

**PAK OMAN INVESTMENT
COMPANY LIMITED**

**UNCONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
(UN-AUDITED)**

**FOR THE FIRST QUARTER
ENDED 31 MARCH 2023**

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Statement of Financial Position
As at 31 March 2023

(Un-audited) 31 March 2023 (US Dollar in '000)	(Audited) 31 December 2022		(Un-audited) 31 March 2023 (Rupees in '000)	(Audited) 31 December 2022
		Note		
ASSETS				
2,069	1,221		587,091	346,449
1,917	5,724	8	543,961	1,624,409
3,598	18,097	9	1,021,011	5,135,762
508,189	442,968	10	144,219,785	125,710,845
66,757	68,434	11	18,945,115	19,420,996
2,725	2,697	12	773,240	765,310
319	335	13	90,575	94,936
-	-	14	-	-
4,294	2,281	15	1,218,518	647,217
7,288	13,934	16	2,068,310	3,954,452
-	-		-	-
597,156	555,691		169,467,606	157,700,376
LIABILITIES				
-	-		-	-
510,736	468,304	17	144,942,812	132,900,975
50,415	47,644	18	14,307,388	13,520,897
10	11	19	2,929	3,139
-	-		-	-
-	-		-	-
9,987	9,077	20	2,833,629	2,575,687
571,148	525,036		162,086,758	149,000,698
26,008	30,655		7,380,848	8,699,678
NET ASSETS				
REPRESENTED BY				
21,671	21,671	21	6,150,000	6,150,000
5,838	6,774		1,656,699	1,922,289
(1,677)	(67)	22	(475,854)	(18,918)
176	2,277		50,003	646,307
26,008	30,655		7,380,848	8,699,678
CONTINGENCIES AND COMMITMENTS				
		23		

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

Mohammad Zalmi
Rahman Uddin Khan

Muhammad Amin

Faisal Ali Ibrahim
Al Siyabi

Omar Hamid Khan

Juland Jaifar
Salim Al Said

Acting Managing Director
/ Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the first quarter ended 31 March 2023

31 March 2023 (US Dollar in '000)	31 March 2022		Note	31 March 2023 (Rupees in '000)	31 March 2022 (Rupees in '000)
23,486	11,500	Mark-up / return / interest earned	24	6,665,158	3,263,670
22,142	10,575	Mark-up / return / interest expensed	25	6,283,776	3,001,145
<u>1,344</u>	<u>925</u>	Net mark-up / return / interest income		<u>381,382</u>	<u>262,525</u>
NON MARK-UP / INTEREST INCOME					
33	57	Fee and commission income	26	9,279	16,251
-	5	Dividend income		-	1,310
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
(25)	111	Gain / (Loss) on securities	27	(7,020)	31,601
-	-	Net gains/(loss) on derecognition of financial assets measured at amortised cost		-	-
27	8	Other income	28	7,525	2,274
<u>35</u>	<u>181</u>	Total non mark-up / interest income		<u>9,784</u>	<u>51,436</u>
<u>1,379</u>	<u>1,106</u>	Total income		<u>391,166</u>	<u>313,961</u>
NON MARK-UP / INTEREST EXPENSES					
654	629	Operating expenses	29	185,603	178,395
-	10	Workers Welfare Fund		-	2,968
38	27	Other charges	30	10,910	7,601
<u>692</u>	<u>666</u>	Total non mark-up / interest expenses		<u>196,513</u>	<u>188,964</u>
<u>687</u>	<u>440</u>	Profit before provisions		<u>194,653</u>	<u>124,997</u>
523	72	Credit (loss) / reversal allowance and write offs - net	31	148,322	20,445
-	-	Extra ordinary / unusual items		-	-
<u>1,210</u>	<u>512</u>	PROFIT BEFORE TAXATION		<u>342,975</u>	<u>145,442</u>
(397)	(154)	Taxation	32	(112,773)	(43,621)
<u>813</u>	<u>358</u>	PROFIT AFTER TAXATION		<u>230,202</u>	<u>101,821</u>
(US \$)				(Rupees)	
<u>0.0013</u>	<u>0.0006</u>	Basic and diluted earnings per share	33	<u>0.37</u>	<u>0.17</u>

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

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**Acting Managing Director
/ Chief Executive Officer**

Muhammad Amin

Chief Financial Officer

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Al Siyabi

Director

Omar Hamid Khan

Director

Juland Jaifar
Salim Al Said

Chairman

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the first quarter ended 31 March 2023

31 March 2023 (US Dollar in '000)	31 March 2022		31 March 2023 (Rupees in '000)	31 March 2022 (Rupees in '000)
813	358	Profit after taxation for the period	230,202	101,821
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods		
(2,187)	12	Movements in (deficit) / surplus on revaluation of debt investments through FVOCI- net of tax	(620,637)	3,278
		Items that will not be reclassified to profit and loss account in subsequent periods		
(13)	-	Movement in surplus on revaluation of property and equipment - net of tax	(3,739)	-
-	(2)	Movement in surplus on revaluation of non-banking assets- net of tax	-	(666)
(13)	(2)		(3,739)	(666)
<u>(1,387)</u>	<u>368</u>	Total comprehensive income	<u>(394,174)</u>	<u>104,433</u>

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Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the first quarter ended 31 March 2023

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
				Investments	Property and equipment / Non-banking assets		
(Rupees in '000)							
Opening balance as at 01 January 2022	6,150,000	1,543,895	311,630	(96,992)	95,942	751,379	8,755,854
Profit after taxation	-	-	-	-	-	101,821	101,821
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	3,278	-	-	3,278
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	(666)	-	(666)
Total comprehensive income - net of tax	-	-	-	3,278	(666)	-	2,612
Transfer to statutory reserve	-	20,364	-	-	-	(20,364)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	666	666
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2021 declared subsequent to the year end (Rs. 0.60 per share)	-	-	-	-	-	(369,000)	(369,000)
Opening balance as at 01 April 2022	6,150,000	1,564,259	311,630	(93,714)	95,276	464,502	8,491,953
Profit after taxation	-	-	-	-	-	232,000	232,000
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(258,258)	-	-	(258,258)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	(9,019)	(9,019)
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	237,778	-	237,778
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-
Total comprehensive income - net of tax	-	-	-	(258,258)	237,778	(9,019)	(29,499)
Transfer to statutory reserve	-	46,400	-	-	-	(46,400)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	5,224	5,224
Opening balance as at 01 January 2023	6,150,000	1,610,659	311,630	(351,972)	333,054	646,307	8,699,678
Impact of adopting IFRS 9 - Note 3	-	-	-	167,440	-	(788,335)	(620,895)
Profit after taxation	-	-	-	-	-	230,202	230,202
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(620,637)	-	-	(620,637)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	(3,739)	-	(3,739)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-
Total comprehensive income - net of tax	-	-	-	(620,637)	(3,739)	-	(624,376)
Transfer from general reserve	-	-	(311,630)	-	-	311,630	-
Transfer to statutory reserve	-	46,040	-	-	-	(46,040)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	3,739	3,739
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2022 declared subsequent to the year end (Rs. 0.50 per share)	-	-	-	-	-	(307,500)	(307,500)
Closing balance as at 31 March 2023	6,150,000	1,656,699	-	(805,169)	329,315	50,003	7,380,848

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Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the first quarter ended 31 March 2023

31 March 2023 (US Dollar in '000)	31 March 2022		Note	31 March 2023 (Rupees in '000)	31 March 2022 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES					
1,210	512	Profit before taxation		342,975	145,442
-	(5)	Less: Dividend income		-	(1,310)
<u>1,210</u>	<u>507</u>			<u>342,975</u>	<u>144,132</u>
Adjustments:					
48	37	Depreciation		13,579	10,453
18	18	Depreciation on right-of-use assets		5,210	5,210
-	-	Amortization		-	-
(523)	(72)	Credit loss / (reversal) allowance and write offs - net	31	(148,322)	(20,445)
(7)	(1)	Gain on sale of property and equipment - net		(1,971)	(359)
11	12	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		3,183	3,468
1	-	Finance charges on leased assets		222	117
42	125	Unrealised loss / (gain) on revaluation of investments classified as held-for-trading		11,856	35,508
<u>(410)</u>	<u>119</u>			<u>(116,243)</u>	<u>33,952</u>
<u>800</u>	<u>626</u>			<u>226,732</u>	<u>178,084</u>
(Increase) / Decrease in operating assets					
14,499	6,884	Lendings to financial institutions		4,114,721	1,953,578
35,434	(82,949)	Securities classified as FVPL		10,055,891	(23,540,132)
(1,849)	45	Advances		(524,592)	12,716
9,088	(1,260)	Other assets (excluding advance taxation)		2,579,117	(357,607)
<u>57,172</u>	<u>(77,280)</u>			<u>16,225,137</u>	<u>(21,931,445)</u>
Increase / (decrease) in operating liabilities					
-	-	Bills payable		-	-
42,432	(16,467)	Borrowings		12,041,837	(4,673,128)
2,771	(4,705)	Deposits		786,491	(1,335,167)
(184)	(483)	Other liabilities (excluding current taxation)		(52,093)	(137,898)
<u>45,019</u>	<u>(21,655)</u>			<u>12,776,235</u>	<u>(6,146,193)</u>
<u>102,991</u>	<u>(98,309)</u>			<u>29,228,104</u>	<u>(27,899,554)</u>
(2,698)	(538)	Income tax paid		(765,548)	(152,669)
<u>100,293</u>	<u>(98,847)</u>	Net cash flow (used in) / from operating activities		<u>28,462,556</u>	<u>(28,052,223)</u>
CASH FLOW FROM INVESTING ACTIVITIES					
(103,151)	96,440	Net Investments in securities classified as FVOCI		(29,273,559)	27,368,872
-	-	Net investments in amortized cost securities		-	-
(3)	1,994	Investments in associates		(856)	565,986
-	-	Investment in subsidiary		-	-
-	164	Dividend received		-	46,510
(79)	(22)	Investments in property and equipment		(22,358)	(6,130)
7	1	Proceeds from sale of property and equipment		1,971	397
<u>(103,226)</u>	<u>98,577</u>	Net cash flow from / (used in) investing activities		<u>(29,294,802)</u>	<u>27,975,635</u>
CASH FLOW FROM FINANCING ACTIVITIES					
(2)	(1)	Payments of lease obligations		(432)	(315)
(21)	(7)	Payments of lease obligation against right-of-use assets		(6,012)	(1,853)
-	-	Dividend paid		-	-
<u>(23)</u>	<u>(8)</u>	Net cash flow (used in) financing activities		<u>(6,444)</u>	<u>(2,168)</u>
<u>(2,956)</u>	<u>(278)</u>	(Decrease) / increase in cash and cash equivalents		<u>(838,690)</u>	<u>(78,756)</u>
6,945	5,864	Cash and cash equivalents at beginning of the period		1,970,858	1,664,151
<u>3,989</u>	<u>5,586</u>	Cash and cash equivalents at end of the period	34	<u>1,132,168</u>	<u>1,585,395</u>

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Acting Managing Director
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Chief Financial Officer **Director**

Director

Chairman

Pak Oman Investment Company Limited
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the first quarter ended 31 March 2023

1 STATUS AND NATURE OF BUSINESS

Pak Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public company. The Company is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives inter alia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment company. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular Letter No. 35 dated 28 October 2003 issued by the State Bank of Pakistan.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 2 of 2023 dated 09 February 2023 and IAS 34. These unconsolidated condensed interim financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended 31 December 2022.

These unconsolidated condensed interim financial statements are separate financial statements of the Company in which the investments in subsidiary and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees (equity method) which is incorporated in the consolidated financial statements of the

SBP has deferred the applicability of International Accounting Standards IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions.

These unconsolidated condensed interim financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

The US dollar amounts shown in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.283.7919 = 1 US dollar for the first quarter ended 31 March 2023 and the corresponding period.

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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 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 unconsolidated interim financial statements.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

- Amendments to IFRS 16 'Lease' - Lease liability in a sale and leaseback	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements'	January 01, 2024

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Company for the futures periods.

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

Standard

IFRS 1 – First time adoption of IFRSs
IFRS 17 – Insurance Contracts

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are the same as those applied in annual audited financial statements for the year ended December 31, 2022, except that the classification, recognitions, measurement and impairment of financial instruments are now accounted for under IFRS 9 Financial Instruments.

On 1 January 2023, the Company adopted IFRS 9 Financial Instruments. IFRS 9 introduces new requirements for: the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions.

The Company has not restated comparative information. This primarily impacts provisioning of financial assets which is determined on an expected credit loss basis under IFRS 9, however the provisioning is recorded higher of amount determined under IFRS 9 and the prudential regulations requirements of SBP.

The Company has recorded net expected credit loss of Rs 788 million which was adjusted against retained earnings. The Company also recorded net increase in equity of Rs 167 million due to reclassification of investments from Available For Sale to Fair Value through Other Comprehensive Income. The new IFRS 9 accounting policies are stated in the note 7 Credit impairment, note 7 Financial instruments. Financial Assets and Liabilities in accordance with IFRS 9 have been presented in note 35 to the Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of IFRS 9 resulted in following:

Rupees in '000

Equity

As at December 31, 2022

8,699,678

IFRS 9 impact

Credit loss allowances

(1,176,619)

Reclassification adjustments in relation to adopting IFRS 9

249,910

Related deferred tax impact

305,814

(620,895)

As at January 01, 2023 - restated

8,078,783

Balances with other banks

As at December 31, 2022

1,624,409

IFRS 9 impact

Credit loss allowances

(1,185)

As at January 01, 2023 - restated

1,623,224

Investments

As at December 31, 2022

125,710,845

IFRS 9 impact

Credit loss allowances

(20,072)

Reclassification adjustments in relation to adopting IFRS 9

249,910

229,838

As at January 01, 2023 - restated

125,940,683

Advances

As at December 31, 2022

19,420,996

IFRS 9 impact

Credit loss allowances

(1,150,618)

As at January 01, 2023 - restated

18,270,378

Other liabilities

As at December 31, 2022

2,575,687

IFRS 9 impact

Credit loss allowances

4,744

As at January 01, 2023 - restated

2,580,431

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual unconsolidated financial statements for the year ended 31 December 2022 except for changes due to adoption of IFRS-9 as provided in the note 3, 4 and 7 to the Financial Statements.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the company are consistent with those disclosed the audited annual unconsolidated financial statements for the year ended December 31, 2022.

6 FINANCIAL INSTRUMENTS

The Company classifies its financial assets into the following categories: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Financial liabilities are classified as amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

Contingent events that would change the amount and timing of cash flows;

- Leverage features
- Prepayment and extension terms
- Terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money e.g. periodical reset of interest rates.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Company manages financial assets to generate cash flows.

The Company makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Company's management.
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- The risks that affect the performance of the business model and how those risks are managed; and

FINANCIAL INSTRUMENTS (Continued)

The Company's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	<ul style="list-style-type: none"> - Providing financing and originating assets to earn interest income as primary income stream. - Performing credit risk management activities - Cost to include funding cost, transaction cost and impairment losses. 	- Corporate Lending	<ul style="list-style-type: none"> - Loans and advances - Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	<ul style="list-style-type: none"> - Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities - Income streams come from interest income, fair value changes and impairment losses. 	- Treasury	- Debt securities
Fair value through profit or loss	All other business All other business and managing financial assets on a fair value basis.	<ul style="list-style-type: none"> - Assets that are originated, purchased, and sold for profit taking. - Performance of the portfolio is evaluated on a fair value basis. - Income streams are from fair value changes or trading gains or losses 	- Treasury	- Trading portfolios

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows (hold to collect) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (Hold to collect and sell) are classified as held at FVOCI.

Both a hold to collect business model and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model, by contrast, are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

FINANCIAL INSTRUMENTS (Continued)

Equity instruments designated as held at FVOCI

Company may elects to classify irrevocably its non-trading equity instrument acquired for strategic purposes as held at FVOCI. Dividends received are recognised in profit or loss. Gains and losses on these equity instruments are recognised directly in equity and are never recycled to profit and loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Initial recognition

Purchases and sales of financial assets and liabilities are initially recognised on the settlement date. All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

7 IMPAIRMENT

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets from Prudential Regulations issued by SBP with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECL for all financial assets other than debt instruments classified as FVPL and equity instruments classified as FVPL or FVOCI.

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information that is forward looking. The estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognized.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant change in the credit risk compared with what was expected at origination.

Forward-looking economic assumptions are incorporated where relevant and where they influence credit risk, such as GDP growth rates, interest rates, Consumer price Index among others. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally.

Probability of default (PD)

The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as GDP forecasts, Exports and Consumer price Index. The PD is estimated at a point in time that means it will fluctuate in line with the economic cycle. The term structure of the PD is based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.

Loss given default (LGD)

The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the bank expects to receive.

Exposure at default (EAD)

The estimates of LGD are based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected balance sheet exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

Recognition**12 months expected credit losses (Stage 1)**

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Company considers that there has been a significant increase in credit risk when contractual payments are 60 days past due.

Credit impaired (or defaulted) exposures (Stage 3)

For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The Company uses a PD of 100% and LGD is used as per SBP instructions. Therefore, the stage 3 providing are aligned with regulatory requirements.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. Under IFRS 9, the Company's accounting policy for taking benefit of collateral assigned to it through its lending arrangements is to consider liquid collateral only. Due to the complexities involved in the regarding non-liquid collateral realization and lack of historical experience to demonstrate recoveries through realization of such collaterals, a hair cut of 100% was used for non-liquid collaterals.

Forborne loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

	Note	(Un-audited) 31 March 2023	(Audited) 31 December 2022
(Rupees in '000)			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
local currency		120	120
foreign currency		324	324
		444	444
With State Bank of Pakistan in			
Local currency current account	8.1	586,602	345,716
With National Bank of Pakistan in			
Local currency current account		45	289
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
		587,091	346,449
8.1	This represent the amount required to be maintained by the Company in accordance with the SBP's Regulations.		
9 BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		15,758	11,729
In deposit accounts	9.1	504,508	1,601,434
		520,266	1,613,163
Outside Pakistan:			
In current accounts		15,386	11,246
Reclassification of mark up receivable from other assets on adoption of IFRS 9		9,425	-
Less: Credit loss allowance held against balances with other banks		(1,116)	-
		543,961	1,624,409
9.1	These include term deposit receipts (TDRs) of Rs. 500 million (2022: Rs. 1,600 million) maturing in May 2023 (2022: January 2023 to February 2023). These carry mark-up rates 21.50% (2022: 16.50% to 17.75%) per annum.		
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Placements		250,000	-
Repurchase agreement lendings (Reverse Repo)		764,110	5,135,762
Reclassification of mark up receivable from other assets on adoption of IFRS 9		6,931	-
Less: Credit loss allowance held against lending to financial institutions		(30)	-
		1,021,011	5,135,762

11 INVESTMENTS

(Un-audited)					(Audited)			
31 March 2023					31 December 2022			
Cost / Amortised Cost	Credit loss allowances	Surplus / (deficit)	Reclassification of mark up receivable from other assets on adoption of IFRS 9	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
----- (Rupees in '000) -----								

11.1 Investments by types

FVTPL

Federal Government securities	8,335,143	-	(7,817)	90,888	8,418,214	18,481,922	-	4,039	18,485,961
Non-Government debt securities	-	-	-	-	-	-	-	-	-
	8,335,143	-	(7,817)	90,888	8,418,214	18,481,922	-	4,039	18,485,961

FVOCI

Federal Government securities	129,390,322	-	(1,494,841)	3,072,036	130,967,517	103,425,370	-	(547,378)	102,877,992
Shares	346,266	(111,717)	249,910	-	484,459	346,266	(111,717)	-	234,549
Non-Government debt securities	3,645,684	(420,568)	43,186	136,443	3,404,745	3,545,556	(399,254)	22,047	3,168,349
	133,382,272	(532,285)	(1,201,745)	3,208,479	134,856,721	107,317,192	(510,971)	(525,331)	106,280,890

Associates

	700,203	(70,726)	-	-	629,477	699,347	(70,726)	-	628,621
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Subsidiary

	601,995	(286,622)	-	-	315,373	601,995	(286,622)	-	315,373
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Total Investments

	143,019,613	(889,633)	(1,209,562)	3,299,367	144,219,785	127,100,456	(868,319)	(521,292)	125,710,845
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11.1.1 Investments given as collateral

	(Un-audited)				(Audited)			
	31 March 2023				31 December 2022			
	Cost / Amortised Cost	Credit loss allowances	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
- Pakistan Investment Bonds	76,150,339	-	(1,297,415)	74,852,924	50,425,230	-	(401,555)	50,023,675
- Ijara Sukuk	-	-	-	-	-	-	-	-
- Market Treasury Bills	37,892,004	-	(61,232)	37,830,772	53,312,305	-	13,850	53,326,155
	114,042,343	-	(1,358,647)	112,683,696	103,737,535	-	(387,705)	103,349,830
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
Associates								
Japan Power Generation Limited	70,726	(70,726)	-	-	70,726	(70,726)	-	-
Total investments	114,339,069	(70,726)	(1,358,647)	112,909,696	104,034,261	(70,726)	(387,705)	103,575,830

	(Un-audited)	(Audited)
	31 March 2023	31 December 2022
	(Rupees in '000)	
11.2 Credit loss allowances for diminution in value of investments		
11.2.1 Opening balance	868,319	808,674
Impact of adopting IFRS 9	20,072	-
Charge / (reversal)		
Charge for the period / year	1,292	76,644
Reversals for the period / year	(50)	(10,091)
	1,242	66,553
Transfers - net	-	(6,908)
Closing balance	889,633	868,319

11.2.2 Particulars of credit loss allowances against debt securities

	(Un-audited)		(Audited)	
	31 March 2023		31 December 2022	
Category of classification	Outstanding amount	Credit loss allowance held	NPI	Provision
	(Rupees in '000)			
Domestic				
Performing	Stage 1	2,980,862	5,121	-
Underperforming	Stage 2	219,851	16,193	-
Non-performing	Stage 3	-	-	-
Other assets especially mentioned		-	-	-
Substandard		-	-	-
Doubtful		-	-	-
Loss		444,971	399,254	399,254
Total		3,645,684	420,568	444,971

This does not include investment in Government securities as it is exempt from ECL.

11.2.3 In accordance with SBP guideline on IFRS-9 and SBP Prudential Regulations for Corporate / Commercial Banking, Regulation R-8, the Company has availed the benefit of FSV against the non-performing investments. As of 31 March 2023, the Company has availed total accumulated FSV benefit amounting to Rs. 25 million (net of tax Rs. 17 million). Accordingly, accumulated profit of Rs.17 million (net of transfer to statutory reserves Rs.14 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

11.2.4 The Company does not hold overseas classified debt securities.

* NPI stands for Non-performing investments.

12 ADVANCES

	Performing		Non-performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	17,654,716	17,821,388	2,206,121	2,225,121	19,860,837	20,046,509
Margin trading	328,343	228,927	-	-	328,343	228,927
Advances - Gross	17,983,059	18,050,315	2,206,121	2,225,121	20,189,180	20,275,436
Reclassification of mark up receivable from other assets on ad	610,848	-	-	-	610,848	-
Credit loss allowance against advances						
Stage 1	27,108	-	-	-	27,108	-
Stage 2	177,952	-	-	-	177,952	-
Stage 3	-	-	1,649,853	854,440	1,649,853	854,440
	205,060	-	1,649,853	854,440	1,854,913	854,440
Advances - net of credit loss allowance	18,388,847	18,050,315	556,268	1,370,681	18,945,115	19,420,996

12.1 Particulars of advances (Gross)

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
In local currency	20,189,180	20,275,436
In foreign currencies	-	-
	20,189,180	20,275,436

12.2 Advances include Rs. 2,206 million (2022: Rs 2,225 million) which have been placed under the non-performing / Stage 3 status as detailed below:

Category of Classification	(Un-audited) 31 March 2023		(Audited) 31 December 2022	
	Non Performing Loans	Credit loss allowance	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic	197,210	129,420	197,210	-
Other Assets Especially Mentioned	-	-	750,000	77,183
Substandard	-	-	-	9,944
Doubtful	1,021,111	670,109	334,728	767,313
Loss	987,800	850,324	943,183	854,440
	2,206,121	1,649,853	2,225,121	854,440

12.3 Particulars of credit loss allowance against advances

	(Un-audited) 31 March 2023				(Audited) 31 December 2022		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	(Rupees in '000)						
Opening balance	-	-	854,440	854,440	749,097	210	749,307
Impact of adopting IFRS 9	25,765	308,791	816,062	1,150,618	-	-	-
Charge for the year	1,343	-	99,603	100,946	117,732	-	117,732
Reversals	-	(130,839)	(120,252)	(251,091)	(12,389)	(210)	(12,599)
	1,343	(130,839)	(20,649)	(150,145)	105,343	(210)	105,133
Amounts written off	-	-	-	-	-	-	-
Closing balance	27,108	177,952	1,649,853	1,854,913	854,440	-	854,440

12.4 In accordance with SBP guideline on IFRS-9 and BPRD Circular No. 6 dated June 26, 2014 issued by the SBP, As of March 31, 2023 The Company has availed total accumulated FSV benefit amounting NIL (2022: Rs. 429 million, net of tax Rs. 288 million). Accordingly, accumulated profit NIL (2022: Rs 288 million, net of transfer to statutory reserves Rs. 230 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

12.5 Advances - Particulars of credit loss allowance

	(Un-audited) 31 March 2023				(Audited) 31 December 2022		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	(Rupees in '000)						
Opening balance	-	-	854,440	854,440	749,097	210	749,307
Impact of adopting IFRS 9	25,765	308,791	816,062	1,150,618	-	-	-
New Advances	200	-	-	200	-	-	-
Advances derecognised or repaid	(2)	(425)	(18,000)	(18,427)	-	-	-
Transfer to stage 1	676	(1,564)	-	(888)	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-
	874	(1,989)	(18,000)	(19,115)	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-	-	-
Other changes	469	(128,850)	(2,649)	(131,030)	105,343	(210)	105,133
Closing balance	27,108	177,952	1,649,853	1,854,913	854,440	-	854,440

12.6 Category of Classification

	(Un-audited) 31 March 2023		(Audited) 31 December 2022	
	Outstanding Amount	Credit loss allowance	Outstanding Amount	Provision
	(Rupees in '000)			
Domestic				
Performing	13,773,940	27,108	-	-
Underperforming	4,209,119	177,952	-	-
Non-performing	-	-	-	-
Other Assets Especially Mentioned	197,210	129,420	197,210	-
Substandard	-	-	750,000	77,183
Doubtful	1,021,111	670,109	334,728	9,944
Loss	987,800	850,324	943,183	767,313
	20,189,180	1,854,913	2,225,121	854,440

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
13 PROPERTY AND EQUIPMENT		
Capital work-in-progress	10,740	-
Office premises	698,845	708,245
Vehicles, equipment and Furniture and fixtures	63,655	57,065
	773,240	765,310

	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022
	(Rupees in '000)	
13.1 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	10,740	5,100
Vehicles, equipment and Furniture and fixtures		
Improvements	-	-
Office equipments	120	-
Computer equipments	-	830
Furniture and fixture	850	200
Vehicles	10,648	-
	11,618	1,030
Total	22,358	6,130

13.2 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixture	-	38
Office equipment	-	-
Improvements	-	-
Vehicles	-	-
Total	-	38

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
14 RIGHT-OF-USE-ASSETS		
As at January 01,		
Cost	156,112	156,112
Accumulated depreciation	(61,176)	(43,730)
Net Carrying amount at January 01,	94,936	112,382
Additions during the year	-	-
Deletions during the year	-	-
Depreciation Charge for the year	(4,361)	(17,446)
Net Carrying amount	90,575	94,936

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
15 DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Credit loss allowance against investments	270,239	263,205
Assets subject to finance leases	(113)	(136)
Amortisation of premium on Federal Government Securities	6,263	4,057
Credit loss allowance against advances	612,121	281,965
Credit loss allowance against off-balance sheet	1,770	-
Credit loss allowance against balances with other banks	368	-
Credit loss allowance against lending to FIs	10	-
Revaluation on investments classified as FVTOCI	396,576	173,359
Revaluation on investments classified as FVTPL	2,580	(1,333)
Net investment in finance leases	43,493	45,130
	1,333,307	766,247
Taxable Temporary Differences on		
Accelerated tax depreciation allowances	18,697	16,007
Revaluation on non-banking assets	-	-
Revaluation on fixed assets	(133,486)	(135,037)
Dividend receivable	-	-
	(114,789)	(119,030)
	1,218,518	647,217
16 OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	-	2,194,746
Dividend income receivable	-	-
Mark-up / profit receivable on purchase of securities	-	363,277
Security deposits	3,486	3,486
Prepayments	29,404	30,645
Taxation	2,033,283	1,340,308
Non-banking assets acquired in satisfaction of claims	-	-
Defined benefit plan	-	-
Others	2,137	21,990
	2,068,310	3,954,452
Less: Provision held against other assets	-	-
Other assets (net of provisions)	2,068,310	3,954,452
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	-	-
	2,068,310	3,954,452

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
17 BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,461,434	2,595,426
- Financing Power Plants Using Renewable Energy (REF)	261,611	274,253
- Financing Facility for Storage of Agricultural Produce (FFSAP)	34,616	36,539
- Temporary Economic Refinance Facility (TERF)	220,200	208,186
Repurchase agreement borrowings	96,332,462	104,263,504
Long term borrowings	3,404,167	4,691,667
Short term borrowing	15,124,798	94,887
Bai Muajjal	4,000,718	4,000,718
Total secured	121,840,006	116,165,180
Unsecured		
Placements	7,450,000	-
Murabaha financing	15,652,806	16,735,795
Total unsecured	23,102,806	16,735,795
	144,942,812	132,900,975

18 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) 31 March 2023		(Audited) 31 December 2022	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	4,148,000	4,148,000	3,154,000	3,154,000
Others	10,159,388	10,159,388	10,366,897	10,366,897
	14,307,388	14,307,388	13,520,897	13,520,897

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
19 LEASE LIABILITIES		
Outstanding amount at the start of the year	3,139	3,935
Additions during the year	-	-
Lease payments including interest	(432)	(1,463)
Interest expense	222	667
Outstanding amount	2,929	3,139
19.1 Liabilities outstanding		
Not later than one year	892	872
Later than one year and upto five years	2,037	2,267
	2,929	3,139

The Company has entered into lease agreement with a financial institution for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 9.17% (2022: 9.17%) per annum. At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposit.

			(Un-audited) 31 March 2023 (Rupees in '000)	(Audited) 31 December 2022
20	OTHER LIABILITIES			
	Mark-up/ Return/ Interest payable in local currency		2,132,451	2,164,548
	Accrued expenses		73,951	75,778
	Dividend payable		307,500	-
	Staff gratuity		-	13,643
	Security deposits against investment in finance leases		117,460	125,544
	Lease liability against right-of-use assets		124,808	127,954
	Withholding tax and sales tax payable		9,404	12,263
	Credit loss allowances against off-balance sheet obligations		5,364	-
	Others		62,691	55,957
			<u>2,833,629</u>	<u>2,575,687</u>
21	SHARE CAPITAL			
21.1	Authorized Capital			
		(Unaudited) 31-Mar-23 (Number of shares)	(Audited) 31-Dec-22	(Unaudited) 31-Mar-23 (Rupees in '000)
		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>
				<u>10,000,000</u>
				Ordinary shares of Rs.10 each
21.2	Issued, subscribed and paid-up			
		31-Mar-23	31-Dec-22	31-Mar-23
				31-Dec-22
				Ordinary shares of Rs. 10 each
		600,000,000	600,000,000	6,000,000
				- Fully paid in cash
		15,000,000	15,000,000	150,000
				- Issued as bonus shares
		<u>615,000,000</u>	<u>615,000,000</u>	<u>6,150,000</u>
				<u>6,150,000</u>
21.3	The Ministry of Finance on behalf of the Government of Pakistan and Sultanate of Oman through Oman Investment Authority each holds 307,495,900 (2022: 307,495,900) ordinary shares of the Company, while 4,100 (2022: 4,100) ordinary shares each are held by Secretary – Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.			
22	(DEFICIT) / SURPLUS ON REVALUATION OF ASSETS			
	Surplus on revaluation of			
	- FVOCI		(1,201,745)	(525,331)
	- Fixed assets		491,515	497,095
	- Non-banking assets acquired in satisfaction of claims		-	-
			(710,230)	(28,236)
	Deferred tax on surplus on revaluation of:			
	- FVOCI		396,576	173,359
	- Fixed assets		(162,200)	(164,041)
	- Non-banking assets acquired in satisfaction of claims		-	-
			234,376	9,318
			<u>(475,854)</u>	<u>(18,918)</u>

		(Unaudited) 31-Mar-23	(Audited) 31-Dec-22
		(Rupees in '000)	
23	CONTINGENCIES AND COMMITMENTS		
	Transaction related contingent liability:		
	Standby letter of credit	926,202	797,255
	Pledge of shares on behalf of Japan Power Generation Limited	23.1 70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	23.2 226,000	226,000
	Commitments for:		
	Purchase of Government securities	-	13,559
	Sale of Government securities	-	16,062
	Commitments for advances and net investment in finance leases	1,921,873	1,108,268
	Workers Welfare Fund	165,860	161,471

23.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2022: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

23.2 Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.

23.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

The Company filed a Constitutional Petition in Sindh High Court challenging the applicability of the Act to the Company on the grounds including being a trans-provisional organisation and inclusion of Financial Services under the definition of Industrial Undertakings. The Sindh High Court has granted an interim relief. The petition is pending with Sindh High Court and management is of the view that the possibility of an outflow of an economic resource is remote therefore, no provision is required to be maintained.

		(Un-audited)	
		First quarter ended	
Note		31 March 2023	31 March 2022
(Rupees in '000)			
24	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	a) Loans and advances	751,489	484,541
	b) Investments	5,405,018	2,614,021
	c) Lendings to financial institutions	469,145	122,444
	d) Balances with banks	39,506	42,664
		<u>6,665,158</u>	<u>3,263,670</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	460,152	304,947
	b) Borrowings	5,820,441	2,692,730
	c) Lease liability against right-of-use assets	3,183	3,468
		<u>6,283,776</u>	<u>3,001,145</u>
26	FEE AND COMMISSION INCOME		
	Credit related fees	6,205	9,278
	Investment banking fees	2,375	5,675
	Commission on guarantees	699	1,298
	Underwriting commission of Government securities auction	-	-
		<u>9,279</u>	<u>16,251</u>
27	GAIN ON SECURITIES		
	Realised	4,836	67,109
	Unrealised - held for trading	(11,856)	(35,508)
		<u>(7,020)</u>	<u>31,601</u>
27.1	Realised gain/(loss) on:		
	Federal Government Securities	3,456	39,388
	Non Government debt securities	300	140
	Mutual Funds	1,080	7,087
	Shares	-	20,494
		<u>4,836</u>	<u>67,109</u>
28	OTHER INCOME		
	Gain on sale of property and equipment - net	1,971	359
	Rent on property	5,554	1,915
		<u>7,525</u>	<u>2,274</u>

	(Un-audited)	
	First quarter ended	
	31 March 2023	31 March 2022
	(Rupees in '000)	
29 OPERATING EXPENSES		
Total compensation expense	141,166	128,231
Property expense		
Utilities cost	1,190	1,281
Security (including guards)	259	175
Repair & maintenance (including janitorial charges)	2,667	2,282
Depreciation on right-of-use assets & improvements	5,210	5,210
Depreciation	9,402	527
	18,728	9,475
Information technology expenses		
Software maintenance	211	211
Hardware maintenance	448	287
Depreciation	766	304
Network charges	589	882
Others	161	400
	2,175	2,084
Other operating expenses		
Directors' fees and allowances	6,675	6,750
Legal & professional charges	2,055	2,464
Travelling & conveyance	3,002	8,623
Depreciation	3,411	9,622
Training & development	63	116
Postage & courier charges	148	260
Communication	2,393	2,048
Stationery & printing	392	496
Marketing, advertisement & publicity	76	821
Donations	30	130
Auditors' remuneration	769	646
Membership and subscriptions	752	496
Transportation	914	730
Insurance	610	744
Finance charges on leased assets	222	117
Entertainment and canteen expenses	903	1,709
Maintenance charges - Non-banking assets	-	505
Others	1,119	2,328
	23,534	38,605
Total operating expenses	185,603	178,395

		(Un-audited)	
		First quarter ended	
		31 March	31 March
		2023	2022
		(Rupees in '000)	
30	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	-	-
	Fee, commission and others	10,910	7,601
		<u>10,910</u>	<u>7,601</u>
31	CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET		
	Credit (loss) / reversal allowance for diminution in value of investments	(1,242)	11,679
	Credit (loss)/ reversal allowance against loans & advances	150,145	8,766
	Credit loss allowance against balances with other banks	69	-
	Credit loss allowance against lendings to FIs	(30)	-
	Credit loss allowance against off-balance sheet items	(620)	-
		<u>148,322</u>	<u>20,445</u>
32	TAXATION		
	Current	72,573	28,313
	Prior years	-	-
	Deferred	40,200	15,308
		<u>112,773</u>	<u>43,621</u>

32.1 Tax contingencies

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates and no provision is required.

		(Un-audited)	
		First quarter ended	
		31 March	31 March
		2023	2022
		(Rupees in '000)	
33	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit after taxation	Rupees in '000	<u>230,202</u>
			<u>101,821</u>
	Weighted average number of ordinary shares issued	Numbers in '000	<u>615,000</u>
			<u>615,000</u>
	Basic and diluted earnings per share	Rupees	<u>0.37</u>
			<u>0.17</u>

33.1 Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.

		(Un-audited)	
		First quarter ended	
		31 March	31 March
		2023	2022
		(Rupees in '000)	
34	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	587,091	308,954
	Balances with other banks	545,077	1,276,441
		<u>1,132,168</u>	<u>1,585,395</u>

35 FINANCIAL ASSETS AND LIABILITIES

	(Un-audited)	
	31 March 2023	01 January 2023
	Rupees in '000	
Financial Assets		
Amortised Cost		
Cash and balances with treasury banks	587,091	346,449
Balances with other banks	543,961	1,623,224
Lendings to financial institutions	1,021,011	5,135,762
Advances	18,945,115	18,270,378
Other assets	5,623	2,583,499
FVTPL		
Investments		
Federal Government securities	8,418,214	18,485,961
Shares	-	-
Non-Government debt securities	-	-
FVOCI		
Investments		
Federal Government securities	130,967,517	102,877,992
Shares	484,459	484,459
Non-Government debt securities	3,404,745	3,148,277
Associates		
Investments	629,477	628,621
Subsidiary		
Investments	315,373	315,373
	165,322,586	153,899,995
Financial liabilities		
Amortised Cost		
Borrowings	144,942,812	132,900,975
Deposits and other accounts	14,307,388	13,520,897
Lease Liabilities	2,929	3,139
Other liabilities	2,833,629	2,566,788
	162,086,758	148,991,799

36 FAIR VALUE MEASUREMENTS

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

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

Office premises and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statement

36.1 Fair value of financial assets

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

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

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

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

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

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:

(Un-audited)				
As at 31 March 2023				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	139,385,731	-	139,385,731
Shares	-	-	-	-
Non-Government debt securities	-	3,404,745	-	3,404,745
Mutual funds	-	629,477	-	629,477
Financial assets - disclosed but not measured at fair value				
Investments	-	-	799,832	799,832
(Audited)				
As at 31 December 2022				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	121,363,953	-	121,363,953
Non-Government debt securities	-	3,168,349	-	3,168,349
Mutual funds	-	628,621	-	628,621
Financial assets - disclosed but not measured at fair value				
Investments	-	-	549,922	549,922

37 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	(Un-audited)			
	First quarter ended 31 March 2023			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
Profit & loss account				
Net mark-up / return / profit	67,314	(42,395)	356,463	381,382
Non mark-up / return / interest income	6,904	7,929	(5,049)	9,784
Total income	74,218	(34,466)	351,414	391,166
Segment direct expenses	103,702	12,375	80,436	196,513
(Provisions) / Reversals	149,525	-	(1,203)	148,322
Profit before tax	120,041	(46,841)	269,775	342,975
	(Un-audited)			
	As at 31 March 2023			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
Statement of financial position				
Cash & Bank balances	-	-	1,131,052	1,131,052
Investments	-	1,429,309	142,790,476	144,219,785
Lendings to financial institutions	-	-	1,021,011	1,021,011
Advances - performing	18,060,504	-	328,343	18,388,847
non- performing	556,268	-	-	556,268
Others	986,801	73,202	3,090,640	4,150,643
Total assets	19,603,573	1,502,511	148,361,522	169,467,606
Borrowings	17,154,520	1,281,183	126,507,109	144,942,812
Subordinated debt	-	-	-	-
Deposits & other accounts	1,655,042	126,850	12,525,496	14,307,388
Others	431,998	24,108	2,380,452	2,836,558
Total liabilities	19,241,560	1,432,141	141,413,057	162,086,758
Equity	362,013	70,370	6,948,465	7,380,848
Total equity & liabilities	19,603,573	1,502,511	148,361,522	169,467,606
Contingencies & commitments	2,945,974	303,109	61,578	3,310,661
	(Un-audited)			
	First quarter ended 31 March 2022			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
Profit & loss account				
Net mark-up / return / profit	136,147	(27,921)	154,299	262,525
Non mark-up / return / interest income	10,935	36,481	4,020	51,436
Total income	147,082	8,560	158,319	313,961
Segment direct expenses	98,548	9,297	81,119	188,964
Reversals	8,766	1,588	10,091	20,445
Profit before tax	57,300	851	87,291	145,442
	(Audited)			
	As at 31 December 2022			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
Statement of financial position				
Cash & Bank balances	-	-	1,970,858	1,970,858
Investments	-	1,178,543	124,532,302	125,710,845
Lendings to financial institutions	-	-	5,135,762	5,135,762
Advances - performing	17,821,388	-	228,927	18,050,315
non-performing	1,370,681	-	-	1,370,681
Others	1,085,623	136,357	4,239,935	5,461,915
Total assets	20,277,692	1,314,900	136,107,784	157,700,376
Borrowings	17,524,277	1,103,958	114,272,740	132,900,975
Subordinated debt	-	-	-	-
Deposits & other accounts	1,738,566	112,737	11,669,594	13,520,897
Others	440,996	20,455	2,117,375	2,578,826
Total liabilities	19,703,839	1,237,150	128,059,709	149,000,698
Equity	573,853	77,750	8,048,075	8,699,678
Total equity & liabilities	20,277,692	1,314,900	136,107,784	157,700,376
Contingencies & commitments	2,002,600	301,005	89,736	2,393,341

38 RELATED PARTY TRANSACTIONS

The Company has related party relationship with various parties, including its directors, key management personnel (including their associates), associates, subsidiary company, employee benefit plans, and company having common directors.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Company Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

The nature of the relationships and transactions with related parties, other than those which have been specifically disclosed elsewhere in the unconsolidated financial statements are as follows:

Subsidiary

Pak Oman Asset Management Company Limited

Associates

Japan Power Generation Limited
 Pak Oman Advantage Islamic Income Fund
 Pak Oman Islamic Asset Allocation Fund
 Pak Oman Advantage Asset Allocation Fund
 Askari High Yield Scheme
 Askari Cash Fund
 Pak Oman Daily Dividend Fund
 Pak Oman Government Securities Fund

Retirement benefit fund

Defined benefit plan
 Defined contribution plan

Other related party

Orient Power Company (Private) Limited

38.2 Related party transactions

	First quarter ended 31 March 2023 (Un-audited)						First quarter ended 31 March 2022 (Un-audited)					
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
----- (Rupees in '000) -----												
Income												
Mark-up / return / interest earned	-	521	-	-	-	-	-	310	-	1,306	-	-
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	1,080	13	-	-	-	-	27,579	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Expense												
Mark-up / return / interest paid	-	733	-	-	-	-	-	57	-	-	-	-
Operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Non- Executive Directors' fees and allowances	6,675	-	-	-	-	-	6,750	-	-	-	-	-
Compensation expenses	-	77,583	-	-	-	-	-	142,941	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	4,546	-	-	-	-	5,209	-	-
Charge for defined benefit plan	-	-	-	-	4,550	-	-	-	-	5,200	-	-

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,150,000	6,150,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	5,057,936	7,164,149
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,057,936	7,164,149
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	5,057,936	7,164,149
Risk Weighted Assets (RWAs):		
Credit Risk	20,948,366	25,699,246
Market Risk	3,554,792	4,064,453
Operational Risk	2,918,559	2,918,559
Total	27,421,717	32,682,258
Common Equity Tier 1 Capital Adequacy ratio	18.45%	21.92%
Tier 1 Capital Adequacy Ratio	18.45%	21.92%
Total Capital Adequacy Ratio	18.45%	21.92%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	5,057,936	7,164,149
Total Exposures	164,681,924	160,045,303
Leverage Ratio	3.07%	4.48%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	25,319,972	9,368,544
Total Net Cash Outflow	31,007,113	11,730,333
Liquidity Coverage Ratio	81.66%	79.87%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	20,964,901	22,645,526
Total Required Stable Funding	20,851,834	21,709,665
Net Stable Funding Ratio	100.54%	104.31%

40 Transition to IFRS 9 Financial Instruments

(Un-audited)				
	31 December 2022	Expected Credit Loss Allowances	Reclassification adjustments in relation to adopting IFRS 9	31 January 2023
(Rupees in '000)				
ASSETS				
Cash and balances with treasury banks	346,449	-	-	346,449
Balances with other banks	1,624,409	(1,185)	-	1,623,224
Lendings to financial institutions	5,135,762	-	-	5,135,762
Investments	125,710,845	(20,072)	249,910	125,940,683
Advances	19,420,996	(1,150,618)	-	18,270,378
Property and equipment	765,310	-	-	765,310
Right-of-use assets	94,936	-	-	94,936
Intangible assets	-	-	-	-
Deferred tax assets	647,217	388,284	(82,470)	953,031
Other assets	3,954,452	-	-	3,954,452
Assets held-for-sale	-	-	-	-
	157,700,376	(783,591)	167,440	157,084,225
LIABILITIES				
Bills payable	-	-	-	-
Borrowings	132,900,975	-	-	132,900,975
Deposits and other accounts	13,520,897	-	-	13,520,897
Lease Liabilities	3,139	-	-	3,139
Subordinated debt	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	2,575,687	4,744	-	2,580,431
	149,000,698	4,744	-	149,005,442
NET ASSETS	8,699,678	(788,335)	167,440	8,078,783
REPRESENTED BY				
Share capital	6,150,000	-	-	6,150,000
Reserves	1,922,289	-	-	1,922,289
Surplus / (Deficit) on revaluation of assets	(18,918)	-	167,440	148,522
Unappropriated profit	646,307	(788,335)	-	(142,028)
	8,699,678	(788,335)	167,440	8,078,783

41 CREDIT RATING

The VIS Credit Rating Company Limited has maintained the Company's rating of AA+ (Double A Plus) in the long term and A-1+ (A One Plus) for the short term.

42 GENERAL

42.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

42.2 The comparative figures have been re-arranged for comparison purposes.

43 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 19 April 2023 by the Board of Directors of the Company.

Mohammad Zalmai
Rahman Uddin Khan

**Acting Managing Director
/ Chief Executive Officer**

Muhammad Amin

Chief Financial Officer

Faisal Ali Ibrahim
Al Siyabi

Director

Omar Hamid Khan

Director

Juland Jaifar
Salim Al Said

Chairman