4,322
Share Capital	6,000	6,000
Reserves and Un-appropriated Profit	20,549	18,807

The Company earned a Profit after Tax of PKR 2.77 billion for the year ended December 31, 2018 against PKR 1.85 billion during last year. The increase of 50% YoY in Profit after Tax was mainly attributed to increase in interest income and growth in income from associates.

Net markup based income of the Company increased by 35% YoY to PKR 862 million as a result of prepayments and recoveries on account of overdue interest payments.

Non markup based income increased from PKR 2.40 billion last year to PKR 3.53 billion, showing an increase of 47%. Administrative expenses increased by 14% YoY basis. The Company has recorded a provision of PKR 299 million mainly due to impairment on its capital markets portfolio.

Total Assets of the Company stood at PKR 29.98 billion as of Dec 31, 2018 compared to PKR 29.13 billion at the end of last year. The increase in assets was a result of investments in Government Treasury Bills.

The gross advances portfolio decreased by 12% YoY to PKR 3.8 billion owing to low disbursements and prepayments during the year.

Economic Review

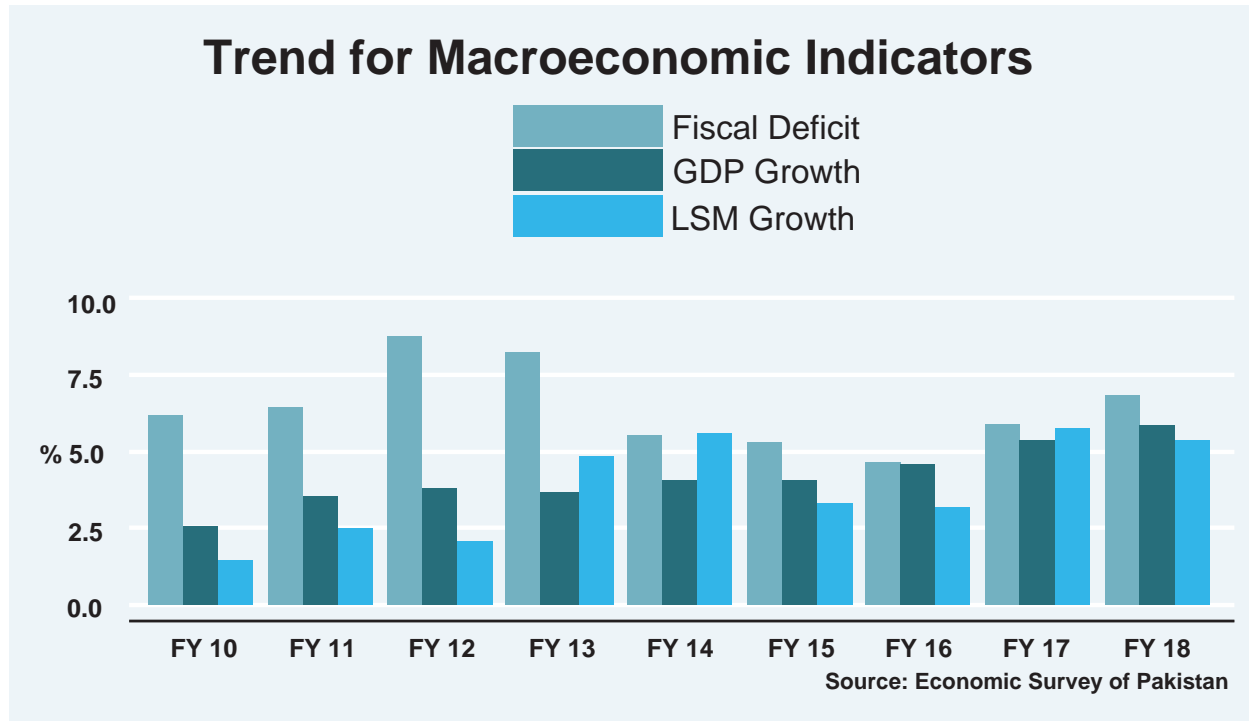
Pakistan held its general elections in 2018, witnessing smooth democratic transition and achieving GDP growth of 5.2% as compared 5.4% in FY17. Growth decelerated as import led consumption brought about resurgence of macroeconomic vulnerabilities. Deceleration in revenue growth compared to overall expenditure along with increased dependence on imports to meet growing domestic demand led to further widening in the twin deficits. The current account deficit ballooned to 6.1% of GDP as against 4.1% in FY17, while the fiscal deficit swelled to 6.6% of GDP compared to 5.8% in FY17.

Sensing the need for fiscal adjustment, State Bank of Pakistan (SBP) allowed the currency to depreciate by a cumulative 26% with the Rupee trading at PKR139 to the Dollar at year end as compared to PKR110 last year. SBP raised rates by 425bps to 10.5%. Inflation during Jan-Dec 2018 averaged 5.1% as compared to 4.1% during the same period last year.

Pakistan's foreign exchange reserves fell to US\$13.8 billion at the end of 2018, down 32% compared to US\$20.2 billion at the end of 2017; reserves were used to fund ballooning import payments & service external debt. To avert an immediate balance of payments crisis, Government of Pakistan (GoP) sought financial aid & investment packages from its ally nations, while is also in talks for an IMF program to stabilize the economy.

Equities returned negative for a consecutive year with the benchmark KSE-100 index shedding 8.4% compared to 15.3% in 2017. Foreigners were dealt a negative dollar return of 27%, capital outflows exuberated as currency risk & US monetary tightening dampened emerging markets outlook.

On the credit side, low interest rate environment earlier in the year spurred lending where advances to private sector businesses rose 22% YoY (Dec-Dec) as compared to 14% last year. Banking sector Advances to Deposits increased to 59% in December, as compared to 53% last year, conversely Investments to Deposits decreased to 57% from 69%.



Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 450 million for the year ended 31 December 2018.

Earnings per Share

The basic and diluted earnings per share have increased to PKR 11,535 from PKR 7,709 on share of PKR 25,000/- each.

Future Outlook

Despite the prevailing situation where GDP growth is expected to slow to 3.7% in FY19, the Company endeavors to support Pakistan's economy through prudent investments in strategic sectors of the economy while upholding the emphasis on improving profitability. The Company intends to target industrial sectors that are envisioned to pave the road of economic recovery given the governments agenda to encourage manufacturing & boost exports.

Risk Management Framework

PKIC's Risk Management Framework is based upon the principles of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk, and Operational Risk. The Board of Directors provides the strategic direction and has the ultimate responsibility for ensuring that effective risk management framework is in place. It is supported in this task by board committees i.e. Risk Management Committee (RMC) and Audit Committee as well as management sub-committees. Risk Management Function provides regular updates to RMC on key risks of the company. Thereupon, RMC reviews and recommends risk policies, limits, strategies, and risk appetite to the Board for onward approval.



All credit risk related aspects are governed by policy outlining risk parameters. Pricing criteria is established for lending portfolio considering risk-reward relationship. Market and Liquidity Risk are managed by the Asset & Liability Committee (ALCO) which is governed by defined terms of reference. Internal stress testing is carried out periodically to ascertain the interest rate risk on the statement of financial position. The company calculates Value at Risk (VaR) on equity portfolio on daily basis using well accepted approaches

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

Entity rating of Pakistan Kuwait Investment Company Private Limited

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

The Company has been assigned a Corporate Governance Rating of CGR-9 by JCR-VIS. The assigned rating denotes a high level of Corporate Governance.

Compliance with Code of Corporate Governance

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

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the objective to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed Statement of Ethics and Business Practices (Code of Conduct).

Internal Controls

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



Board Meetings

Five meetings of the Board of Directors of the Company were held in the year 2018 as per following schedule:

1st Meeting	January 31, 2018
2nd Meeting	March 7, 2018
3rd Meeting	June 20, 2018
4th Meeting	September 5, 2018
5th Meeting	October 31, 2018

Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2018 as per following schedule:

1st Meeting	March 7, 2018
2nd Meeting	June 20, 2018
3rd Meeting	September 5, 2018
4th Meeting	October 31, 2018

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2018 as per following schedule:

1st Meeting	March 7, 2018
2nd Meeting	June 20, 2018
3rd Meeting	September 5, 2018
4th Meeting	October 31, 2018

Executive Committee Meetings

Two meetings of the Executive Committee of the Company were held in the year 2018 as per following schedule:

1st Meeting	March 7, 2018
2nd Meeting	October 31, 2018

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

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	5	5
Mr. Rana Assad Amin - Member (Non-Executive Director)	5	5
Mr. Faisal Adnan Al-Hunaif - Member (Non-Executive Director)	5	5
Mr. Naveed Alauddin - Member (Non-Executive Director)	5	5
Mr. Abdullah Salah A. Al-Sayer - Member (in place of Mr. Mohammed R. Al-Mutawa) (Non-Executive Director)	3	3
Mr. Mohammed R. Al-Mutawa - Member (Non-Executive Director)	2	2
Mr. Mansur Khan - Member Executive Director / Managing Director	5	5



Risk Management Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Faisal Adnan Al-Hunaif - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Abdullah Salah A. Al-Sayer - Member (in place of Mr. Mohammed R. Al-Mutawa)	3	3
Mr. Mohammed R. Al-Mutawa - Member	1	1

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Rana Assad Amin - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Abdullah Salah A. Al-Sayer - Member (in place of Mr. Mohammed R. Al-Mutawa)	3	3
Mr. Mohammed R. Al-Mutawa - Member	1	1

Executive Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Member	2	2
Mr. Mansur Khan - Member	2	2

Summarized Operating and Financial Data for the last six years:

(PKR Million)	2018	2017 (Restated)	2016 (Restated)	2015 (Restated)	2014 (Restated)	2013 (Restated)
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	20,549	18,807	18,687	14,616	13,616	10,269
Total Assets	29,977	29,129	28,941	28,367	24,634	22,291
Profit before tax	3,515	2,594	4,128	2,504	3,195	2,807
Net Profit after tax	2,768	1,850	3,452	1,828	2,678	2,360
Cash Dividend	450	500	500	455	600	675
Stock Dividend	-	-	-	-	-	-

Note: The Reserves are inclusive of surplus on revaluation of Investments. Further, for the purpose of comparisons, the figures for the year 2013 have been taken from the consolidated financial statements.

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2018 according to their respective un-audited accounts were PKR 170.156 million and PKR 82.685 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 150.711 million and PKR 98.445 million respectively, as at December 31, 2017 according to its audited accounts.

Auditors

The Audit Committee recommended the name of M/s Ernst & Young Ford Rhodes, Chartered Accountants, to be the auditors for the year ending December 31, 2019 to replace M/s KPMG Taseer Hadi & Co., Chartered Accountants, who were auditors of the Company for the last five years. Accordingly, the Board approved the recommendation of the Audit Committee and the name of M/s Ernst & Young Ford Rhodes, Chartered Accountants, for consideration and approval at the Annual General Meeting.

Acknowledgement

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

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

On behalf of the Board of Directors



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director

Date: February 28, 2019
Karachi



ڈائریکٹرز کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر سال کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارے، جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں، مع آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کی کارکردگی

2017	2018	برائے سال (پاکستانی روپیہ ملین میں)
637	862	خالص مارک اپ کی بنیاد پر آمدن
2,403	3,534	بغیر مارک اپ کے آمدن
3,040	4,396	کل آمدن
510	582	عملی اخراجات
2,530	3,814	منافع معروضات سے پہلے
(64)	299	معروضات / (معروضات کی واپسی)
2,594	3,515	منافع قبل از محصول
744	747	محصول
1,850	2,768	منافع بعد از محصول

2017	2018	اختتام سال پر (پاکستانی روپیہ ملین میں)
دوبارہ بیان کیا گیا		
29,129	29,977	کل اثاثہ جات
4,322	3,428	مالیاتی واجبات
6,000	6,000	سرمایہ حصص
18,807	20,549	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے 31 دسمبر 2018 پر اختتام پذیر سال پر 2.77 بلین پاکستانی روپے بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 1.85 بلین پاکستانی روپے کمائے تھے۔ سال بہ سال منافع بعد از محصول میں 50 فیصد اضافے کی بنیاد پر آمدنی اور شریک کمپنیوں کی آمدنی میں اضافہ ہے۔

کمپنی کی خالص مارک اپ کی بنیاد پر آمدنی سال بہ سال 35 فیصد اضافے کے ساتھ بڑھ کر 862 بلین پاکستانی روپے ہوئی جس کی وجہ پیٹنگی ادا نیگیٹیاں اور واجب الادا سودی ادا نیگیوں کی مد میں وصولیاں ہیں۔

کمپنی کی غیر مارک اپ کی بنیاد پر آمدنی گذشتہ سال کی 2.40 ارب پاکستانی روپے کے مقابلے میں بڑھ کر 3.53 ارب پاکستانی روپے ہو گئی جو 47 فیصد اضافہ دکھا رہی ہے۔ انتظامی اخراجات میں سال بہ سال 14 فیصد اضافہ ہوا۔ کمپنی نے کچھ منڈی پورٹ فولیو میں نامساعد حالات کی وجہ سے 299 ملین روپے کی تخصیص (provision) ریکارڈ کی۔

کمپنی کے کل اثاثہ جات گذشتہ سال کے اختتام پر 29.13 بلین پاکستانی روپے کے مقابلے میں 31 دسمبر 2018 پر 29.98 بلین پاکستانی روپے رہے۔ اثاثہ جات میں اضافے کی وجہ گورنمنٹ کے ٹریزری بلز میں زیادہ سرمایہ کاری تھی۔

مجموعی ایڈوانسز پورٹ فولیو سال بہ سال 12 فیصد کمی کے ساتھ 3.8 بلین پاکستانی روپے رہا جس کی وجہ سال کے دوران قرضہ جات کی کم فراہمی اور واجب الادا ادا نیگیوں کی مد میں وصولیاں ہے۔

معاشی جائزہ

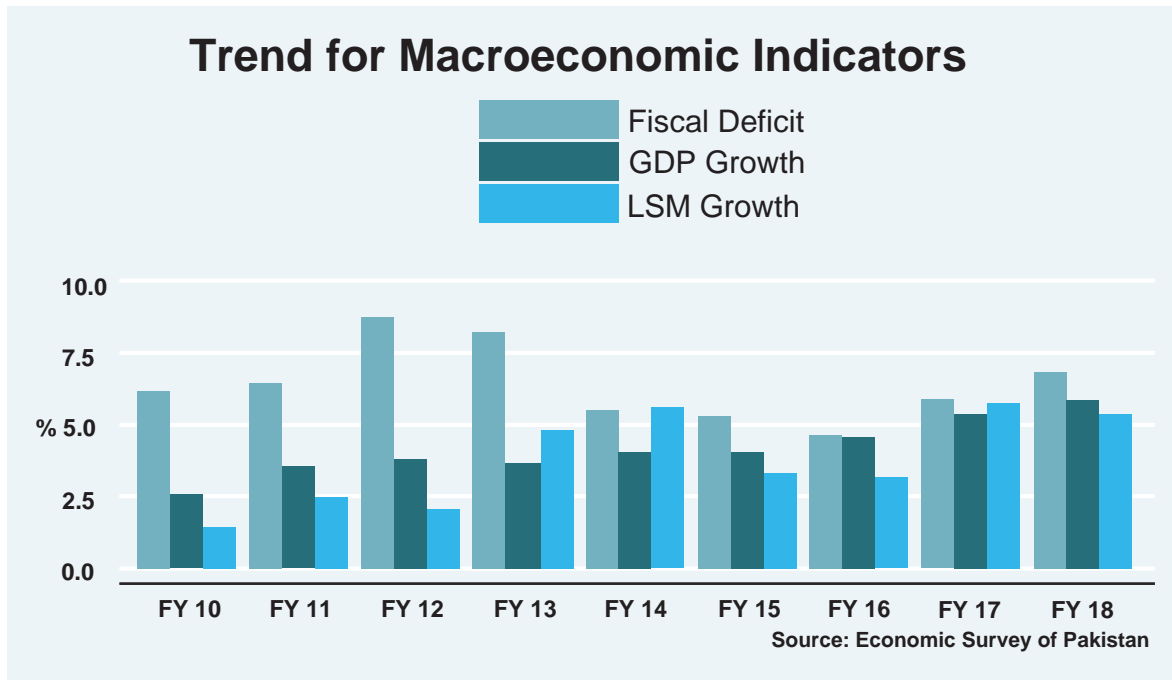
پاکستان میں عام انتخاب کا انعقاد 2018 میں ہوا جہاں آسانی سے جمہوری انتقال کا عمل دیکھنے میں آیا اور سال 2017 کی 5.4 فیصد مجموعی قومی پیداوار کی شرح نمو اس سال 5.2 فیصد رہی۔ درآمدات کے استعمال نے کئی معیشت (macroeconomic) کے عدم تحفظات میں نئی روح پھونک دی۔ مال گذاری کی نمو کی رفتار میں کمی (deceleration) کے مقابلے میں مجموعی اخراجات کے ساتھ ساتھ ملکی بڑھتی ہوئی طلب کو پورا کرنے کے لئے درآمدات پر بڑھتا ہوئے انحصار نے دہرے خسارے کو مزید وسیع کر دیا۔ موجودہ کھاتے کا خسارہ مجموعی قومی پیداوار کا 6.1 فیصد ہو گیا اور اس کے مقابلے میں سال 2017 میں یہ 4.1 فیصد تھا، جبکہ مالیاتی خسارہ سال 2017 کی مجموعی قومی پیداوار کے 5.8 فیصد کے مقابلے میں بڑھ کر 6.6 فیصد ہو گیا۔

بینک دولت پاکستان ضروری مالیاتی تبدیلی کا احساس کرتے ہوئے روپے کی قدر میں مجموعی طور پر 26 فیصد کمی کی اور سال کے اختتام پر اس کا لین دین ڈالر کے مقابلے میں 139 روپے پر ہو رہا ہے جبکہ گذشتہ سال کے اختتام پر اس کا لین دین 110 روپے پر تھا۔ SBP نے شرح سود 425bps کے اضافے کے ساتھ 10.5 فیصد کر دیا ہے۔ جنوری تا دسمبر 2018 میں افراط زر کی اوسط 5.1 فیصد رہی جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں 4.1 فیصد تھی۔

پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 32 فیصد کمی کے ساتھ گھٹ کر 13.8 ارب امریکی ڈالر ہو گئے جبکہ سال 2017 کے اختتام پر 20.2 ارب امریکی ڈالر تھے، ذخائر کا استعمال بڑھتی ہوئی درآمدات اور بیرونی قرضہ جات کی ادائیگیوں میں ہوا۔ ادائیگیوں کے توازن کی سنگینی کے تدارک کے لیے اور معاشی استحکام کے لئے، پاکستان کی گورنمنٹ نے اپنی دوست ممالک سے مالی امداد اور سرمایہ کاری کے پیکج کی مدد مانگی اور اس کے ساتھ IMF پروگرام کے ساتھ مذاکرات جاری رکھے۔

سال میں مسلسل ملکیتی سرمائے کی منفی واپسی جس کا سنگ میل، KSE-100 انڈیکس، جس میں سال 2018 میں 8.4 فیصد کمی آئی جبکہ سال 2017 میں یہ کمی 15.3 فیصد تھی۔ غیر ملکیوں نے 27 فیصد منفی ڈالر کی واپسی کی، سرمائے کی زیادہ نکاسی کی وجہ کرنسی کا خطرہ اور US کی مالیاتی پابندیوں نے ابھرتی ہوئی منڈیوں کی منظر نامے کو دھندلا دیا۔

سال کے آغاز میں قرضے کی سمت میں، کم شرح سود کے ماحول میں، نجی شعبے کے کاروبار کو ایڈونسنز کی مد میں قرضوں کی فراہمی میں تیزی آئی اور سال بہ سال (دسمبر تا دسمبر) بڑھ کر 22 فیصد ہو گیا اس کے مقابلے میں گذشتہ سال 14 فیصد تھا۔ بینکاری کے شعبے کے ایڈونسنز کا ڈپازٹ بڑھ کر دسمبر میں 59 فیصد ہو گیا جس کے مقابلے میں گذشتہ سال 53 فیصد تھا۔ اس کے برعکس، سرمایہ کاری سے ڈپازٹس 69 فیصد سے کم ہو کر 57 فیصد ہو گیا۔



منقسمہ منافع (Dividend)

بورڈ آف ڈائریکٹرز اس بات میں خوشی محسوس کرتے ہیں کہ وہ سال جس کا اختتام 31 دسمبر 2018 کو ہوا ہے 450 ملین پاکستانی روپوں کا نقد منقسمہ منافع تجویز کریں۔



کمائی فی حصص

25,000 پاکستانی روپے ہالیت کے ہر حصص کی بنیادی اور گھٹی ہوئی کمائی 7,709 پاکستانی روپے فی حصص سے بڑھ کر 11,545 پاکستانی روپے فی حصص ہو گئی ہے۔

مستقبل کا منظر نامہ

سال 2019 میں موجودہ صورتحال کے باوجود جس میں مجموعی قومی پیداوار (GDP) کی نمو کی توقع 3.7 فیصد ہے، کمپنی کی کوششیں معیشت کے ترقیاتی سیکٹر میں محتاط سرمایہ کاری کے ذریعے پاکستان کی معیشت کی مدد کرے گی جبکہ اس کی توجہ کمپنی کی منافع بخشی میں بہتری رہے گی۔ گورنمنٹ کی معیشت کی بحالی کی شاہراہ پر گامزن ہونے کے مستقبل کے تصور کے تحت اس کا پیداواری اور برآمدات بڑھانے کے ایجنڈے (agenda) کو مد نظر رکھتے ہوئے کمپنی صنعتی شعبے کو کاروباری ہدف بنانے کا ارادہ رکھتی ہے۔

خطرات سے نپٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

PKIC کا خطرات سے نپٹنے کا انتظامی ڈھانچہ کی تعمیر انضمام شدہ ہر رسک مینجمنٹ کے اصولوں پر کی گئی ہے تاکہ قرضہ جاتی، مارکیٹ، سیالیت اور آپریشن سے متعلق خطرات کا انتظام کیا جاسکے۔ بورڈ آف ڈائریکٹرز خطرے کے موثر انتظام کے ترقیاتی (strategic) سمت کا تعین کرتا ہے اور اس کی حتمی ذمہ داریوں میں کاروبار سے متعلق خطرات سے نپٹنے کے ڈھانچے کی موجودگی کو یقینی بنائے ہوئے ہے۔ اس عمل میں بورڈ کی معاونت بورڈ کی کمیٹیاں کرتی ہیں یعنی کاروباری خطرے سے نپٹنے کی کمیٹی (RMC) اور آڈٹ کمیٹی اور انتظامی ذیلی کمیٹیاں۔ خطرات سے نپٹنے کا شعبہ تسلسل سے کمپنی کو درپیش بنیادی خطرات کی تازہ ترین صورت سے خطرے کے انتظام کی کمیٹی کو آگاہ کرتا ہے۔ اس طرح سے خطرے کے انتظام کی کمیٹی بنیادی خطرات کی پالیسیوں، ان کی حدود، ترقیاتی (strategic) اور کاروباری خطرات کو بڑھانے والے عوامل کا جائزہ لیتی ہے اور بورڈ کی منظوری کے لیے تجاویز پیش کرتی ہے۔

تمام قرضہ جات سے متعلق خطرات کا انتظام، پالیسی کرتی ہے جو خطرے کے عوامل بیان کرتی ہے۔ قرضہ فراہم کرنے کے پورٹ فولیو پر غور کرنے کے لیے قیمتوں کے عوامل کے خطرے۔ انعام (risk-reward) کے تعلق کی بنیاد پر تعین کیا جاتا ہے۔ منڈی اور سیالیت (Liquidity) کے خطرات کا انتظام، اثاثہ اور مالی ذمہ داری کی کمیٹی (ALCO) متعین شرائط و ضوابط کے مطابق کرتی ہے۔ مالی صورتحال کے بیان پر شرح سود کے خطرے کا تعین کرنے کے لیے وقفے وقفے سے اندرونی دباؤ کی ٹیسٹنگ کی جاتی ہے۔ کمپنی ملکیتی سرمایہ (equity) پورٹ فولیو کی خطرے پر ہالیت (Value at Risk) کا حساب کتاب روزانہ کی بنیاد پر تسلیم شدہ طریقوں سے کرتی ہے۔

آپریشن کے خطرات کا انتظام بورڈ کی منظور کردہ خطرے کی پالیسی کے ذریعے کیا جاتا ہے۔ PKIC نے متعدد ٹولز (tools) کا نفاذ کیا ہے مثلاً اندرونی نقصان کے اعداد و شمار، بنیادی خطرے کے اشارے (KRIs) اور خطرے کا کنٹرول اور اپنا تخمینہ (RCSA) کو جمع کرنا، PKIC کے پاس ٹیسٹ شدہ (tested) کاروباری تسلسل کے منصوبے BCP موجود ہے جو کسی ناگہانی یا تباہی کی صورتحال میں بزنس آپریشن کے تسلسل کو یقینی بنانے کے لیے کئے جانے والے اقدامات یا واقعات کا احاطہ کرتا ہے۔ خطرے کے انتظام کا شعبہ، تمام مادی خطرات، جس میں شامل ہیں قرضہ، منڈی، عملی، ترقیاتی (strategic)، اجتماع (concentration)، سیالیت (liquidity)، شرح سود، شہرت، جاکا خطرہ اور دیگر خطرات کا جامع کمپیوٹل کی موزونیت کے پراسس پر عمل کرتا ہے۔ خطرے کے انتظام کا ڈھانچہ تعمیل کرتا ہے اور متعلقہ ہدایات میں ہونے والی تبدیلیوں کے مطابق اپنے آپ کو تیار رکھتا ہے۔

پاکستان کویت انویسٹمنٹ کمپنی (پرائیوٹ) لمیٹڈ کی انٹیٹی ریٹنگ (Entity rating)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی طویل المدتی انٹیٹی ریٹنگ "اے اے اے" (تین اے) برقرار رکھی ہے اور قلیل المدتی ریٹنگ "اے ون پلس" رکھی ہے جو اعلیٰ ترین سطح ہے۔ جے سی آر۔ وی آئی ایس نے کمپنی کو کارپوریٹ گورننس "CGR-9" کی درجہ بندی تفویض کی ہے۔ یہ تفویض شدہ درجہ بندی، اداراتی حسن کارکردگی (Corporate Governance) کی اعلیٰ سطح ظاہر کرتی ہے۔

اداراتی حسن کارکردگی (Corporate Governance) کے ضابطہ کی تعمیل

کمپنی ناظمین اداراتی نظم و ضبط (Corporate Governance) کے ضوابط کی تعمیل کی تصدیق کرتے ہیں۔ اداراتی نظم و ضبط کے قوانین کی متعلقہ شقوق تعمیل کی تفصیلات درج ذیل ہے:

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

اندرونی نگرانی (Internal Controls)

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

بورڈ کے اجلاس

سال 2018 میں کمپنی کے بورڈ کے ناظمین کے پانچ اجلاس ہوئے جن کا جدول درج ذیل ہے۔

31 جنوری 2018	پہلا اجلاس
7 مارچ 2018	دوسرا اجلاس
20 جون 2018	تیسرا اجلاس
5 ستمبر 2018	چوتھا اجلاس
31 اکتوبر 2018	پانچواں اجلاس

آڈٹ کمیٹی کے اجلاس

سال 2018 میں کمپنی کے آڈٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

7 مارچ 2018	پہلا اجلاس
20 جون 2018	دوسرا اجلاس
5 ستمبر 2018	تیسرا اجلاس
31 اکتوبر 2018	چوتھا اجلاس



رسک مینجمنٹ کمیٹی کیا اجلاس کی تفصیلات

سال 2018 میں کمپنی کے رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	7 مارچ 2018
دوسرا اجلاس	20 جون 2018
تیسرا اجلاس	5 ستمبر 2018
چوتھا اجلاس	31 اکتوبر 2018

ایگزیکٹو کمیٹی کے اجلاس

سال 2018 میں کمپنی کے ایگزیکٹو کمیٹی کے دو اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	7 مارچ 2018
دوسرا اجلاس	31 اکتوبر 2018

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

بورڈ کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی
جناب عبداللہ عبدالوہاب الرمضان۔ چیرمین (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب رعنا اسد امین، رکن (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب فیصل عدنان الحسینف، رکن، (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب نوید علاؤ دین، رکن (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب عبداللہ صالح اے۔ السایر، رکن، جناب محمد آرا مینا وی کی جگہ پر (نان ایگزیکٹو ڈائریکٹر)	3	3
جناب محمد آرا مینا وی، رکن، (نان ایگزیکٹو ڈائریکٹر)	2	2
جناب منصور خان، رکن، ایگزیکٹو ڈائریکٹر/مینجنگ ڈائریکٹر	5	5

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب فیصل عدنان الحنیف، چیئرمین
4	4	جناب نوید علاؤ دین، رکن
3	3	جناب عبداللہ صالحہ اے۔ السایر، رکن (جناب محمد آرا المینا وئی کی جگہ)
1	1	جناب محمد آرا المینا وئی، رکن

آڈٹ کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
4	4	جناب رعنا اسد امین، چیئرمین
4	4	جناب نوید علاؤ دین، رکن
3	3	جناب عبداللہ صالحہ اے۔ السایر، رکن (جناب محمد آرا المینا وئی کی جگہ)
1	1	جناب محمد آرا المینا وئی، رکن

ایگزیکٹو کمیٹی کے اجلاس کی تفصیلات

اجلاس میں شرکت کی	مدت کے دوران اجلاس	ناظمین کے نام
2	2	جناب عبداللہ عبدالوہاب الرمضان، رکن
2	2	جناب منصور خان، رکن

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

2013	2014	2015	2016	2017	2018	پاکستانی روپے (ملین میں)
دوبارہ بیان کیا گیا ہے						
6,000	6,000	6,000	6,000	6,000	6,000	اداشدہ سرمایہ
10,269	13,616	14,616	18,687	18,807	20,549	محفوظ سرمایہ
22,291	24,634	28,367	28,941	29,129	29,977	کل اثاثہ جات
2,807	3,195	2,504	4,128	2,594	3,515	منافع قبل از محصول
2,360	2,678	1,828	3,452	1,850	2,768	خالص منافع از محصول
675	600	455	500	500	450	نقد منقسمہ منافع
-	-	-	-	-	-	حصص منقسمہ منافع



یادداشت (Note): محفوظ ذخائر میں سرمایہ کاری کی از سر نو قدر پیمائی (revaluation) کی زائد شامل ہے۔ اعداد و شمار کے تقابل کے لیے 2013 تا 2018 کے سالوں کے اعداد و شمار ان سالوں کی انضمام شدہ مالیاتی دستاویزات حاصل کی گئی ہیں۔

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا بیان

31 دسمبر 2018 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 170.156 اور 82.685 ملین پاکستانی روپے رہی۔ 31 دسمبر 2017 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 150.711 ملین پاکستانی روپے اور 98.445 ملین پاکستانی روپے رہی۔

محاسب (Auditors)

آڈٹ کمیٹی، میسرز کپٹی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، جو گذشتہ 5 سالوں سے کمپنی کے محاسبین (auditors) رہے تھے کی جگہ میسرز ارنسٹ اینڈ یگ فورڈ رھوڈز، چارٹرڈ اکاؤنٹینٹ، کا نام 31 دسمبر 2019 تک کے لیے بطور محاسبین (auditors) تجویز کر چکی ہے، اسی مناسبت سے بورڈ، آڈٹ کمیٹی کی سفارش پر میسرز ارنسٹ اینڈ یگ فورڈ رھوڈز، چارٹرڈ اکاؤنٹینٹ، کا نام، بطور محاسبین (auditors) کے سالانہ عام اجلاس میں فوراً منظور کیے جانے کی منظوری دے چکا ہے۔

اعتراف

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

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

بورڈ کے ڈائریکٹرز کے جانب سے

منصور خان
مینیجنگ ڈائریکٹر

عبداللہ عبدالوہاب الرمضان
چیئرمین

بتاریخ: 28 فروری 2019

کراچی



Statement of Compliance with Code of Corporate Governance for the Year Ended December 31, 2018

This statement is being presented to comply with the relevant clauses of the Listed Companies (Code of Corporate Governance) Regulations 2017 (the Regulations) as applicable to the Company.

The Company as a good governance practice has complied the relevant requirement of the Regulations in the following manner:

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

Category	Names
Executive Director	Mr. Mansur Khan
Non-Executive Directors	Mr. Abdullah Abdulwahab Al-Ramadhan Mr. Rana Assad Amin Mr. Faisal Adnan Al-Hunaif Mr. Naveed Alauddin Mr. Abdullah Salah A. Al-Sayer

2. The directors have confirmed that none of them is serving as a director on more than five listed companies, (excluding the listed subsidiaries of listed holding companies).
3. The Company has prepared a Statement of Ethics & Business Practices ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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 powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and Regulations.
6. The meetings of the Board were presided over by the Chairman. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
7. The Board of Directors has a formal policy and transparent procedures for remunerations of directors in accordance with the Act and the Regulations.
8. All the board members underwent a Director Orientation Workshop (DOW) arranged by the Company through Pakistan Institute of Corporate Governance (PICG). All the directors were provided with an Orientation Package on their appointment. Currently three directors have completed the Director's Training Certification under the Directors' Training Program as prescribed by SECP. The Board is encouraging other members to get the Directors Training Certification as soon as possible.
9. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
10. CFO and CEO duly endorsed the financial statements before approval of the Board.
11. The Board has formed committees comprising of members given below:



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

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
13. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per follows:
- | | |
|------------------------------|---|
| a) Audit Committee | 4 |
| b) Risk Management Committee | 4 |
| c) Executive Committee | 2 |
14. The Board has set up an effective internal audit function.
15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. The SBP vide BPRD circular No. 14 dated October 20, 2016 has intimated that the requirement of the CCG as mentioned in Prudential Regulations are now no longer applicable on DFIs, however it is expected that all DFIs will continue to follow the best practices on corporate governance. We confirm that all other applicable requirements of the Regulations have been complied with.



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director

Date: February 28, 2019
Karachi



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Independent Auditor's Review Report to the Members of Pakistan Kuwait Investment Company (Private) Limited on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Date: 28 February 2019
Karachi

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Statement on Internal Controls

REPORTING ON INTERNAL CONTROL SYSTEM

The company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the company's management to establish and maintain an adequate and effective system of internal control that could help in company's efforts to attain a professional and efficient working environment throughout the company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

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

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The company has made efforts to ensure during the year 2018 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general.

However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company. The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

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

Head of Internal Audit

Managing Director

Chief Financial Officer

Chairman Audit Committee

Date: February 28, 2019
Karachi





Financial Statements

For the year ended December 31, 2018



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Independent Auditor's Report to the members of Pakistan Kuwait Investment Company (Private) Limited

Opinion

We have audited the annexed financial statements of Pakistan Kuwait Investment Company (Private) Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and profit or loss account, statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit or loss account, statement of comprehensive income, the cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. Other information comprises the information included in the Directors' Report for the year ended 31 December 2018, 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 of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Iftikhar Anjum.

Date: 28 February 2019
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants

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Statement of Financial Position

As at December 31, 2018

2018	2017 (Restated)		Note	2018	2017 (Restated)
(USD in '000)				(Rupees in '000)	
ASSETS					
439	440	Cash and balances with treasury banks	5	60,901	61,148
70	135	Balances with other banks	6	9,690	18,730
7,714	17,836	Lendings to financial institutions	7	1,071,204	2,476,726
185,906	165,077	Investments	8	25,815,300	22,922,841
19,431	22,804	Advances	9	2,698,181	3,166,570
1,470	1,385	Fixed assets	10	204,172	192,355
95	30	Intangible assets	11	13,210	4,178
-	-	Deferred tax assets		-	-
753	2,064	Other assets	12	104,568	286,616
<u>215,878</u>	<u>209,771</u>			<u>29,977,226</u>	<u>29,129,164</u>
LIABILITIES					
-	-	Bills payable		-	-
9,877	18,450	Borrowings	13	1,371,474	2,562,007
252	18	Deposits and other accounts	14	35,000	2,500
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
10,535	9,246	Deferred tax liabilities	15	1,462,940	1,283,926
4,022	3,409	Other liabilities	16	558,503	473,321
<u>24,686</u>	<u>31,123</u>			<u>3,427,917</u>	<u>4,321,754</u>
<u>191,192</u>	<u>178,648</u>	NET ASSETS		<u>26,549,309</u>	<u>24,807,410</u>
REPRESENTED BY					
43,208	43,208	Share capital	17	6,000,000	6,000,000
59,001	53,516	Reserves	18	8,193,002	7,431,389
1,205	4,892	Surplus on revaluation of assets - net	19	167,303	679,262
87,778	77,032	Unappropriated profit		12,189,004	10,696,759
<u>191,192</u>	<u>178,648</u>			<u>26,549,309</u>	<u>24,807,410</u>
CONTINGENCIES AND COMMITMENTS					
			20		

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



Chairman



Chief Executive



Director



Profit and Loss Account

For the year ended December 31, 2018

2018 (USD in '000)	2017 (USD in '000)	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
6,683	5,335	21	928,003	740,818
477	750	22	66,290	104,125
<u>6,206</u>	<u>4,585</u>		<u>861,713</u>	<u>636,693</u>
NON MARK-UP / INTEREST INCOME				
25	15	23	3,450	2,104
1,567	1,684		217,585	233,885
-	-		-	-
-	-		-	-
1,311	679	24	182,041	94,231
21,238	14,799		2,949,135	2,055,026
1,312	127	25	182,242	17,677
<u>25,453</u>	<u>17,304</u>		<u>3,534,453</u>	<u>2,402,923</u>
<u>31,659</u>	<u>21,889</u>		<u>4,396,166</u>	<u>3,039,616</u>
NON MARK-UP / INTEREST EXPENSES				
3,686	3,298	26	511,810	457,996
506	374		70,306	51,873
-	-	27	-	60
<u>4,192</u>	<u>3,672</u>		<u>582,116</u>	<u>509,929</u>
<u>27,467</u>	<u>18,217</u>		<u>3,814,050</u>	<u>2,529,687</u>
2,152	(461)	28	298,767	(63,965)
-	-		-	-
<u>25,315</u>	<u>18,678</u>		<u>3,515,283</u>	<u>2,593,652</u>
5,379	5,354	29	746,863	743,423
<u>19,936</u>	<u>13,324</u>		<u>2,768,420</u>	<u>1,850,229</u>
USD				
83	56	30	11,535	7,709
<u>83</u>	<u>56</u>		<u>11,535</u>	<u>7,709</u>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chairman

Chief Executive

Director



Statement of Comprehensive Income

For the year ended December 31, 2018

2018 (USD in '000)	2017 (USD in '000)		2018 (Rupees in '000)	2017 (Rupees in '000)
19,936	13,324	Profit after taxation for the year	2,768,420	1,850,229
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
(2,100)	(5,416)	Movement in deficit on revaluation of 'available-for-sale' securities - net of tax	(291,649)	(752,101)
(1,627)	(3,123)	Movement in deficit on revaluation of 'available-for-sale' securities of associates - net of tax	(225,959)	(433,637)
(3,727)	(8,539)		(517,608)	(1,185,738)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
8	(16)	Remeasurement gain / (loss) on defined benefit obligation - net of tax	1,074	(2,220)
41	-	Share of surplus on revaluation of non - banking assets of associates - net of tax	5,649	-
(113)	(304)	Share of remeasurement of defined benefit obligation of associates - net of tax	(15,636)	(42,181)
(64)	(320)		(8,913)	(44,401)
<u>16,145</u>	<u>4,465</u>	Total comprehensive income	<u>2,241,899</u>	<u>620,090</u>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



Chairman



Chief Executive



Director



Statement of Changes in Equity

For the year ended December 31, 2018

Note	Share Capital	Non-distributable Reserve	Statutory Reserve	Capital Market Equalization Reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
					Investments	Non banking assets of associates		
------(Rupees in '000)-----								
Balance as at January 1, 2017	6,000,000	935,264	5,145,183	795,873	-	-	9,946,000	22,822,320
Surplus on revaluation of investments reclassified in equity	-	-	-	-	1,865,000	-	-	1,865,000
Balance as at January 1, 2017 - Restated	6,000,000	935,264	5,145,183	795,873	1,865,000	-	9,946,000	24,687,320
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	1,850,229	1,850,229
Other comprehensive income - net of tax	-	-	-	-	(1,185,738)	-	(44,401)	(1,230,139)
Total comprehensive income	-	-	-	-	(1,185,738)	-	1,805,828	620,090
Transfer to statutory reserve	18.1	-	-	370,046	-	-	(370,046)	-
Transfer to capital market equalization reserve	18.3	-	-	-	185,023	-	(185,023)	-
Transactions with owners recorded directly in equity								
Final dividend for the year ended December 31, 2016 @ Rs. 2,083.3 per share		-	-	-	-	-	(500,000)	(500,000)
Balance as at December 31, 2017	6,000,000	935,264	5,515,229	980,896	679,262	-	10,696,759	24,807,410
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	2,768,420	2,768,420
Other comprehensive income - net of tax	-	-	-	-	(517,608)	5,649	(14,562)	(526,521)
Total comprehensive income	-	-	-	-	(517,608)	5,649	2,753,858	2,241,899
Transfer to statutory reserve	18.1	-	-	484,771	-	-	(484,771)	-
Transfer to capital market equalization reserve	18.3	-	-	-	276,842	-	(276,842)	-
Transactions with owners recorded directly in equity								
Final dividend for the year ended December 31, 2017 @ Rs. 2,083.3 per share		-	-	-	-	-	(500,000)	(500,000)
Balance as at December 31, 2018	6,000,000	935,264	6,000,000	1,257,738	161,654	5,649	12,189,004	26,549,309

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chairman

Chief Executive

Director



Cash Flow Statement

For the year ended December 31, 2018

2018	2017 (Restated)		Note	2018	2017 (Restated)
(USD in '000)				(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES					
25,315	18,678	Profit before taxation		3,515,283	2,593,652
(1,567)	(1,684)	Less: Dividend income		(217,585)	(233,885)
23,748	16,994			3,297,698	2,359,767
Adjustments for:					
92	69	Depreciation		12,801	9,645
33	57	Amortization		4,549	7,921
2,151	(461)	Provisions and write-offs	28	298,767	(63,965)
-	(8)	Gain on sale of fixed assets		-	(1,157)
48	(32)	Unrealized loss / (gain) on revaluation of of 'held for trading' securities		6,626	(4,455)
(21,238)	(14,799)	Share in results of associates - net		(2,949,135)	(2,055,026)
(18,914)	(15,174)			(2,626,392)	(2,107,037)
4,834	1,820			671,306	252,730
Decrease in operating assets					
10,122	1,125	Lendings to financial institutions		1,405,522	156,154
50	(486)	Held-for-trading securities		6,969	(67,442)
3,955	11,096	Advances		549,232	1,540,869
130	520	Other assets (excluding advance taxation)		18,107	72,251
14,257	12,255			1,979,830	1,701,832
Decrease in operating liabilities					
(8,573)	(718)	Borrowings		(1,190,533)	(99,757)
234	(8)	Deposits		32,500	(1,150)
147	122	Other liabilities (excluding current taxation)		20,410	17,009
(8,192)	(604)			(1,137,623)	(83,898)
10,899	13,471			1,513,513	1,870,664
(2,009)	(2,584)	Income tax paid		(279,036)	(358,798)
8,890	10,887	<i>Net cash inflow from operating activities</i>		1,234,477	1,511,866
CASH FLOW FROM INVESTING ACTIVITIES					
(15,102)	(13,419)	Net investments in available-for-sale securities		(2,097,147)	(1,863,472)
-	(6,499)	Net investments in associates		-	(902,464)
10,021	12,720	Dividends received		1,391,582	1,766,329
(275)	(88)	Investments in operating fixed assets		(38,199)	(12,224)
-	8	Proceeds from sale of fixed assets		-	1,157
(5,356)	(7,278)	<i>Net cash used in investing activities</i>		(743,764)	(1,010,674)
CASH FLOW FROM FINANCING ACTIVITIES					
(3,601)	(3,601)	Dividend paid		(500,000)	(500,000)
(3,601)	(3,601)	<i>Net cash used in financing activities</i>		(500,000)	(500,000)
(67)	8	(Decrease) / increase in cash and cash equivalents		(9,287)	1,192
575	567	Cash and cash equivalents at beginning of the year		79,878	78,686
508	575	Cash and cash equivalents at end of the year	31	70,591	79,878

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.



Chairman



Chief Executive



Director



Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2018

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PRESENTATION

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 138.86, prevalent at December 31, 2018, for 2018 and 2017. This additional information is presented only for the convenience of users of the financial statements.

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

There are certain new amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks / DFIs effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions / (reversal of provisions) & write off - net (note 28).
- Inclusion of surplus / deficit on revaluation of non-banking assets of an associate as part of equity.



In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2018. As the Company's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements except that for disclosure of related parties transaction, as required by fifth schedule of Companies Act 2017, the definition of related parties as given in IAS 24 - Related parties has been followed.

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

The following standards, amendments and interpretations thereof will be effective for accounting periods beginning on or after January 1, 2019.

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

IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The adoption of the standard is not likely to have a material impact on revenue recognition policies of the Company.

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company has carried out an impact assessment as at December 31, 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to December 31, 2018 pending notification as to date the standard is applicable for Company.

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

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

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



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

Annual improvements to IFRS standards 2014-2017 cycle. The new cycle of improvements addresses improvements to following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after January 1, 2019 and are not likely to have an impact on Company's financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

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

2.4.1 Provision against non-performing advances

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

2.4.2 Classification of investments

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

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

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

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

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



2.4.4 Income taxes

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

2.4.5 Useful life and residual value of property and equipment

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for change explained in note 4.1.

4.1 SBP revised the format for presentation of Banks / DFIs financial statements for the year ended December 31, 2018. This requires a change in accounting policy for deficit / surplus on revaluation of investments which is now required to be shown as part of equity. Previously, it was shown below the equity.

4.2 Cash and cash equivalents

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

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

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

Sale under repurchase agreement

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

Purchase under resale agreement

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

Other borrowings

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

Other lendings

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



4.4 Investments

Classification

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

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

Initial recognition

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

Trade date accounting

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

Subsequent recognition

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

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

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

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

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

Investment in associates

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

4.5 Advances including net investment in finance leases

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

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

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



4.6 Operating fixed assets and depreciation

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

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

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

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

4.7 Intangible assets

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

4.8 Non-current assets held for sale

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

4.9 Certificates of investment (COI) / deposits

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

4.10 Staff retirement benefits

Defined benefit plan

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

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2018.

Defined contribution plan

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

4.11 Employees' compensated absences

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

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2018.

4.12 Foreign currencies

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

4.13 Revenue recognition

- i) Dividend income is recognised when the Company's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest rate method, except where recovery is considered doubtful, the income is recognised on receipt basis.



- iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.

4.14 Taxation

Current

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

Deferred

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

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

4.15 Impairment

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

4.16 Other provisions

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

4.17 Off setting of financial assets and financial liabilities

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

4.18 Derivative financial instruments

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

4.19 Dividend distribution

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

4.20 Earnings per share

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

4.21 Segment reporting

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.



8. INVESTMENTS	Note	2018				2017			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
8.1 Investments by type:		------(Rupees in '000)-----							
Held-for-trading securities									
Shares		112,758	-	(6,626)	106,132	119,727	-	4,455	124,182
Available-for-sale securities									
Federal Government Securities		5,396,869	-	2,290	5,399,159	4,445,395	-	54,831	4,500,226
Shares		3,753,959	(706,208)	56,673	3,104,424	3,536,509	(421,530)	408,693	3,523,672
Non Government Debt Securities		2,000,980	(33,638)	41,107	2,008,449	1,137,599	(33,638)	10,400	1,114,361
		11,151,808	(739,846)	100,070	10,512,032	9,119,502	(455,168)	473,924	9,138,259
Associates	8.1.1	15,197,136	-	-	15,197,136	13,660,400	-	-	13,660,400
Total Investments		<u>26,461,702</u>	<u>(739,846)</u>	<u>93,444</u>	<u>25,815,300</u>	<u>22,899,630</u>	<u>(455,168)</u>	<u>478,379</u>	<u>22,922,841</u>

8.1.1 Movement in investments in associates	2018	2017
	(Rupees in '000)	
Investments at beginning of the year	13,660,400	12,807,290
Investment in associates	-	902,464
Share in (deficit) on revaluation of 'available-for-sale' securities of associates	(265,818)	(509,668)
Share of surplus on revaluation of non - banking assets of associates	6,646	-
Share of remeasurement of defined benefit obligation of associates	(18,745)	(49,788)
Share of profit from associates recognized in profit and loss account	2,949,135	2,055,026
Dividend received from associates	(1,134,482)	(1,544,924)
Investments at end of the year	<u>15,197,136</u>	<u>13,660,400</u>

The cost of investment in associates as at December 31, 2018 amounted to Rs.2,895 million (December 31, 2017: Rs. 2,895 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 1,546 million (December 31, 2017: Rs. 235 million).

8.1.2 Investment in Associates

The Company's associates are:	Note	Nature of Activities	Country of Incorporation	Percentage holding
Associates				
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30.00
The General Tyre & Rubber Company of Pakistan Limited (GTR)	a	Tyre Manufacturing	Pakistan	30.00
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30.00
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	4.26
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	17.65

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

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

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



8.1.3 Summarized financial statements of associates

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

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

2017	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Current Assets	571,378,000	5,335,525	7,088,314	3,517,110	13,384,695
Non-Current Assets	214,589,000	4,077,093	-	210,959	378,080
Total Assets	785,967,000	9,412,618	7,088,314	3,728,069	13,762,775
Current Liabilities	334,652,000	4,018,534	148,800	848,141	12,501,977
Non-Current Liabilities	412,906,000	2,067,374	-	-	7,999
Total Liabilities	747,558,000	6,085,908	148,800	848,141	12,509,976
Net Assets	38,409,000	3,326,710	6,939,514	2,879,928	1,252,799
Fair Value of Investment	21,396,220	3,376,462	295,675	863,978	218,211
Dividend Received	902,464	268,969	16,896	321,000	35,596
Revenue / (loss)	20,753,022	10,797,842	(1,051,898)	1,645,753	945,668
Profit / (loss) from continuing operations	9,932,844	989,013	(1,109,652)	916,905	425,300
Tax	(4,152,851)	(243,847)	-	(455,532)	(130,458)
Profit / (loss) after tax from continuing operations	5,779,993	745,166	(1,109,652)	461,373	294,842
Other Comprehensive Income	(1,768,485)	(34,533)	(419,593)	(2,842)	(5,894)
Total Comprehensive Income	4,011,508	710,633	(1,529,245)	458,531	288,948

The financial statements upto December 31, 2017 have been used for all associates.



8.1.4 Reconciliation of Summarized information of Associates

2018	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Net Assets of the associate	43,576,939	3,303,681	6,077,215	2,875,526	1,417,371
Company's proportionate interest in associate	13,073,082	991,104	258,889	862,658	250,166
Other adjustments	(312,694)	66,720	9,605	281	(2,675)
Carrying amount of the Company's interest in associate	12,760,388	1,057,824	268,494	862,939	247,491
2017	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Net Assets of the associate	38,409,000	3,326,710	6,939,514	2,879,928	1,252,799
Company's proportionate interest in associate	11,522,700	998,013	295,623	863,978	221,119
Other adjustments	(312,984)	66,720	8,139	-	(2,908)
Carrying amount of the Company's interest in associate	11,209,716	1,064,733	303,762	863,978	218,211

8.1.5 Significant restrictions

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

8.2	Investments by segments:	Note	2018				2017			
			Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
			----- (Rupees in '000) -----							
	Federal Government Securities									
	Market Treasury Bills	8.2.1	4,997,658	-	(1,871)	4,995,787	3,548,276	-	(612)	3,547,664
	Pakistan Investment Bonds	8.2.2	399,211	-	4,160	403,371	897,119	-	55,443	952,562
			5,396,869	-	2,289	5,399,158	4,445,395	-	54,831	4,500,226
	Shares									
	Listed Companies		3,756,191	(596,507)	50,047	3,209,731	3,546,010	(311,844)	413,148	3,647,314
	Unlisted Companies		100,236	(99,411)	-	825	99,936	(99,396)	-	540
			3,856,427	(695,918)	50,047	3,210,556	3,645,946	(411,240)	413,148	3,647,854
	Non Government Debt Securities									
	Listed		1,502,607	-	4,132	1,506,739	839,120	-	10,135	849,255
	Unlisted		498,373	(33,638)	36,976	501,711	298,479	(33,638)	265	265,106
			2,000,980	(33,638)	41,108	2,008,450	1,137,599	(33,638)	10,400	1,114,361
	Foreign Securities									
	Unlisted equity securities		10,290	(10,290)	-	-	10,290	(10,290)	-	-
	Associates									
	Meezan Bank Limited	8.2.3	12,760,388	-	-	12,760,388	11,209,716	-	-	11,209,716
	General Tyre and Rubber Company Ltd.		1,057,824	-	-	1,057,824	1,064,733	-	-	1,064,733
	Al Meezan Mutual Funds		268,494	-	-	268,494	303,762	-	-	303,762
	Al Meezan Investment Management Ltd.	8.2.4	862,939	-	-	862,939	863,978	-	-	863,978
	National Clearing Company of Pakistan Ltd.		247,491	-	-	247,491	218,211	-	-	218,211
			15,197,136	-	-	15,197,136	13,660,400	-	-	13,660,400
	Total Investments		26,461,702	(739,846)	93,444	25,815,300	22,899,630	(455,168)	478,379	22,922,841



- 8.2.1 The investment in market treasury bills is maturing on January 03, 2019 (2017: January 4, 2018) and the effective mark-up rate is 8.72 (2017: 5.99) percent per annum.
- 8.2.2 The investments in Pakistan investment bonds are maturing on September 3, 2019 (2017: August 30, 2018 and September 3, 2019) and the effective mark-up rates range between 12.23 and 12.40 (2017: 11.45 and 13.12) percent per annum.
- 8.2.3 Investments in shares of Meezan Bank Limited costing Rs. 2,422 million and market value of Rs. 32,406 million (2017: Cost Rs. 2,422 million and market value Rs.21,396 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.
- 8.2.4 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.
- 8.2.5 The market value of shares in listed associates amounted to Rs. 35,132 million (2017: Rs. 25,068 million).
- 8.2.6 Investments given as collateral

2018 2017
(Rupees in '000)

Pakistan Investment Bond	50,421	-
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8.3 Provision for diminution in value of investments

8.3.1 Opening balance	455,168	381,565
Charge / reversals		
Charge for the year	353,972	211,237
Reversal on disposals	(69,294)	(137,634)
Closing Balance	284,678	73,603
	<u>739,846</u>	<u>455,168</u>

8.3.2 Particulars of provision against debt securities
Category of classification

	2018		2017	
	*NPI	Provision	*NPI	Provision
----- (Rupees in '000) -----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	33,638	33,638	33,638	33,638
	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>
Overseas	-	-	-	-
Total	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

* NPI stands for non-performing investments



8.4 Quality of Available for Sale Securities

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

8.4.1 Federal Government Securities - Government guaranteed

Market Treasury Bills
Pakistan Investment Bonds

2018	2017
Cost	
(Rupees in '000)	
4,997,658	3,548,276
399,211	897,119
<u>5,396,869</u>	<u>4,445,395</u>

8.4.2 Shares

Listed Companies

- Cement
- Commercial Banks
- Fertilizer
- Leasing
- Oil and Gas Exploration Companies
- Oil and Gas Marketing Companies
- Power Generation and Distribution
- Textile Composite
- Engineering

260,287	310,869
1,208,052	1,142,001
278,861	293,268
7,407	7,407
672,430	551,557
325,956	269,971
801,210	801,210
50,000	50,000
39,230	-
<u>3,643,433</u>	<u>3,426,283</u>

Unlisted Companies

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

2018		2017	
Cost	Breakup value	Cost	Breakup value
(Rupees in '000)		(Rupees in '000)	
2,150	-	2,150	-
4,043	-	4,043	-
200	-	200	-
10,000	-	10,000	-
500	38,082	500	37,751
4,770	-	4,770	-
11,773	-	11,773	-
50,000	-	50,000	-
6,500	-	6,500	-
10,000	-	10,000	-
300	285	-	-
<u>100,236</u>	<u>38,367</u>	<u>99,936</u>	<u>37,751</u>

8.4.3 Non Government Debt Securities

Listed

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

2018	2017
Cost	
(Rupees in '000)	
1,063,555	399,891
439,052	439,229
<u>1,502,607</u>	<u>839,120</u>

Unlisted

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

264,735	264,841
200,000	-
33,638	33,638
<u>498,373</u>	<u>298,479</u>

8.4.4 Foreign Securities Equity Securities

Unlisted Shares

Islamic International Rating Agency Limited

10,290	10,290
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9. ADVANCES	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1	2,656,298	3,121,975	1,113,743	1,197,298	3,770,041	4,319,273
Provision against advances							
- Specific		-	-	(1,071,860)	(1,152,703)	(1,071,860)	(1,152,703)
- General		-	-	-	-	-	-
		-	-	(1,071,860)	(1,152,703)	(1,071,860)	(1,152,703)
Advances - net of provision		<u>2,656,298</u>	<u>3,121,975</u>	<u>41,883</u>	<u>44,595</u>	<u>2,698,181</u>	<u>3,166,570</u>

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	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	457,698	-	-	457,698	572,025	2,041	-	574,066
Residual value	47,287	-	-	47,287	68,505	2,517	-	71,022
Minimum lease payments	504,985	-	-	504,985	640,530	4,558	-	645,088
Financial charges for future periods	294	-	-	294	2,275	249	-	2,524
Present value of minimum lease payments	<u>504,691</u>	<u>-</u>	<u>-</u>	<u>504,691</u>	<u>638,255</u>	<u>4,309</u>	<u>-</u>	<u>642,564</u>

9.1.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2019 and are subject to finance income at rates ranging between 6.00 and 16.52 (2017: 6.00 and 16.52) percent per annum.

9.1.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 45.487 million (2017: Rs. 69.221 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

9.2 Particulars of advances (Gross)	2018	2017
	(Rupees in '000)	
In local currency	<u>3,770,041</u>	<u>4,319,273</u>



9.3 Advances include Rs. 1,113.743 million (2017: Rs 1,197.298 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	1,647	823
Loss	1,113,743	1,071,860	1,195,651	1,151,880
Total	<u>1,113,743</u>	<u>1,071,860</u>	<u>1,197,298</u>	<u>1,152,703</u>

Provision is recorded net of security deposit of Rs. 41.88 millions (2017: 43.77 millions).

9.4 Particulars of provision against advances	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,152,703	-	1,152,703	1,437,645	-	1,437,645
Charge for the year	-	-	-	-	-	-
Reversals	(80,843)	-	(80,843)	(284,942)	-	(284,942)
	(80,843)	-	(80,843)	(284,942)	-	(284,942)
Closing balance	<u>1,071,860</u>	<u>-</u>	<u>1,071,860</u>	<u>1,152,703</u>	<u>-</u>	<u>1,152,703</u>

9.4.1 Particulars of provision against advances	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	<u>1,071,860</u>	<u>-</u>	<u>1,071,860</u>	<u>1,152,703</u>	<u>-</u>	<u>1,152,703</u>

9.5 Particulars of loans and advances to staff included in advances	2018	2017
	(Rupees in '000)	
Opening balance	85,401	124,671
Disbursements during the year	21,963	34,122
Repayments during the year	(21,876)	(73,392)
	87	(39,270)
Balance at end of the year	<u>85,488</u>	<u>85,401</u>

10. FIXED ASSETS	Note	2018	2017
		(Rupees in '000)	
Property and equipment	10.1	<u>204,172</u>	<u>192,355</u>



10.1 Property and Equipment

2018					
Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Motor Vehicles	Total

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

At January 1, 2018

Cost	100	246,328	14,331	45,492	15,180	321,431
Accumulated depreciation	-	(60,991)	(14,280)	(42,327)	(11,478)	(129,076)
Net book value	<u>100</u>	<u>185,337</u>	<u>51</u>	<u>3,165</u>	<u>3,702</u>	<u>192,355</u>

Year ended December 2018

Opening net book value	100	185,337	51	3,165	3,702	192,355
Additions	4,504	-	19	20,095	-	24,618
Depreciation charge	-	(6,137)	(15)	(5,271)	(1,378)	(12,801)
Closing net book value	<u>4,604</u>	<u>179,200</u>	<u>55</u>	<u>17,989</u>	<u>2,324</u>	<u>204,172</u>

At December 31, 2018

Cost	4,604	246,328	14,350	65,588	15,180	346,050
Accumulated depreciation	-	(67,128)	(14,295)	(47,599)	(12,856)	(141,878)
Net book value	<u>4,604</u>	<u>179,200</u>	<u>55</u>	<u>17,989</u>	<u>2,324</u>	<u>204,172</u>

Rate of depreciation (percentage)

-	<u>2.50 - 20</u>	<u>20</u>	<u>20 - 33.3</u>	<u>20</u>	<u>-</u>
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2017					
Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Motor Vehicles	Total

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

At January 1, 2017

Cost	100	235,809	14,283	44,115	16,755	311,062
Accumulated depreciation	-	(54,985)	(14,272)	(40,354)	(11,675)	(121,286)
Net book value	<u>100</u>	<u>180,824</u>	<u>11</u>	<u>3,761</u>	<u>5,080</u>	<u>189,776</u>

Year ended December 2017

Opening net book value	100	180,824	11	3,761	5,080	189,776
Additions	-	10,519	48	1,657	-	12,224
Cost of assets disposed off	-	-	-	(280)	(1,575)	(1,855)
Depreciation charge	-	(6,006)	(8)	(2,253)	(1,378)	(9,645)
Accumulated depreciation on disposals	-	-	-	280	1,575	1,855
Closing net book value	<u>100</u>	<u>185,337</u>	<u>51</u>	<u>3,165</u>	<u>3,702</u>	<u>192,355</u>

At December 31, 2017

Cost	100	246,328	14,331	45,492	15,180	321,431
Accumulated depreciation	-	(60,991)	(14,280)	(42,327)	(11,478)	(129,076)
Net book value	<u>100</u>	<u>185,337</u>	<u>51</u>	<u>3,165</u>	<u>3,702</u>	<u>192,355</u>

Rate of depreciation (percentage)

-	<u>2.50 - 20</u>	<u>20</u>	<u>20 - 33.3</u>	<u>20</u>	<u>-</u>
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10.1.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2018	2017
	(Rupees in '000)	
Building on leasehold land	3,981	3,981
Furniture and fixtures	14,262	14,262
Electrical, office and computer equipment	41,222	40,209
Motor vehicles	8,289	8,289
11. INTANGIBLE ASSETS - COMPUTER SOFTWARE		2018
		(Rupees in '000)
At January 1, 2018		
Cost		68,505
Accumulated amortisation		(64,327)
Net book value		<u>4,178</u>
Year ended December 31, 2018		
Opening net book value		4,178
Additions		13,581
Amortisation charge		(4,549)
Closing net book value		<u>13,210</u>
At December 31, 2018		
Cost		82,086
Accumulated amortisation		(68,876)
Net book value		<u>13,210</u>
Rate of amortisation (percentage)		<u>20</u>
Useful life		<u>5 years</u>
		2017
		(Rupees in '000)
At January 1, 2017		
Cost		68,505
Accumulated amortisation		(56,406)
Net book value		<u>12,099</u>
Year ended December 31, 2017		
Opening net book value		12,099
Amortisation charge		(7,921)
Closing net book value		<u>4,178</u>
At December 31, 2017		
Cost		68,505
Accumulated amortisation		(64,327)
Net book value		<u>4,178</u>
Rate of amortisation (percentage)		<u>20</u>
Useful life		<u>5 years</u>



12.	OTHER ASSETS	Not	2018	2017
			(Rupees in '000)	
	Income/ Mark-up accrued in local currency - net		83,191	132,386
	Advances, deposits, advance rent and other prepayments		14,322	22,780
	Advance taxation (payments less provisions)		-	98,789
	Other receivable		42,433	42,401
	Non-current asset 'held for sale'	12.1	135,000	135,000
			274,946	431,356
	Less: Provision held against other assets	12.2	(170,378)	(144,740)
			104,568	286,616

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

In 2015, the Board of Directors decided to divest the Company's interest in one of its associate, 'Pak-Kuwait Takaful Company Limited' (PKTCL) (30%). In this regard, efforts to sell the associate have been initiated. Based on the Company's intention this associate has accordingly been classified as 'non-current asset held-for-sale'. As at December 31, 2018, this non-current asset held-for-sale is stated at the lower of carrying amount and fair value less costs to sell. Other assets includes receivable from Pakistan Kuwait Takaful Company Limited amounting Rs.9.890 million (2017: Rs. 9.740 million) that has been fully provided.

12.2	Provision held against other assets		2018	2017
			(Rupees in '000)	
	Non Current Asset Held for Sale		135,000	135,000
	Other receivables		35,378	9,740
			170,378	144,740

12.2.1 Movement in provision held against other assets

	Opening balance		144,740	135,000
	Charge for the year		25,638	9,740
	Closing balance		170,378	144,740

13. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

	Under Long Term Finance Facility (LTFF)	13.1	1,371,474	1,560,360
	Under Finance Facility for Storage of Agricultural Produce (FFSAP)		-	1,647
			1,371,474	1,562,007

	Term Finance Facility		-	1,000,000
			1,371,474	2,562,007

13.1 Borrowings from SBP under LTFF

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the company for the period from July 1, 2018 to June 30, 2019 is Rs. 1,000 million out of which no disbursement was made.

13.2	Particulars of borrowings with respect to Currencies		2018	2017
			(Rupees in '000)	
	In local currency		1,371,474	2,562,007



14. DEPOSITS AND OTHER ACCOUNTS

2018			2017		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

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

Customers

Term deposits (COI)	35,000	-	35,000	2,500	-	2,500
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14.1 Composition of deposits

2018 2017
(Rupees in '000)

- Private Sector	35,000	2,500
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14.2 The profit rate on this COI is 9.85 (2017: 5.80) percent per annum. The COI is due for maturity on March 7, 2019 (2017: September 21, 2018).

15. DEFERRED TAX LIABILITIES

2018

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

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

Deductible temporary differences on

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

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

Taxable temporary differences on

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

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

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

2017

At January 1, 2017	Recognised in P&L A/C	Recognised in OCI	At December 31, 2017
--------------------	-----------------------	-------------------	----------------------

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

Deductible temporary differences on

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

14,766	1,500	952	17,218
431,294	(85,483)	-	345,811
446,060	(83,983)	952	363,029

Taxable temporary differences on

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

(83,705)	(266)	108,466	24,495
(35,431)	(277)	-	(35,708)
(125,708)	18,230	-	(107,478)
(1,336,753)	(275,149)	83,638	(1,528,264)
(1,581,597)	(257,462)	192,104	(1,646,955)

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



16. OTHER LIABILITIES	Note	2018	2017
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		8,091	10,499
Accrued expenses		372,402	331,746
Current taxation (provisions less payments)		66,288	-
Payable to defined benefit obligation	33.4	48,747	46,786
Security deposits against lease	9.1.2	45,487	69,221
Employees' compensated absences		11,922	10,608
Payable to share brokers on account of purchase of marketable securities		2,180	-
Others		3,386	4,461
		558,503	473,321

17. SHARE CAPITAL

17.1 Authorized Capital

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000

17.2 Issued, subscribed and paid up

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	5,351,250	5,351,250
240,000	240,000		6,000,000	6,000,000

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2017: 120,000) ordinary shares of the Company as at December 31, 2018.

18. RESERVES	Note	2018	2017
		(Rupees in '000)	
Statutory reserve	18.1	6,000,000	5,515,229
Non-distributable reserve	18.2	935,264	935,264
Capital market equalization reserve	18.3	1,257,738	980,896
Total reserves		8,193,002	7,431,389

18.1 Statutory reserve

At beginning of the year	5,515,229	5,145,183
Add: Transfer during the year	484,771	370,046
	6,000,000	5,515,229

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 17.51% of its after tax profit for the year to this reserve amounting to Rs. 484.771 million (2017: Rs. 370.046 million).



18.2	Non-distributable reserve	2018	2017
		(Rupees in '000)	
	At beginning of the year	935,264	935,264
	Add: Addition during the year	-	-
		935,264	935,264

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

18.3	Capital market equalization reserve	2018	2017
		(Rupees in '000)	
	At beginning of the year	980,896	795,873
	Add: Addition during the year	276,842	185,023
		1,257,738	980,896

The 'Capital Market Equalization Reserve' has been setup as decided in the 135th board meeting held on December 24, 2014, in order to provide adequate reserve against volatility in the value of capital market portfolio. An amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost. Currently the reserve stands at 19.32% of the capital market portfolio at cost.

19.	SURPLUS ON REVALUATION OF ASSETS	Note	2018	2017
			(Rupees in '000)	
	Surplus / (deficit) on revaluation of			
	- Available for sale securities	8.1	100,070	473,924
	- Associates		(50,113)	209,059
			49,957	682,983
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		67,505	(14,700)
	- Associates		49,841	10,979
			117,346	(3,721)
			167,303	679,262

20. CONTINGENCIES AND COMMITMENTS

20.1 Tax Contingencies

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

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

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

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



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

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

The Company has made provision of Rs. 1,374 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

20.2	Commitments	Note	2018	2017
			(Rupees in '000)	
	Undisbursed sanctions for financial assistance in the form of:			
	- TFCs and Sukuks		-	400,000
	- Loans and advances		150,000	450,000
			<u>150,000</u>	<u>850,000</u>
20.3	Commitments for operating leases			
	Aggregate commitments for operating leases as at December 31, 2018 are as follows:			
	Not later than one year		<u>2,307</u>	<u>2,417</u>
21.	MARK-UP / RETURN / INTEREST EARNED			
	On loans and advances		266,286	182,616
	On investments		559,466	466,081
	On lendings to financial institutions		101,663	91,616
	On balances with banks		588	505
			<u>928,003</u>	<u>740,818</u>
22.	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		347	198
	Borrowings		65,943	103,887
	Securities sold under repurchase agreements - government securities		-	40
			<u>66,290</u>	<u>104,125</u>
23.	FEE & COMMISSION INCOME			
	Advisory Fee		250	327
	Arrangement Fee		450	600
	Participation Fee		2,750	-
	Underwriting Commission		-	1,177
			<u>3,450</u>	<u>2,104</u>
24.	GAIN ON SECURITIES			
	Realised	24.1	188,667	89,776
	Unrealised (loss) / gain on held-for-trading	8.1	(6,626)	4,455
			<u>182,041</u>	<u>94,231</u>
24.1	Realised gain on:			
	Shares		<u>188,667</u>	<u>89,776</u>



Pak Kuwait

25. OTHER INCOME	Note	2018 (Rupees in '000)	2017
Space / arrangement income		-	4,138
Gain on sale of fixed assets-net		-	1,157
Late payment charges		176,187	6,108
Prepayment charges		-	1,377
Nominee directors fee		5,872	4,881
Others		183	16
		<u>182,242</u>	<u>17,677</u>
26. OPERATING EXPENSES			
Total compensation expense	26.1	282,121	263,981
Property expense			
Rent & taxes		12,519	9,230
Insurance		360	362
Utilities cost		5,176	5,002
Security expense		575	577
Repairs & maintenance		30,521	20,037
Depreciation		6,137	6,006
		55,288	41,214
Information technology expenses			
Software maintenance		290	291
Hardware maintenance		40	48
Depreciation		4,648	918
Amortisation		4,549	7,921
Network charges		1,478	1,358
		11,005	10,536
Other operating expenses			
Directors' fees and allowances		45,368	36,829
Legal & professional charges		36,204	38,902
Outsourced services costs	26.2	14,536	14,536
Travelling & conveyance		9,476	8,088
Depreciation		2,016	2,721
Training & development		1,063	666
Postage & courier charges		296	301
Communication		5,072	4,486
Stationery & printing		1,791	1,943
Marketing, advertisement & publicity		520	795
Donations	26.3	26,000	16,000
Auditors' Remuneration	26.4	7,970	3,947
Newspaper, periodicals and subscription dues		1,724	1,558
Repairs & maintenance (others)		1,254	922
Bank charges		200	185
Entertainment expense		1,606	1,555
Others		8,300	8,831
		163,396	142,265
		<u>511,810</u>	<u>457,996</u>
26.1 Total compensation expense			
Fee and allowance		38,888	35,945
Managerial remuneration - fixed		173,321	175,061
Managerial remuneration - variable (bonus)		22,600	7,691
Charge for defined benefit plan	33.8.1	17,977	18,198
Contribution to defined contribution plan		16,561	16,971
Medical		8,023	6,955
Pilgrimage sponsorship		1,631	1,521
Compensated absences		2,599	1,101
Others		521	538
Total		<u>282,121</u>	<u>263,981</u>



26.2	Total cost for the year included in other operating expenses relate to service on property maintenance paid to a company incorporated in Pakistan.		
26.3	During the year, the Company donated to the following recognized institutions:		2018 2017 (Rupees in '000)
	Donee		
	Supreme Court of Pakistan Diamer Basha and Mohmand Dam Fund		10,000 -
	The Citizens Foundation		6,000 6,000
	Roshni Homes Trust		2,000 3,000
	The Indus Hospital		2,000 3,000
	The Kidney Centre		2,000 -
	Shaukat Khanum Memorial Trust		2,000 -
	Aziz Jehan Begum Trust for the Blind		1,000 -
	Karigar Training Institute		1,000 1,000
	Layton Rehmatullah Benevolent Trust		- 3,000
			<u>26,000</u> <u>16,000</u>
26.3.1	None of the directors or their spouse had any interest in the donations made.		
26.4	Auditors' remuneration	Note	2018 2017 (Rupees in '000)
	Audit fee		1,719 1,637
	Fee for half yearly review		688 655
	Special certifications and sundry advisory services		5,340 1,435
	Out-of-pocket expenses		223 220
			<u>7,970</u> <u>3,947</u>
27.	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan		- 60
28.	PROVISIONS / (REVERSAL OF PROVISION) & WRITE OFFS - NET		
	Provisions for diminution in value of investments	8.3.1	353,972 211,237
	Reversal of provisions against loans & advances	9.4	(80,843) (284,942)
	Provision for impairment in other assets	12.2.1	25,638 9,740
			<u>298,767</u> <u>(63,965)</u>
29.	TAXATION		
	Current		444,113 401,978
	Deferred		302,750 341,445
			<u>746,863</u> <u>743,423</u>
29.1	Relationship between tax expense and accounting profit		
	Profit before taxation		<u>3,515,283</u> <u>2,593,652</u>
	Tax at the applicable rate of 29% (2017: 30%)		1,019,432 778,096
	Net tax effect on income taxed at reduced rates		(373,047) (97,736)
	Charge for super tax		99,615 62,769
	Others		863 294
			<u>746,863</u> <u>743,423</u>
30.	BASIC / DILUTED EARNINGS PER SHARE		
			2018 2017 (Rupees in '000)
	Profit for the year		<u>2,768,420</u> <u>1,850,229</u>
			(Numbers in '000)
	Weighted average number of ordinary shares		<u>240</u> <u>240</u>
			Rupees
	Basic / diluted earnings per share		<u>11,535</u> <u>7,709</u>



31. CASH AND CASH EQUIVALENTS:

Note

2018
2017
(Rupees in '000)

Cash and Balance with Treasury Banks	5	60,901	61,148
Balance with other banks	6	9,690	18,730
		<u>70,591</u>	<u>79,878</u>

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

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

	Liabilities			Equity					Total
	Borrowings	Deposits and other accounts	Other liabilities	Share Capital	Reserves	Surplus / (deficit) on revaluation of		Unappropriated profit	
						Investments	Non banking assets of associates		
(Rupees in '000)									
Balance as at January 1, 2017	2,661,764	3,650	453,141	6,000,000	6,876,320	1,865,000	-	9,946,000	24,687,320
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	(500,000)	(500,000)
Other Changes									
Liability related									
Changes in borrowings	(99,757)	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	(1,150)	-	-	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	17,009	-	-	-	-	-	-
- Non-cash based	-	-	3,171	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	-	555,069	-	-	(555,069)	-
Deficit on revaluation of investment	-	-	-	-	-	(1,185,738)	-	-	(1,185,738)
Profit after tax	-	-	-	-	-	-	-	1,850,229	1,850,229
Other comprehensive income	-	-	-	-	-	-	-	(44,401)	(44,401)
	<u>(99,757)</u>	<u>(1,150)</u>	<u>20,180</u>	<u>-</u>	<u>555,069</u>	<u>(1,185,738)</u>	<u>-</u>	<u>1,250,759</u>	<u>620,090</u>
Balance as at December 31, 2017	<u>2,562,007</u>	<u>2,500</u>	<u>473,321</u>	<u>6,000,000</u>	<u>7,431,389</u>	<u>679,262</u>	<u>-</u>	<u>10,696,759</u>	<u>24,807,410</u>

32. STAFF STRENGTH

2018
2017
Number

Permanent	56	53
On Company contract	-	1
Company's own staff strength at the end of the year	<u>56</u>	<u>54</u>

32.1 In addition to the above, 24 (2017: 24) employees of an outsourcing services company were assigned to the Company as at the end of the year to perform janitorial services. Further, all of these employees are working locally.



33. DEFINED BENEFIT PLAN

33.1 General description

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2018.

33.2 Number of Employees under the scheme

2018	2017
Number	

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

56	53
----	----

33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	----- Per annum-----	
Discount rate	13.25%	8.25%
Expected rate of return on plan assets	13.25%	8.25%
Expected rate of salary increase		
For first two years following valuation	13.25%	10.25%
For third year and onward	13.25%	8.25%

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

Note

2018	2017
(Rupees in '000)	

Present value of obligations

33.5

146,290	147,698
---------	---------

Fair value of plan assets

33.6

(97,543)	(100,912)
----------	-----------

48,747	46,786
--------	--------

33.5 Movement in defined benefit obligations

Obligations at the beginning of the year

147,698	139,990
---------	---------

Current service cost

14,107	15,100
--------	--------

Interest cost

11,900	11,501
--------	--------

Benefits paid by the Company

(23,999)	(18,038)
----------	----------

Re-measurement gain

(3,416)	(855)
---------	-------

Obligations at the end of the year

146,290	147,698
---------	---------

33.6 Movement in fair value of plan assets

Fair value at the beginning of the year

100,912	101,342
---------	---------

Interest income on plan assets

8,030	8,403
-------	-------

Contribution by the Company - net

14,502	13,232
--------	--------

Benefits paid during the year

(23,999)	(18,038)
----------	----------

Re-measurements: Net return on plan assets

33.8.2

(1,902)	(4,027)
---------	---------

Fair value at the end of the year

97,543	100,912
--------	---------

33.7 Movement in payable to defined benefit plan

Opening balance

46,786	38,648
--------	--------

Charge for the year

33.8.1

17,977	18,198
--------	--------

Contribution by the Company - net

(14,502)	(13,232)
----------	----------

Re-measurement: (gain) / loss recognised in OCI during the year

33.8.2

(1,514)	3,172
---------	-------

Closing balance

48,747	46,786
--------	--------



33.8	Charge for defined benefit plans	2018	2017
		(Rupees in '000)	
33.8.1	Cost recognised in profit and loss		
	Current service cost	14,107	15,100
	Net interest on defined benefit assets	3,870	3,098
		<u>17,977</u>	<u>18,198</u>
33.8.2	Re-measurements recognised in OCI during the year		
	Loss / (gain) on obligation		
	- Financial assumptions	623	2,481
	- Experience adjustment	(4,039)	(3,336)
	Return on plan assets over interest income	1,902	4,027
	Total re-measurements recognised in OCI	<u>(1,514)</u>	<u>3,172</u>
33.9	Components of plan assets		
	Cash and cash equivalents - net	14,858	2,484
	Government Securities	82,123	92,317
	Investment in Mutual Fund	<u>562</u>	<u>6,112</u>

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

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

33.10 Sensitivity analysis

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

	2018	2017
	(Rupees in '000)	
1% increase in discount rate	134,676	136,075
1% decrease in discount rate	159,570	161,101
1 % increase in expected rate of salary increase	160,148	161,660
1 % decrease in expected rate of salary increase	133,983	135,387
33.11	Expected contributions to be paid to the funds in the next financial year	<u>22,310</u>
33.12	Expected charge for the next financial year	<u>22,310</u>



33.13 Maturity profile	2018	2017
	Years	Years
The weighted average duration of the present value of defined benefit obligation	8	8
Benefit Payments	2018	2017
Distribution of timing of benefit payments	(Rupees in '000)	
Years		
1	15,133	21,192
2	13,131	15,393
3	7,633	12,477
4	29,853	6,649
5	25,713	25,534
6 - 10	96,881	87,276

34. DEFINED CONTRIBUTION PLAN

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

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- (Rupees in '000) -----					
Fee	-	-	17,115	15,114	-	-
Managerial remuneration	23,739	17,280	-	-	212,209	211,005
Charge for defined benefit plan	-	-	-	-	17,977	18,198
Contribution to defined contribution plan	-	-	-	-	16,561	16,971
Rent and house maintenance	3,627	2,640	-	-	-	-
Utilities	279	275	-	-	-	-
Medical	446	318	-	-	8,023	6,955
Bonus paid	4,320	5,760	-	-	48,280	45,814
Others	660	663	-	-	-	-
	<u>33,071</u>	<u>26,936</u>	<u>17,115</u>	<u>15,114</u>	<u>303,050</u>	<u>298,943</u>
No. of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>56</u>	<u>53</u>

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

36. FAIR VALUE MEASUREMENTS

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



36.1 On balance sheet financial instruments

2018										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	4,995,787	-	-	-	4,995,787		4,995,787		4,995,787
- Pakistan investment bonds	-	403,372	-	-	-	403,372		403,372		403,372
- Shares of listed companies	106,132	3,067,550	-	-	-	3,173,682	3,173,682			3,173,682
- Listed preference shares	-	36,050	-	-	-	36,050	36,050			36,050
- Listed sukuk / term finance certificates	-	1,506,739	-	-	-	1,506,739		1,506,739		1,506,739
- Unlisted sukuk / term finance certificates	-	501,711	-	-	-	501,711		501,711		501,711
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	60,901	-	60,901				
Balances with other banks	-	-	-	9,690	-	9,690				
Investments										
- Investments in associates - listed	-	14,086,706	-	-	-	14,086,706	35,132,152			35,132,152
- Shares in unlisted companies	-	825	-	-	-	825				
- Shares of unlisted associates	-	1,110,430	-	-	-	1,110,430				
Advances	-	-	-	2,698,181	-	2,698,181				
Other assets	-	-	-	79,251	-	79,251				
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(1,371,474)	(1,371,474)				
Deposits and other accounts	-	-	-	-	(35,000)	(35,000)				
Other liabilities	-	-	-	-	(509,756)	(509,756)				
	106,132	25,709,170	-	2,848,023	(1,916,230)	26,747,095				
2017										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	3,547,663	-	-	-	3,547,663		3,547,663		3,547,663
- Pakistan investment bonds	-	953,175	-	-	-	953,175		953,175		953,175
- Shares of listed companies	124,182	3,473,133	-	-	-	3,597,315	3,597,315			3,597,315
- Listed sukuk / term finance certificates	-	849,254	-	-	-	849,254		849,254		849,254
- Unlisted term finance certificates	-	265,106	-	-	-	265,106		265,106		265,106
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	61,148	-	61,148				
Balances with other banks	-	-	-	18,730	-	18,730				
Investments										
- Investments in associates - listed	-	12,578,211	-	-	-	12,578,211	25,068,357			25,068,357
- Listed preference shares	-	50,000	-	-	-	50,000	40,150			40,150
- Shares in unlisted companies	-	540	-	-	-	540				
- Shares of unlisted associates	-	1,082,189	-	-	-	1,082,189				
- Unlisted term finance certificates	-	-	-	-	-	-				
Advances	-	-	-	3,166,570	-	3,166,570				
Other assets	-	-	-	88,931	-	88,931				
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(2,562,007)	(2,562,007)				
Deposits and other accounts	-	-	-	-	(2,500)	(2,500)				
Other liabilities	-	-	-	-	(426,535)	(426,535)				
	124,182	22,799,271	-	3,335,379	(2,991,042)	23,267,790				

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

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

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

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

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

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

37. SEGMENT INFORMATION

37.1 Segment Details with respect to Business Activities

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

	2018					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	(Rupees in '000)					
Profit & Loss						
Net mark-up / return / profit	336,187	522,380	-	-	3,146	861,713
Non mark-up / return / interest income	179,387	-	2,949,385	399,626	6,055	3,534,453
Total Income	515,574	522,380	2,949,385	399,626	9,201	4,396,166
Segment direct expenses	(36,006)	(19,255)	(7,741)	(12,686)	(181,181)	(256,869)
Segment indirect expenses	(52,272)	(17,424)	(11,616)	(11,616)	(232,319)	(325,247)
Total expenses	(88,278)	(36,679)	(19,357)	(24,302)	(413,500)	(582,116)
Reversal / (Provisions)	80,843	-	(15)	(353,957)	(25,638)	(298,767)
Profit before tax	508,139	485,701	2,930,013	21,367	(429,937)	3,515,283
	(Rupees in '000)					
Balance Sheet						
Cash & Bank balances	-	70,541	-	-	50	70,591
Investments	2,008,449	5,399,159	15,197,961	3,209,731	-	25,815,300
Lendings to financial institutions	-	1,071,204	-	-	-	1,071,204
Advances - performing	2,570,810	-	-	-	85,488	2,656,298
Advances - non-performing	41,883	-	-	-	-	41,883
Others	61,088	18,162	-	6,140	236,560	321,950
Total Assets	4,682,230	6,559,066	15,197,961	3,215,871	322,098	29,977,226
Borrowings	1,371,474	-	-	-	-	1,371,474
Deposits & other accounts	-	35,000	-	-	-	35,000
Others	56,552	80	1,401,435	(42,590)	605,966	2,021,443
Total liabilities	1,428,026	35,080	1,401,435	(42,590)	605,966	3,427,917
Equity	546,163	449,079	(288)	187,541	25,366,814	26,549,309
Total Equity & liabilities	1,974,189	484,159	1,401,147	144,951	25,972,780	29,977,226
Contingencies & Commitments	150,000	-	-	-	2,307	152,307



2017

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
(Rupees in '000)						
Profit & Loss						
Net mark-up / return / profit	174,415	459,271	-	-	3,007	636,693
Non mark-up / return / interest income	8,085	-	2,056,530	328,116	10,192	2,402,923
Total Income	182,500	459,271	2,056,530	328,116	13,199	3,039,616
Segment direct expenses	(29,055)	(18,007)	(7,198)	(11,127)	(190,090)	(255,477)
Segment indirect expenses	(33,607)	(14,403)	(9,602)	(9,602)	(187,238)	(254,452)
Total expenses	(62,662)	(32,410)	(16,800)	(20,729)	(377,328)	(509,929)
Reversal / (Provisions)	284,942	-	-	(211,237)	(9,740)	63,965
Profit before tax	404,780	426,861	2,039,730	96,150	(373,869)	2,593,652

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
(Rupees in '000)						
Balance Sheet						
Cash & Bank balances	-	79,828	-	-	50	79,878
Investments	1,114,360	4,500,226	13,660,940	3,647,315	-	22,922,841
Lendings to financial institutions	-	2,476,726	-	-	-	2,476,726
Advances - performing	3,036,574	-	-	-	85,401	3,121,975
Advances - non-performing	44,595	-	-	-	-	44,595
Others	50,576	38,355	35,596	25,979	332,643	483,149
Total Assets	4,246,105	7,095,135	13,696,536	3,673,294	418,094	29,129,164
Borrowings	2,562,007	-	-	-	-	2,562,007
Deposits & other accounts	-	2,500	-	-	-	2,500
Others	(263,169)	6	1,528,823	(24,513)	516,100	1,757,247
Total liabilities	2,298,838	2,506	1,528,823	(24,513)	516,100	4,321,754
Equity	414,387	442,030	2,259,768	530,598	21,160,627	24,807,410
Total Equity & liabilities	2,713,225	444,536	3,788,591	506,085	21,676,727	29,129,164
Contingencies & Commitments	850,000	-	-	-	2,417	852,417

37.2 Segment details with respect to geographical locations

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

38. TRUST ACTIVITIES

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

Category	Security Type	Number of IPS account		Face Value	
		2018	2017	2018	2017
(Rupees in '000)					
Related parties:					
PKIC Staff Provident Fund	Market Treasury Bills	1	1	153,500	95,000
PKIC Staff Gratuity Fund	Market Treasury Bills			82,400	93,000

39. RELATED PARTY TRANSACTIONS

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

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



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

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Balances with other banks								
In deposit account	-	-	7,623	-	-	-	12,476	-
Investments								
Opening balance	-	-	13,660,400	500	-	-	12,807,290	500
Investment made during the year	-	-	-	-	-	-	902,464	-
Equity method accounting adjustments	-	-	1,536,736	-	-	-	(49,354)	-
Closing balance	-	-	15,197,136	500	-	-	13,660,400	500
Advances								
Opening balance	-	46,441	-	-	-	47,858	-	-
Addition during the year	-	16,000	-	-	-	21,443	-	-
Repaid during the year	-	(10,580)	-	-	-	(22,860)	-	-
Transfer in / (out) - net	-	(3,537)	-	-	-	-	-	-
Closing balance	-	48,324	-	-	-	46,441	-	-
Other Assets								
Interest / mark-up accrued	-	-	45	-	-	-	24	-
Receivable from NCCPL	-	-	30	-	-	-	-	-
Receivable from Pak Kuwait Takaful Company	-	-	-	9,890	-	-	-	9,740
Non-current asset held for sale	-	-	-	135,000	-	-	-	135,000
Provision against other assets	-	-	-	(144,890)	-	-	-	(144,740)
	-	-	75	-	-	-	24	-
Deposits and other accounts								
Opening balance	-	-	-	2,500	-	-	-	2,500
Received during the year	-	-	-	-	-	-	-	2,500
Withdrawn during the year	-	-	-	(2,500)	-	-	-	(2,500)
Closing balance	-	-	-	-	-	-	-	2,500
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	41
Payable to NCCPL	-	-	46	-	-	-	60	-
	-	-	46	-	-	-	60	41

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Income								
Mark-up / return / interest earned	-	1,832	359	-	-	1,412	343	-
Dividend income	-	-	1,134,482	-	-	-	1,544,925	-
Other income								
- Nominee Director Fee	-	-	10,252	170	-	-	8,931	130
Expense								
Mark-up / return / interest paid	-	-	-	104	-	-	-	198
Operating expenses								
- Directors Fee	17,115	-	-	-	15,114	-	-	-
- Remuneration to key management personnel (including retirement benefits)	-	156,277	-	-	-	139,578	-	-
- Nominee Director Fee payment	-	-	-	4,380	-	-	-	4,050
- NCCPL Charges	-	-	539	-	-	-	488	-
- FMCL Office Maintenance Charges	-	-	-	25,820	-	-	-	25,487
- Contribution made to Staff Provident Fund	-	-	-	16,561	-	-	-	16,971
- Contribution made to Staff Gratuity Fund	-	-	-	17,977	-	-	-	18,198



40. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2018
2017
(Rupees in '000)

Minimum Capital Requirement (MCR):		
Paid-up capital	6,000,000	6,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,934,164	14,849,340
Eligible Tier 2 Capital	98,800	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>15,032,964</u>	<u>14,849,340</u>
Risk Weighted Assets (RWAs):		
Credit Risk	21,692,625	21,887,611
Market Risk	6,550,608	7,676,100
Operational Risk	7,089,787	6,426,701
Total	<u>35,333,020</u>	<u>35,990,412</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>42.27%</u>	<u>41.26%</u>
Tier 1 Capital Adequacy Ratio	<u>42.27%</u>	<u>41.26%</u>
Total Capital Adequacy Ratio	<u>42.55%</u>	<u>41.26%</u>

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

Objectives of Capital Management

The capital management objectives of the Company are as follows:

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

Capital Management

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

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

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

Statutory Capital Requirement

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



Capital Adequacy Ratio

	2018		2017	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	42.27%	6.00%	41.26%
Tier 1 Capital to total RWA	7.50%	42.27%	7.50%	41.26%
Total Capital to total RWA	11.90%	42.55%	11.28%	41.26%

	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	14,934,164	14,849,340
Total Exposures	18,800,049	20,700,356
Leverage Ratio	<u>79.44%</u>	<u>71.73%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	6,672,303	6,561,009
Total Net Cash Outflow	937,519	1,748,330
Liquidity Coverage Ratio	<u>712%</u>	<u>375%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	29,354,456	26,784,683
Total Required Stable Funding	21,896,979	20,078,521
Net Stable Funding Ratio	<u>134%</u>	<u>133%</u>

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

41. RISK MANAGEMENT

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

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

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



41.1 Credit Risk

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

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

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

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

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

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

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

41.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public / Government	-	-	-	-	-	-
Private	1,071,204	2,476,726	-	-	-	-
	<u>1,071,204</u>	<u>2,476,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



41.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Textile	12,500	12,500	12,500	12,500	12,500	12,500
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Power (electricity), Gas, Water, Sanitary	363,555	399,891	-	-	-	-
Financial	1,603,787	704,070	-	-	-	-
	<u>2,000,980</u>	<u>1,137,599</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public / Government	-	-	-	-	-	-
Private	2,000,980	1,137,599	33,638	33,638	33,638	33,638
	<u>2,000,980</u>	<u>1,137,599</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

41.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Textile	2,072,535	2,344,817	693,310	773,940	678,387	757,129
Chemical and Pharmaceuticals	-	27,278	-	1,278	-	1,278
Cement	93,333	93,333	93,333	93,333	93,333	93,333
Sugar	35,822	35,822	35,822	35,822	35,822	35,822
Electronics and electrical appliances	11,111	11,111	11,111	11,111	11,111	11,111
Construction	196,071	282,830	196,071	196,071	169,111	169,111
Power (electricity), Gas, Water, Sanitary	899,296	623,712	-	-	-	-
Transport, Storage and Communication	-	196,715	-	-	-	-
Financial	-	83,333	-	-	-	-
Services	-	1,647	-	1,647	-	823
Petroleum	291,842	441,311	-	-	-	-
Manufacturing	72,846	72,846	72,846	72,846	72,846	72,846
Individuals	85,488	85,401	-	-	-	-
Others	11,697	19,117	11,250	11,250	11,250	11,250
	<u>3,770,041</u>	<u>4,319,273</u>	<u>1,113,743</u>	<u>1,197,298</u>	<u>1,071,860</u>	<u>1,152,703</u>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	------(Rupees in '000)-----					
Public / Government	1,898	3,413	-	-	-	-
Private	3,768,143	4,315,860	1,113,743	1,197,298	1,071,860	1,152,703
	<u>3,770,041</u>	<u>4,319,273</u>	<u>1,113,743</u>	<u>1,197,298</u>	<u>1,071,860</u>	<u>1,152,703</u>



41.1.4 Contingencies and Commitments

	2018 (Rupees in '000)	2017 (Rupees in '000)
Credit risk by industry sector		
Power (electricity), Gas, Water, Sanitary	150,000	450,000
Financial	-	400,000
	<u>150,000</u>	<u>850,000</u>
Credit risk by public / private sector		
Public/ Government	-	-
Private	150,000	850,000
	<u>150,000</u>	<u>850,000</u>

41.1.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 3,001 million (2017: 3,121 million).

	2018 (Rupees in '000)	2017 (Rupees in '000)
Funded	<u>3,001,202</u>	<u>3,120,985</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 3,280 million (2017: 3,577 million)

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	1,647	823
Loss	1,113,743	1,071,860	1,195,651	1,151,880
Total	<u>1,113,743</u>	<u>1,071,860</u>	<u>1,197,298</u>	<u>1,152,703</u>

41.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	Disbursements	2018 Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
		----- (Rupees in '000) -----				
Punjab	-	-	-	-	-	-
Sindh	850,000	-	850,000	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	<u>850,000</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Province / Region	Disbursements	2017				
		Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
----- (Rupees in '000) -----						
Punjab	-	-	-	-	-	-
Sindh	1,001,111	1,111	1,000,000	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	1,001,111	1,111	1,000,000	-	-	-

41.2 Market Risk

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

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

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

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

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

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

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

41.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	60,901	-	60,901	61,148	-	61,148
Balances with other banks	9,690	-	9,690	18,730	-	18,730
Lendings to financial institutions	1,071,204	-	1,071,204	2,476,726	-	2,476,726
Investments	22,432,543	3,382,757	25,815,300	19,084,791	3,838,050	22,922,841
Advances	2,698,181	-	2,698,181	3,166,570	-	3,166,570
Fixed assets	204,172	-	204,172	192,355	-	192,355
Intangible assets	13,210	-	13,210	4,178	-	4,178
Deferred tax assets	-	-	-	-	-	-
Other assets	104,568	-	104,568	286,616	-	286,616
	26,594,469	3,382,757	29,977,226	25,291,114	3,838,050	29,129,164



41.2.2 Foreign Exchange Risk

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

41.2.3 Equity position Risk

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

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	169,138	-	191,903
- Other comprehensive income	749,444	-	671,010	-

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

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	------(Rupees in '000)-----			
Impact of 1% change in interest rates on				
- Profit and loss account	33,457	-	17,376	-
- Other comprehensive income	434	-	652	-



41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

	Effective Yield / Interest rate	Exposed to Yield / Profit risk									Not Interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
------(Rupees in '000)-----												
On-balance sheet financial instruments												
<u>Assets</u>												
Cash and balances with treasury banks												
	-	60,901	-	-	-	-	-	-	-	-	-	60,901
Balances with other banks	6.00	9,690	9,524	-	-	-	-	-	-	-	-	166
Lending to financial institutions	10.10	1,071,204	1,071,204	-	-	-	-	-	-	-	-	-
Investments	10.13	25,815,300	5,736,636	1,267,602	-	403,372	-	-	-	-	-	18,407,690
Advances	6.82	2,698,181	345,069	906,102	121,141	131,663	236,358	193,117	328,731	402,202	27,855	5,943
Other assets	-	104,568	-	-	-	-	-	-	-	-	-	104,568
		29,759,844	7,162,433	2,173,704	121,141	535,035	236,358	193,117	328,731	402,202	27,855	18,579,268
<u>Liabilities</u>												
Borrowings	2.21	1,371,474	8,465	50,633	69,010	128,107	229,930	186,464	319,490	379,375	-	-
Deposits and other accounts	9.85	35,000	-	35,000	-	-	-	-	-	-	-	-
Other liabilities	-	558,503	-	-	-	-	-	-	-	-	-	558,503
		1,964,977	8,465	85,633	69,010	128,107	229,930	186,464	319,490	379,375	-	558,503
On-balance sheet gap		27,794,867	7,153,968	2,088,071	52,131	406,928	6,428	6,653	9,241	22,827	27,855	18,020,765
Off-balance sheet financial instruments												
Other commitments		150,000	-	-	-	-	-	-	-	-	-	150,000
Commitments for operating leases		2,307	231	693	693	690	-	-	-	-	-	-
Off-balance sheet gap		152,307	231	693	693	690	-	-	-	-	-	150,000
Total Yield / Interest Risk Sensitivity Gap			7,154,199	2,088,764	52,824	407,618	6,428	6,653	9,241	22,827	27,855	18,170,765
Cumulative Yield / Interest Risk Sensitivity Gap			7,154,199	9,242,963	9,295,787	9,703,405	9,709,833	9,716,486	9,725,727	9,748,554	9,776,409	-

2017

	Effective Yield / Interest rate	Exposed to Yield / Profit risk									Not Interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
------(Rupees in '000)-----												
On-balance sheet financial instruments												
<u>Assets</u>												
Cash and balances with treasury banks												
	-	61,148	-	-	-	-	-	-	-	-	-	61,148
Balances with other banks	2.50	18,730	18,451	-	-	-	-	-	-	-	-	279
Lending to financial institutions	5.87	2,476,726	2,476,726	-	-	-	-	-	-	-	-	-
Investments	7.19	22,922,841	3,987,330	674,693	-	518,717	433,846	-	-	-	-	17,308,255
Advances	5.33	3,166,570	1,493,441	45,149	70,806	104,038	263,978	235,765	359,891	555,484	24,294	13,724
Other assets	-	286,616	-	-	-	-	-	-	-	-	-	286,616
		28,932,631	7,975,948	719,842	70,806	622,755	697,824	235,765	359,891	555,484	24,294	17,670,022
<u>Liabilities</u>												
Borrowings	4.00	2,562,007	2,821	1,037,308	50,093	100,311	256,215	229,930	349,731	535,598	-	-
Deposits and other accounts	5.80	2,500	-	-	-	2,500	-	-	-	-	-	-
Other liabilities	-	473,321	-	-	-	-	-	-	-	-	-	473,321
		3,037,828	2,821	1,037,308	50,093	102,811	256,215	229,930	349,731	535,598	-	473,321
On-balance sheet gap		25,894,803	7,973,127	(317,466)	20,713	519,944	441,609	5,835	10,160	19,886	24,294	17,196,701
Off-balance sheet financial instruments												
Other commitments		850,000	-	-	-	-	-	-	-	-	-	850,000
Commitments for operating leases		2,417	220	660	660	877	-	-	-	-	-	-
Off-balance sheet gap		852,417	220	660	660	877	-	-	-	-	-	850,000
Total Yield / Interest Risk Sensitivity Gap			7,973,347	(316,806)	21,373	520,821	441,609	5,835	10,160	19,886	24,294	18,046,701
Cumulative Yield / Interest Risk Sensitivity Gap			7,973,347	7,656,541	7,677,914	8,198,735	8,640,344	8,646,179	8,656,339	8,676,225	8,700,519	-



Reconciliation of financial assets and financial liabilities with total assets and liabilities	2018	2017
	(Rupees in '000)	
Total financial assets as per note 41.2.5	29,759,844	28,932,631
Add: Non-financial assets		
Fixed assets	204,172	192,355
Intangibles	13,210	4,178
Total assets as per statement of financial position	29,977,226	29,129,164
Total financial liabilities as per note 41.2.5	1,964,977	3,037,828
Add: Non-financial liabilities		
Deferred tax liability	1,462,940	1,283,926
Total financial liabilities as per statement of financial position	3,427,917	4,321,754

41.3 Operational Risk

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

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

41.3.1 Business Continuity Plan

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

41.3.2 Operational Risk-Disclosures Basel II Specific

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

41.4 Liquidity Risk

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

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

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

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


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

		2018													
		Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
----- (Rupees in '000) -----															
Assets															
Cash and balances with															
treasury banks	60,901	23,401	12,500	25,000	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,690	-	9,690	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	1,071,204	-	1,071,204	-	-	-	-	-	-	-	-	-	-	-	-
Investments	25,815,300	20,010,502	3,547,663	-	-	-	-	-	519,023	-	670,527	-	163,516	904,069	
Advances	2,698,181	45,487	264	172	21,814	37,452	16,117	936,751	90,331	85,327	327,073	245,603	433,930	457,860	
Fixed assets	204,172	-	230	230	460	920	919	2,759	2,761	2,760	11,043	11,043	10,218	160,829	
Intangible assets	13,210	-	55	55	110	220	220	661	660	661	2,642	2,642	5,284	-	
Other assets	104,568	-	2,933	2,878	5,280	16,807	16,807	55,949	-	79	623	92	3,120	-	
Net assets	29,977,226	20,079,390	4,644,539	28,335	27,664	55,399	34,063	996,120	612,775	88,827	1,011,908	259,380	616,068	1,522,758	
Liabilities															
Borrowings	1,371,474	-	-	-	-	-	1,371,474	-	-	-	-	-	-	-	-
Deposits and other accounts	35,000	-	-	-	-	-	35,000	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,462,940	1,462,940	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	558,503	-	154,932	578	257,019	-	30,875	-	-	67,003	-	-	48,096	-	
Net liabilities	3,427,917	1,462,940	154,932	578	257,019	-	1,437,349	-	-	67,003	-	-	48,096	-	
Share capital	6,000,000														
Reserves	8,193,002														
Surplus on revaluation of assets	167,303														
Unappropriated profit	12,189,004														
	<u>26,549,309</u>														

		2017													
		Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
----- (Rupees in '000) -----															
Assets															
Cash and balances with															
treasury banks	61,148	23,648	12,500	25,000	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	18,730	-	18,730	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	2,476,726	-	2,476,726	-	-	-	-	-	-	-	-	-	-	-	-
Investments	22,922,841	17,274,860	3,547,663	-	-	-	-	-	519,023	-	670,527	-	163,516	747,252	
Advances	3,166,570	47,376	49	172	76,414	49,338	18,805	704,958	111,058	108,742	386,009	341,792	532,018	789,839	
Fixed assets	192,355	-	134	134	267	534	534	1,603	1,603	1,603	6,411	6,411	10,863	162,258	
Intangible assets	4,178	-	17	17	35	69	70	209	209	209	836	836	1,671	-	
Other assets	286,616	-	13,748	20,003	46,960	45,161	45,161	13,247	-	316	98,789	-	3,231	-	
Net assets	29,129,164	17,345,884	6,069,567	45,326	123,676	95,102	64,570	720,017	631,893	110,870	1,162,572	349,039	711,299	1,699,349	
Liabilities															
Borrowings	2,562,007	-	49	172	2,600	31,791	5,517	1,050,093	48,446	51,865	256,215	229,930	349,731	535,598	
Deposits and other accounts	2,500	-	-	-	-	-	-	2,500	-	-	-	-	-	-	
Deferred tax liabilities	1,283,926	1,283,926	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	473,321	79,680	13,017	5,105	274,134	166	60,165	-	41	-	-	-	41,013	-	
Net liabilities	4,321,754	1,363,606	13,066	5,277	276,734	31,957	65,682	1,050,093	50,987	51,865	256,215	229,930	390,744	535,598	
Share capital	6,000,000														
Reserves	7,431,389														
Surplus on revaluation of assets	679,262														
Unappropriated profit	10,696,759														
	<u>24,807,410</u>														



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

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

	2017									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
------(Rupees in '000)-----										
Assets										
Cash and balances with treasury banks	61,148	61,148	-	-	-	-	-	-	-	-
Balances with other banks	18,730	18,730	-	-	-	-	-	-	-	-
Lending to financial institutions	2,476,726	2,476,726	-	-	-	-	-	-	-	-
Investments	22,922,841	3,547,751	124,235	-	3,978,964	2,045,012	11,273,025	1,249,950	703,904	-
Advances	3,166,570	124,011	68,143	704,958	219,800	386,009	341,792	532,018	765,545	24,294
Fixed assets	192,355	534	1,069	1,602	3,206	6,411	6,411	10,864	23,180	139,078
Intangible assets	4,178	70	139	209	418	836	836	1,670	-	-
Other assets	286,616	80,711	-	90,321	13,247	316	98,789	-	3,232	-
	<u>29,129,164</u>	<u>6,309,681</u>	<u>193,586</u>	<u>797,090</u>	<u>4,215,635</u>	<u>2,438,584</u>	<u>11,720,853</u>	<u>1,794,502</u>	<u>1,495,861</u>	<u>163,372</u>
Liabilities										
Borrowings	2,562,007	2,821	37,308	1,050,093	100,311	256,215	229,930	349,731	535,598	-
Deposits and other accounts	2,500	-	-	-	2,500	-	-	-	-	-
Deferred tax liabilities	1,283,926	165,985	(46,219)	(69,475)	-	-	133,528	1,182,204	(82,097)	-
Other liabilities	473,321	350,091	62,831	19,345	41	-	-	41,013	-	-
	<u>4,321,754</u>	<u>518,897</u>	<u>53,920</u>	<u>999,963</u>	<u>102,852</u>	<u>256,215</u>	<u>363,458</u>	<u>1,572,948</u>	<u>453,501</u>	<u>-</u>
Net assets	<u>24,807,410</u>	<u>5,790,784</u>	<u>139,666</u>	<u>(202,873)</u>	<u>4,112,783</u>	<u>2,182,369</u>	<u>11,357,395</u>	<u>221,554</u>	<u>1,042,360</u>	<u>163,372</u>
Share capital	6,000,000									
Reserves	7,431,389									
Surplus on revaluation of assets	679,262									
Unappropriated profit	10,696,759									
	<u>24,807,410</u>									

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 28, 2019.

43. GENERAL AND NON-ADJUSTING EVENT

43.1 The Board of Directors of the Company has proposed cash dividend of Rs. 450 million (2017: Rs. 500 million) for the year ended December 31, 2018 in their meeting held on February 28, 2019. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

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

43.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by the State Bank of Pakistan vide BPRD circular no. 2 of 2018.



Chairman



Chief Executive



Director



Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2018

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)	
				Principal	Interest/ Mark-up	Other than Interest/ Mark-up					
1	2	3	4	5	6	7	8	9	10	11	12
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL:											

(Rupees in '000)



Pak Kuwait

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