

KISSAN SUPPORT SERVICES (PVT) LIMITED

Annual Report 2019

(A wholly owned subsidiary of Zarai Taraqiati Bank Limited)

1 Faisal Avenue, Islamabad

DIRECTORS' REPORT

On behalf of the Board of Directors, it gives us great pleasure to present the Directors' Report of Kissan Support Services (Pvt) Limited along with the Audited Accounts and Auditors Report thereon for the year ended December 31, 2019.

The principal activity of the Company continued to be the provider of non-core support services to Zarai Taraqiati Bank Limited (ZTBL) by exercising appropriate control on the workforce in line with the best service quality standards.

Financial Overview

The Company earned Profit After Taxation of Rs 128.069 million in the year 2019 as compared to Rs 102.685 million in the previous year, reflecting an increase of 24.74% in the company's earning performance. This resulted into Earning Per Share (EPS) of Rs 12.81 which was Rs 10.27 per share in 2018. The Company being a wholly owned subsidiary of ZTBL neither proposes any dividend to be paid nor transferred any sum to any specific Fund/Reserve for the purpose.

No significant change or commitment occurred during the period from the end of the year to the date of this report.

Key Operating & Financial Data of last 6 Years

(Rupees in Million)

Particulars	2014	2015	2016	2017	2018	2019
Total Assets	447.921	521.059	795.119	910.335	1,066.176	1,268.024
Cash & Cash Equivalents	353.372	416.394	544.968	684.706	821.056	967.135
Non-Current assets	56.074	64.473	89.300	98.897	100.801	111.974
Share Capital & Reserves	287.760	364.765	471.477	585.060	697.873	849.961
Non-Current Liabilities	150.552	196.722	258.491	307.265	350.375	392.356
Profit before Tax	57.677	114.830	155.487	155.054	153.640	191.411
Taxation	16.377	44.343	50.577	49.547	50.955	63.321
Profit after Tax	41.299	70.487	104.909	105.507	102.685	128.089
Earnings per Share (Rs.)	4.13	7.05	10.49	10.55	10.27	12.81

Operations

During the year, Company's operational performance remained satisfactory regarding services rendered to ZTBL.

Corporate and Financial Reporting Framework

The Directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework:-

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.

e) The Company has complied with Public Sector Companies (Corporate Governance) Rules, 2013 (The Rules). Statement of Compliance with the Rules along with a statement enlisting the Rules which have not been complied with, including the Explanation for Non-Compliance has been prepared.

f) The system of internal control has been effectively implemented and monitored.

g) There are no significant doubts upon the Company's ability to continue as a going concern.

Appointment & Remuneration of the Directors

The ZTBL, being 100% shareholder of KSSL, nominates all the Directors at KSSL Board.

The Company adopts the remuneration policy of the Board Members as given in Section 42 of its Articles of Association. Any change in remunerations of the Directors is approved in the Annual General Meeting which is not attended by the beneficiaries of such remunerations. The highlights of the existing remunerations of the Directors are as follows:-

1. No remuneration is paid to the Executive or Non-Executive Directors of the Board.
2. Fee for participation in the Meeting of the Board is Rs 30,000/- per meeting (paid to Independent Directors only)
3. Fee for participation in the Meeting of the Board's sub-committee Rs 20,000/- per meeting (paid to Independent Directors only)
4. Travelling: Rs 15/km if travelled by road or Return Air Ticket (Economy Class)
5. The accommodation of the Board Members who travel from other cities for participation in Board Meetings or Company's related matters is arranged by the Company itself.

Board of Directors

During the year 2019 the composition of the Board and meetings attended by each Board Member is as follows:-

Sr No	Name of Director	Designation	No of Board meetings attended
1	Mr Muhammad Shahbaz Jameel	Chairman	1
2	Sheikh Amanullah	Ex-Chairman	3
3	Mr Ahmed Chinoy	Director	2
4	Mr Jamal Abdul Nasir	Director	3
5	Mr Arshad Mahmood	Director	2
6	Mr Habib Ullah Khan	Director	4
7	Mr Muhammad Arif	Director	4

8	Brig (R) Zaheer Ud Din Ahmad	MD/CEO & Director	4
9	Mr Ishwar Lal	Ex-Director	1
10	Col (R) Zahid Iqbal	Ex-Director	1
11	Mr Khalid Sultan	Ex-Acting CFO/Company Secretary	4

Committees of the Board

The Board has constituted its sub-committees namely, Audit Committee, Human Resource Management Committee, Procurement Committee and Nomination Committee, as required under the Public Sector Companies (Corporate Governance) Rules 2013, to extend support to the Board and the Company in performing their functions efficiently, and for seeking assistance in the decision making process. The Meetings of the Audit Committee were held on quarterly basis whereas Meetings of Human Resource Management Committee and Procurement Committee are also held as and when required to discuss and carry out business as per their terms of reference.

Annual General Meeting

Thirteenth Annual General Meeting (AGM) of the Company was held on April 29, 2019.

Chief Executive Officer

The Company has a full time Chief Executive Officer whose terms of employment are under contract.

Company's Future Outlook

NSSL is committed to assist ZTBL by provision of support staff and taking over all non-core/auxiliary activities of the bank so that the bank can concentrate on its core banking activities.

The Company intends to offer its expertise in HR outsourcing to the corporate sector. Further, prospects of initiating other commercially viable projects are also being considered.

External Auditors

M/s BDO Ebrahim & Co., Chartered Accountants, Islamabad were appointed as External Auditors for the year ending December 31, 2019 in the 13th Annual General Meeting of the Company held on April 29, 2019.

Pattern of Shareholding

1. **ZTBL** **100% Shares (10 million shares of Rs. 10 each)**

Company is a wholly owned subsidiary of ZTBL, incorporated under Section 32 of the Companies Ordinance, 1984 (repealed and replaced by Companies Act, 2017) in Pakistan.

Acknowledgement

We appreciate the hard work and diligence of the Company's management and employees in making the Current Year a successful year for the Company.

On behalf of the Board of Directors.

(BRIG (R) ZAHEER UD DIN AHMAD)
MD/CEO

(MUHAMMAD SHAHBAZ JAMEEL)
Chairman

Islamabad 20
April 13, 2019

BDO

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Saeed Plaza,
22 East Blue Area,
Islamabad 44000,
Pakistan.

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the "Rules") prepared by the Board of Directors of **KISSAN SUPPORT SERVICES (PRIVATE) LIMITED** (the "Company") for the year ended December 31, 2019.

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

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 control, the Company's corporate governance procedures and risks.

The Rules 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

ISLAMABAD

CHARTERED ACCOUNTANTS

DATED: April 15, 2020

Engagement Partner: Abdul Qadeer

BDO Ebrahim & Co., Chartered Accountants
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KISSAN
Support Services
(Pvt.) Ltd.
Head Office, Islamabad

SCHEDULE I
[Paragraph 2(1)]

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company: Kissan Support Services (Pvt) Limited

Line Ministry: Subsidiary of ZTBL which is owned by Finance Division, GOP

For the Year Ended: December 31, 2019

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th></tr>
<tr><td></td><td></td><td></td><td colspan="2">Tick the relevant</td></tr>
<tr><td>1</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✔</td><td></td></tr>
<tr><td>2</td><td>The Board has the requisite percentage of independent directors. At present the board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Director</td><td>1. Mr Ahmad Chinoy
2. Mr Arshad Mahmood
3. Mr Jamal Abdul Nasir
4. Mr Habib Ullah Khan</td><td>29-Apr-2019
-do-
-do-
-do-</td></tr>
<tr><td>Executive Director</td><td>1. Brig Zaheer ud Din Ahmad, MD/CEO</td><td>29-Apr-2019</td></tr>
<tr><td>Non-Executive Director</td><td>1. Mr Muhammad Shahbaz Jameel
2. Mr Muhammad Arif</td><td>10-Dec-2019
29-Apr-2019</td></tr>
</table></td><td>3(2)</td><td>✔</td><td></td></tr>
</table>

KISSAN
Support Services (Pvt.) Ltd.
Head Office, Islamabad

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant	
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✔	
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✔	
5	The Chairman of the Board is working separately from the chief executive of the Company.	4(1)	✔	
6	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	✔	
7	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✔	
8	a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website: http://10.1.101.32/KSSLDocuments.aspx) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices	5(4)	✔ ✔ ✔	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✔	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	✔	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✔	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining	5(5)(c) (ii)	✔	

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant	
	terms and conditions of service.			
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✔	
14	The board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✔	
15	The Board has developed 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(7)	✔	
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✔	
18	(a) The board has met at least four times during the year.	6(1)	✔	
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✔	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✔	
19	The board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✔	
20	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✔	
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✔	
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		N/A	
	(c) The Board has placed the annual financial statements on the company's website.		✔	
22	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and	11		✔

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th></tr>
<tr><td></td><td>information as specified in the Rules.</td><td></td><td colspan="2">Tick the relevant</td></tr>
<tr><td>23</td><td>(a) The board has formed the requisite committees, as specified in the Rules.
(b) The committees were provided with written term of reference defining their duties, authority and composition.
(c) The minutes of the meetings of the committees were circulated to all the board members.
(d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>3</td><td>Mr Ahmed Chinoy</td></tr>
<tr><td>Risk Management Committee</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Human Resources Committee</td><td>3</td><td>Mr Jamal Abdul Nasir</td></tr>
<tr><td>Procurement Committee</td><td>3</td><td>Mr Arshad Mahmood</td></tr>
<tr><td>Nomination Committee</td><td>3</td><td>Mr Muhammad Arif</td></tr>
</table></td><td>12</td><td>✔
✔
✔
✔</td><td></td></tr>
<tr><td>24</td><td>The board has approved appointment of Chief Financial Officer and Company Secretary, by whatever named called, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13</td><td>✔</td><td></td></tr>
<tr><td>25</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✔</td><td></td></tr>
<tr><td>26</td><td>The company has adopted International Financial Reporting Standards notified by the Commission under clause (1) of section 225 of the Act.</td><td>16</td><td>✔</td><td></td></tr>
<tr><td>27</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✔</td><td></td></tr>
<tr><td>28</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✔</td><td></td></tr>
<tr><td>29</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no</td><td>19</td><td>✔</td><td></td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y
Tick the relevant</th><th>N</th></tr>
<tr><td></td><td>director is involved in deciding his own remuneration.
(b) The annual report of the company contains criteria and details of remuneration of each director</td><td></td><td>✔</td><td></td></tr>
<tr><td>30</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the board.</td><td>20</td><td>✔</td><td></td></tr>
<tr><td>31</td><td>The board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Mr Ahmed Chinoy</td><td>Independent Member</td><td>CMA</td></tr>
<tr><td>Mr Habib Ullah Khan</td><td>-do-</td><td>MA (International Business)</td></tr>
<tr><td>Mr Muhammad Arif</td><td>Non-Executive Director</td><td>CMA (CFO of the parent company)</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21(1)

21(2)</td><td>✔

✔</td><td></td></tr>
<tr><td>32</td><td>(a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of External Auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.
(b) The Audit Committee met external auditors, at least once a year, without presence of the Chief Financial Officer, the Chief Internal Auditor and other executives.
(c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the External Auditors.</td><td>21(3)</td><td>✔
✔
✔</td><td></td></tr>
<tr><td>33</td><td>(a) The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.
(b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.
(c) The internal audit reports have been provided to the external</td><td>22</td><td>✔

✔</td><td>✔</td></tr>
</table>

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant	
	auditors for their review.			
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan	23(4)	✔	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✔	

(BRIG (R) ZAHEER UD DIN AHMAD)
MD/CEO

(MUHAMMAD SHAHBAZ JAMEEL)
Chairman

KISSAN
Support Services
(Pvt.) Ltd.
Head Office, Islamabad

SCHEDULE II

[Paragraph 2(3)]

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with; Except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

Sr. No.	Rule/Sub-Rule No.	Reason for Non-Compliance	Future Course of Action
1.	11	Due to non-availability of all members at one date, the Company could not arrange orientation course to appriae the Board Members of the material developments and information as specified in the Rules.	The orientation course of the Board members shall be arranged at the earliest.
2	22	The Company appointed a Chief Internal Auditor as per Rules but the incumbent left the service during the year. The vacancy has again been advertised and the recruitment process is underway.	The recruitment process to fill the vacancy of Chief Internal Audit has been completed at the signing of this report.

(BRIG (R) ZAHEER UD DIN AHMAD)
MD/CEO

(MUHAMMAD SHAHBAZ JAMEEL)
Chairman

BDO

FINANCIAL STATEMENTS OF

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

FOR THE YEAR ENDED
DECEMBER 31, 2019

BDO Ebrahim & Co. Chartered Accountants
BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO

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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KISSAN SUPPORT SERVICES (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2019 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, 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, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the period then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors Report Thereon

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

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

BDO

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 is responsible for overseeing the Company's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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.

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

- 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 auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Abdul Qadeer.

ISLAMABAD

DATED: April 13, 2020

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	7,931,393	6,202,592
Deferred tax asset	6	104,042,680	94,598,519
		111,974,073	100,801,111
CURRENT ASSETS			
Receivable from ZTBL	7	187,053,954	137,724,246
Loans and advances	8	1,746,509	679,205
Short-term prepayments	9	449,186	578,871
Short-term investments	10	950,542,171	809,599,098
Accrued interest	11	1,789,514	1,033,301
Other receivables	12	114,976	5,210,663
Tax refund due from Government	13	-	722,914
Cash and bank balances	14	14,354,018	9,826,898
		1,156,050,328	965,375,196
TOTAL ASSETS		1,268,024,401	1,066,176,307
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	100,000,000	100,000,000
Accumulated profit		749,960,665	597,873,472
		849,960,665	697,873,472
NON CURRENT LIABILITIES			
Deferred liabilities	16	391,728,663	349,747,830
Payable against car loan depreciation policy	17	627,500	627,500
		392,356,163	350,375,330
CURRENT LIABILITIES			
Trade and other payables	18	14,478,318	12,560,548
Security deposits	19	352,502	225,002
Taxation - net	20	10,876,753	5,141,955
		25,707,573	17,927,505
CONTINGENCIES AND COMMITMENTS	21	-	-
TOTAL EQUITY AND LIABILITIES		1,268,024,401	1,066,176,307

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees
Revenue	22	1,233,576,219	1,289,021,407
Cost of services	23	(1,103,350,240)	(1,146,523,831)
Gross profit		130,225,979	142,497,576
Administrative expenses	24	(40,339,131)	(39,746,080)
Operating profit		89,886,848	102,751,496
Other income	25	101,526,575	50,900,054
Financial charges		(2,671)	(11,898)
Profit before taxation		191,410,752	153,639,652
Current		(77,471,803)	(61,626,247)
Deferred		19,246,094	10,559,673
Prior period		(5,095,687)	111,594
Taxation	26	(63,321,396)	(50,954,980)
Profit after taxation		128,089,356	102,684,672
Earnings per share - basic and diluted	19	12.81	10.27

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Rupees	2018 Rupees
Profit after taxation	128,089,356	102,684,672
Other comprehensive income		
Item that will not be reclassified to profit and loss account		
Gain on remeasurement of defined benefit liability	33,799,770	12,957,356
Tax impact relating to remeasurement of defined benefit liability	(9,801,933)	(3,628,060)
	23,997,837	9,329,296
Total comprehensive income for the year	152,087,193	112,013,968

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		191,410,752	153,639,652
Adjustments for non cash items:			
Depreciation	6	1,862,238	1,889,123
Provision for gratuity		71,463,002	56,022,045
Provision for medical fund		16,052,647	18,626,256
Interest income		(101,526,575)	(50,900,054)
		(12,148,688)	25,637,370
Operating profit before working capital changes		179,262,064	179,277,022
Changes in working capital:			
(Increase)/decrease in current assets			
Receivable from holding company		(49,329,708)	(17,593,826)
Loans and advances		(1,067,304)	100,054
Short-term prepayments		129,685	99,144
		(50,267,327)	(17,394,628)
Increase/(decrease) in current liabilities			
Trade and other payables		1,917,770	(4,426,411)
Cash generated from operations		130,912,507	157,455,983
Interest income received		100,770,362	43,084,448
Gratuity paid		(8,124,110)	(9,186,536)
Medical expenses paid		(3,610,936)	(7,579,629)
Income tax paid		(71,737,005)	(56,484,292)
		17,298,311	(30,166,009)
Net cash generated from operating activities		148,210,818	127,289,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(4,221,064)	(1,105,007)
Sale proceeds from disposal of property and equipment		2,641,585	4,243,485
Net cash generated from/(used in) investing activities		(1,579,479)	3,138,478
CASH FLOWS FROM FINANCING ACTIVITIES			
Payable under car loan depreciation policy		-	(1,812,500)
Security deposits (paid)/received		127,500	-
Net cash (used in)/generated from financing activities		127,500	(1,812,500)
Net increase in cash and cash equivalents		146,758,839	128,615,952
Cash and cash equivalents at the beginning of the year		805,402,836	676,786,884
Cash and cash equivalents at the end of the year	28	964,896,189	805,402,836

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Accumulated profit	Total
	---------- Rupees ----------		
Balance as at January 01, 2018	100,000,000	485,859,504	585,859,504
Total comprehensive income for the year			
Other comprehensive income	-	9,329,296	9,329,296
Profit for the year	-	102,684,672	102,684,672
	-	112,013,968	112,013,968
Balance as at December 31, 2018	100,000,000	597,873,472	697,873,472
Total comprehensive income for the year			
Other comprehensive income	-	23,997,837	23,997,837
Profit for the year	-	128,089,356	128,089,356
	-	152,087,193	152,087,193
Balance as on December 31, 2019	100,000,000	749,960,665	849,960,665

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **CHAIRMAN**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 Kissan Support Services (Private) Limited ("the Company") was incorporated in Pakistan as a private limited company on September 19, 2005 under the repealed Companies Ordinance, 1984 (repealed through the enactment of the Companies Act, 2017 on May 30, 2017). It is a subsidiary of Zarai Taraqiati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqiati Bank Limited, Head Office, 1 - Faisal Avenue, Zero Point.

1.2 The Company's principal business was to provide consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL. During the year 2016, the Company has changed its Memorandum of Association and now the Company can provide services/undertake business with other corporate sectors as well.

1.3 The Company's principal business is to provide consultancy, advisory (not being investment advisory), agency services and other support services, all kind of support staff and ancillary services, marketing of products and services, provision of quality products and services for efficient and improved farming including seeds, fertilizers, pesticides, agri-machinery and technical services, training and education of farmers and others, provision of storage facilities such as warehousing and grain silos facilities, import and export of goods and services to any legal entity and corporate sector in accordance with applicable laws.

1.1 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Zarai Taraqiati Bank Limited, Head Office, 1 - Faisal Avenue, Zero Point, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Where provisions of and directives issued under the Companies Act, 2017 differ form the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee benefits which have been stated at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.24.

2.3 Functional and presentation currency

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

3.1.1 IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 01, 2019.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				Rupees	
Financial assets					
Short-term investments	(a)	Loans and receivables	Amortised cost	-	809,599,098
Accrued interest	(a)	Loans and receivables	Amortised cost	15,056,461	1,033,301
Cash and Bank Balances	(a)	Loans and receivables	Amortised cost	-	-
				15,056,461	810,632,399

(a) These financial assets classified as 'Loans and receivables' have been classified as amortised cost. Accordingly, amount of Rs. 14,023,160 recognized as accrued interest previously has been reclassified to short term investment.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly receivable from holding company, short term investments, accrued interest, other receivables and bank balances.

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on January 1, 2019. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on January 1, 2019. Accordingly, the comparative information is presented as per the requirements of

3.1.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and, therefore, are discharged over the period of the relationship with relevant customers. The Company's revenue recognition policy is in line with the requirements of IFRS 15 and accordingly, there is no impact on this condensed interim financial information on the date of initial recognition.

3.1.3 Impact of IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced 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'. The Company applied IFRS 16 with a date of initial application of January 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. a lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing the its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

The Company has only one leasing activity acting as a lessee which has been considered as short term lease as per provision of IFRS 16, as both lessee and lessor have the option to terminate the lease agreement at any time during the year by giving three month notice with out any kind of termination penalty or cost. Therefore, there is no impact on these financial statements on the date of initial recognition. The Company does not have any leasing activities acting as a lessor.

3.2 Standards / amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019

		Effective date (annual periods beginning on or after)
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

3.2 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a	January 01, 2020
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on reducing balance method except for vehicles and computer equipment which are depreciated on straight line method.

Normal repairs and maintenance are charged to profit and loss account as and when incurred whereas major renewals and improvements are capitalized.

Depreciation is charged on pro-rata basis from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed off.

Gain and losses on disposal of operating assets are taken to profit and loss account.

4.2 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

4.3 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written off when identified.

4.4 Loans, advances and other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each balance sheet date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.5 Investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified and stated at amortized cost using the effective interest method. Gain and losses are recognized in the statement of profit or loss when the investments are derecognized or impaired, as well as through the amortization process. All investments are initially recognized at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment.

4.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash at bank and short term investments with maturity of not later than six months at known amount in rupees if any.

4.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

4.8 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

4.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity/comprehensive income, in which case it is recognized in equity/comprehensive income.

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or one percent of turnover, or alternative corporate tax, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is computed 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

4.10 Provision

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.11 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

4.12 Employees benefits

Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rs 400/- per employee per month on time proportionate basis.

Staff retirement benefits

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2018 using the Projected Unit Credit Actuarial Cost method as mandated under the latest IAS-19 revised 2011. The Actuarial Gains/Losses arising due to differences between actuarial assumptions and actual experience regarding salary increase, mortality and withdrawal probabilities are considered as remeasurements of the net defined benefit liability, and are recognized in Other Comprehensive Income.

4.13 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Revenue from services is recognized as and when services are rendered.
Interest income is recognized as revenue on time proportion basis.
Commission income is recognized when services are rendered.
Rental income is recognized on accrual basis.

4.14 Borrowing

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to income in the period in which they are incurred.

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets (plant and machinery) are capitalized up to the date of commencement of commercial production on the respective assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

4.15 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.17 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.18 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity Investments at FVOCI

These assets are initially measured at cost plus transaction cost that are directly attributable to its acquisition. Subsequently, these are measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL

These assets are initially recognized at cost. Subsequently, these are measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.20 Foreign currency translation

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

4.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable

4.22 Dividend and apportioning to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.22 Operating lease

Rentals payables under the operating leases are charged to profit or loss on straight line basis over the term of relevant lease.

4.23 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Significant accounting judgments and critical accounting estimates / assumptions

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) **Property plant and equipment**

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

b) **Income taxes**

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) **Provision for doubtful receivables**

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

d) **Contingencies**

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

e) **Financial Instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) **Defined benefits plan**

Certain actuarial assumptions have been adopted as disclosed in note 17 of these financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

5 OPERATING FIXED ASSETS

Particulars	Furniture and fixtures	Electrical installations	Vehicles	Office equipment	Computers	Total
	Rupees					
Net carrying value basis						
Year ended December 31, 2019						
Opening book value	920,928	639,202	3,999,427	505,532	137,003	6,202,592
Additions	-	45,045	3,776,324	40,950	358,745	4,221,064
Deletions-NBV	-	-	(630,025)	-	-	(630,025)
Depreciation charge	(92,092)	(133,196)	(1,361,897)	(101,788)	(173,265)	(1,862,238)
Closing net book value	828,836	551,551	5,783,829	444,694	322,483	7,931,393
Gross carrying value basis						
As at December 31, 2019						
Cost	1,457,783	1,376,756	10,675,029	1,006,735	3,254,396	17,170,699
Accumulated depreciation	(628,947)	(825,205)	(4,891,200)	(562,041)	(2,931,913)	(9,239,306)
Net book value	828,836	551,551	5,783,829	444,694	322,483	7,931,393
Net carrying value basis						
Year ended December 31, 2018						
Opening book value	1,023,253	307,855	9,554,128	177,717	167,240	11,230,193
Additions	-	427,545	128,902	427,990	120,570	1,105,007
Deletions-NBV	-	-	(4,243,485)	-	-	(4,243,485)
Depreciation charge	(102,325)	(95,698)	(1,440,118)	(100,175)	(150,807)	(1,889,123)
Closing net book value	920,928	639,202	3,999,427	505,532	137,003	6,202,592
Gross carrying value basis						
As at December 31, 2018						
Cost	1,457,783	1,331,711	9,455,765	965,785	2,895,651	16,106,695
Accumulated depreciation	(536,855)	(692,009)	(5,456,338)	(460,253)	(2,758,648)	(9,904,103)
Net book value	920,928	639,202	3,999,427	505,532	137,003	6,202,592
Annual rate of depreciation (%)	10%	20%	20%	20%	33.33%	

		Note	2019 Rupees	2018 Rupees
6	**DEFERRED TAX ASSET**			
	Deferred tax asset	6.1	104,042,680	94,598,519
6.1	Deferred tax assets arising on account of temporary differences in:			
	Accelerated depreciation		243,300	297,185
	Provision for post employment benefit obligation		71,009,554	66,125,870
	Provision for medical facilities		32,789,826	28,175,464
			104,042,680	94,598,519
	Tax rate used		29%	28%
6.2	**Reconciliation of deferred tax**			
	Balance at the beginning of the year		94,598,519	87,666,906
	Provision against employment benefits obligation		14,685,617	8,984,692
	Provision against medical fund		4,614,362	1,301,455
	Operating fixed assets		(53,885)	273,526
	Charged to profit and loss account		19,246,094	10,559,673
	Charged to other comprehensive income:			
	Deferred tax on remeasurement of post employment benefit obligation		(9,801,933)	(3,628,060)
	Balance at the end of the year		104,042,680	94,598,519

6.3 The deferred tax asset recognized in the financial statements represents the management's best estimate of potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Company would be able to set off the profits earned in those years against temporary differences.

		Note	2019 Rupees	2018 Rupees
7	**RECEIVABLE FROM ZTBL**			
	Holding company			
	Unsecured - considered good			
	Zarai Taraqiati Bank Limited (ZTBL)	7.1	187,053,954	137,724,246

7.1 This is the amount receivable against services rendered to the holding company. The aging of balances at the balance sheet date is as follows:

	2019 Rupees	2018 Rupees
Not past due	187,053,954	137,724,246

		Note	2019 Rupees	2018 Rupees
8	**LOANS AND ADVANCES**			
	Unsecured - considered good			
	Advances to:			
	Employees	8.1	889,464	634,002
	Others		857,045	45,203
			1,746,509	679,205

8.1 This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred.

	Note	2019 Rupees	2018 Rupees
9 SHORT-TERM PREPAYMENTS			
Life insurance		443,889	468,511
Vehicles insurance		5,297	110,360
		449,186	578,871
10 SHORT TERM INVESMENTS			
Amortized Cost			
Term deposit receipts (TDR) - Holding Company	10.1	650,542,171	729,825,617
Term deposit receipts (TDR) - Others	10.2	300,000,000	79,773,481
		950,542,171	809,599,098
10.1 Term deposit receipts (TDR) - Holding Company			
Zarai Taraqiati Bank Limited	10.1.1	650,542,171	729,825,617

10.1.1 This represents three TDRs having maturity of six months each (2018: Three to six months) and carrying interest rates ranging from 12.75% to 13.25% (2018: 7.51% to 10.00%) per

	Note	2019 Rupees	2018 Rupees
10.2 Term deposit receipts (TDR) - Others			
Habib Bank Limited	10.2.1	300,000,000	-
Silk Bank Limited	10.2.2	-	79,773,481
		300,000,000	79,773,481

10.2.1 This represents one TDR having maturity of three months (2018: nil) and carrying interest rate of 13.20% (2018: nil) per annum.

10.2.2 This investment has been matured during the period and carried mark up at the rate of 9.00% per annum.

	2019 Rupees	2018 Rupees
11 ACCRUED INTEREST		
Saving accounts	1,789,514	1,033,301
	1,789,514	1,033,301

		Note	2019 Rupees	2018 Rupees
12	**OTHER RECEIVABLES**			
	Unsecured- considered good			
	Income tax receivables	12.1	-	5,095,687
	Other receivables	12.2	114,976	114,976
			114,976	5,210,663

12.1 This represented income tax paid under protest to taxation authorities. The company was in litigation on the matter. During the year the Honorable High Court decided the case against the company, therefore the receivable balance has been written off.

12.2 This represents expenses incurred by the Company for establishment of Kissan Security Services (Private) Limited, a related party. The aging of the balance receivable is more than three years.

		Note	2019 Rupees	2018 Rupees
13	**TAX REFUND DUE FROM GOVERNMENT**			
	Income tax	13.1	-	722,914

13.1 During the year an amount of Rs.722,914 (2018: nil) has been adjusted against the tax liability of the Company.

		Note	2019 Rupees	2018 Rupees
14	**CASH AND BANK BALANCES**			
	Cash at bank			
	Local Currency			
	Current account		31,218	31,218
	Savings accounts	14.1	14,322,800	9,795,680
			14,354,018	9,826,898

14.1 Saving accounts carry mark up at the rates ranging from 8.00% to 12.75% per annum (2018: 3.75% to 7.50% per annum) and this balance in saving accounts include funds kept in ZTBL of Rs. 14.129 million (2018: Rs. 9.619 million).

15 SHARE CAPITAL

15.1 Issued, subscribed and paid up capital

Number of ordinary shares of Rs. 10/- each				
2019	2018			
10,000,000	10,000,000	Fully paid in cash	100,000,000	100,000,000

15.1.1	Percentage of holding company (Zarai Taraqiati Bank Limited)	100%	100%

15.2 Authorized share capital

This represents 10,000,000 (2018: 10,000,000) ordinary shares of Rs. 10 each amounting to Rs. 100,000,000 (2018: Rs. 100,000,000).

	Note	2019 Rupees	2018 Rupees
16 DEFERRED LIABILITIES			
Gratuity	16.1	278,660,298	249,121,176
Medical fund	16.2	113,068,365	100,626,654
		391,728,663	349,747,830

16.1 Reconciliation of gratuity liability recognized in the balance sheet

16.1.1 The amounts recognized in the balance sheet are determined as follow:

Present value of defined benefit obligation	278,660,298	249,121,176
Benefits due but not paid during the year	-	-
Liability in the balance sheet	278,660,298	249,121,176

16.1 Movement in the liability recognized in the balance sheet

At the beginning of the year	249,121,176	215,243,023
Amount recognized during the year	71,463,002	56,022,045
Benefits paid during the year	(8,124,110)	(9,186,536)
Remeasurement gain on obligation	(33,799,770)	(12,957,356)
Balance at the end of the year	278,660,298	249,121,176

16.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations	249,121,176	215,243,023
Current service cost for the year	38,387,840	36,805,440
Interest cost for the year	33,075,162	19,216,605
Benefits paid during the year	(8,124,110)	(9,186,536)
Remeasurement gain on obligation	(33,799,770)	(12,957,356)
Closing present value of defined benefit obligations	278,660,298	249,121,176

16.1.4 Remeasurement chargeable to other comprehensive income

Remeasurement loss / (gain) on defined obligation due to:		
Change in demographic assumptions	-	-
Change in financial assumptions	(3,055,540)	6,112,606
Experience adjustment	(30,744,230)	(19,069,963)
	(33,799,770)	(12,957,357)

	2019 Rupees	2018 Rupees
16.1.5 Charge for the year		
Current service charges	38,387,840	36,805,440
Interest cost for the year	33,075,162	19,216,605
	71,463,002	56,022,045

16.1.6 The principal actuarial assumptions used were as

Following are a few important actuarial assumptions used in the valuation:

Valuation Discount Rate (p.a)	11.75%	13.75%
Valuation Discount Rate (p.a.) - P&L	13.75%	9.25%
Expected rate of increase in salary (%)	10.75%	12.75%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Average service (years)	8.46	7.45
Weighted average duration of the defined benefits obligation	12.16	11.92

16.1.7 Undiscounted expected benefit payments from active employees

	Year 1 Rupees	Year 2 to 5 Rupees	Year 6 & above Rupees
Expected benefits payments	14,602,201	57,942,173	1,795,453,937

16.1.8 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at December 31, 2019 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Salary increase risk - The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Longevity risks - The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks - The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Withdrawal risk - The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

16.1.9 Sensitivity analysis

The calculation of the defined benefit obligations sensitive to the assumption set out above. The following table summaries how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	2019 Rupees	2018 Rupees
Discount Rate + 1 %	243,532,574	222,480,704
Discount Rate - 1 %	310,133,897	280,862,491
Salary growth rate + 1 %	311,530,903	282,086,167
Salary growth rate - 1 %	241,926,271	221,076,571

16.1.10 Comparison for five years

2019	2018	2017	2016	2015
		Rupees		
278,660,298	249,121,176	215,243,023	182,323,337	139,483,150

16.1.11 The charge in respect of defined benefit plan for the year ending December 31, 2020 is estimated to be Rs. 67.499 million.

16.1.12 There are no plan assets, therefore, disclosure in respect to plan assets required as per IAS 19 "Employee Benefits" has not been made in these financial statements.

	Note	2019 Rupees	2018 Rupees
16.2 Medical fund			
Movement in the fund recognized in the balance sheet			
At the beginning of the year		100,626,654	89,580,027
Recognized during the year		16,052,647	18,626,256
Payments during the year		(3,610,936)	(7,579,629)
Balance at the end of the year		113,068,365	100,626,654
17 PAYABLE AGAINST CAR LOAN DEPRECIATION POLICY (CLDP)			
Secured - against vehicles			
Against CLDP		627,500	627,500

17.1 This represents amount received being the difference of price paid by employees against purchase of vehicles under car loan depreciation policy (CLDP) above their eligible entitlement and will be adjusted at the time of transfer of vehicle to the employees. The vehicles are registered on the joint name of the Company and the employees and transferable after the five years to the employees at net book value at the expiry of five year or at retirement of employee whichever is earlier.

17.2 The balance is carried at cost instead of amortized value as the impact of amortization is not material with respect to these financial statements.

	Note	2019 Rupees	2018 Rupees
18 TRADE AND OTHER PAYABLES			
Sundry and trade creditors		1,418,041	1,642,781
Tax deducted payable		7,075,327	6,124,440
Accrued expenses		3,530,291	3,298,783
Sports expenses payable		2,454,659	1,494,544
		14,478,318	12,560,548
19 SECURITY DEPOSITS			
Contractors securities	19.1	352,502	225,002

19.1 This represents security deposits received from contractors against service agreements executed with contractors.

	2019 Rupees	2018 Rupees
20 TAXATION-NET		
Opening Balance	5,141,955	-
Adjustment of tax refund due from Government (note 13)	(722,914)	-
Add: Provision for taxation	77,471,803	61,626,247
Advance income tax depoaited/deducted during the period	(71,014,091)	(56,484,292)
	10,876,753	5,141,955

21 CONTINGENCIES AND COMMITMENTS

21.1 **Contingencies**

a) The Officer Inland Revenue LTU, Islamabad has initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the Tax Year 2009 and 2011. The Company has submitted all the documentary evidences yet, the case is pending for adjudication. No provision has been made in these accounts as the management is confident that the decision of the case will be decided in the favor of the Company.

b) The Officer Inland Revenue LTU, Islamabad initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the financial year ended December 31, 2013 i.e. Tax Year 2014 and created a demand of Rs. 1.182 million. The Company filed an appeal before the Commissioner Inland Revenue(Appeals). The Commissioner passed an Order against the Company and maintained the assessment by the Officer Inland Revenue. The Company filed

an appeal to the Appellate Tribunal Inland Revenue, Islamabad. The Appellate tribunal Inland Revenue, Islamabad through its order dated April 18, 2017 has accepted CPR of tax withheld and deposited by the company in the month of July 2013, which was previously rejected by Officer Inland Revenue LTU, and has directed the officer Inland Revenue to reexamine the remaining issue by only treating any amount paid to ZTBL as services if payment amount is for other than salary, bonuses, overtime etc. Officer Inland Revenue is also directed to pass final order within maximum of 180 days of this order. No provision has been made in these financial statements as the management is confident that the decision of the case will be decided in favour of the Company.

c) The Company is facing claims launched in various Courts filed by the employees, pertaining to service promotion, dismissal from service and entry into company's premises and others. The matters are still pending before the Courts. As no amount is involved in most of the cases, therefore, the liability is not accurately quantifiable (2018: same as mentioned).

d) The Assistant Collector (Grade-I), Employees' Old age Benefits Institution (EOBI), Islamabad Region, has issued Show Cause Notice u/s 79 of the Land Revenue Act, 1967 (W.P. Act XVII of 1967) dated March 21, 2018 and May 28, 2018 in response to EOBI, Islamabad Region, Demand Notice dated March 07, 2018 issued u/s 12(3) of EOB Act, 1976. The Assistant Collector EOBI has created a demand of Rs. 69.804 million being dues of contributions under section 9, 9B and increase levied under section 13(1) of the Employees' Old-Age Benefits Act, 1976 for recovery as arrears of land revenue. The Company filed writ petition before the Honorable Islamabad High Court against the said orders and the Honorable Court granted stay orders on April 04, 2018. The next hearing of the case is yet to be fixed. No provision has been made in these accounts as the management is confident that the decision of the case will be in the favour of the Company.

e) There was no other contingent liability of the company as at the balance sheet date (2018: Nil).

21.2 **Commitments**

The company has no commitments as at the balance sheet date (2018: nil).

	Note	2019 Rupees	2018 Rupees
22 REVENUE			
Service charges	22.1	151,466,167	164,992,245
Other	22.2	1,806,534	1,499,625
Less: Sales tax on services		(20,891,884)	(22,757,550)
		132,380,817	143,734,320
Add: Expenditure reimbursed during the year	22.3	1,101,195,402	1,145,287,087
		1,233,576,219	1,289,021,407
22.1 Service charges			
Human resource services		145,557,245	154,514,790
Janitorial services		-	187,061
Sports activity		5,787,437	10,267,457
Security services		121,485	22,937
		151,466,167	164,992,245

		Note	2019 Rupees	2018 Rupees
22.2	Others			
	Rental income		1,744,229	1,459,000
	Miscellaneous income		62,305	40,625
			1,806,534	1,499,625
22.3	Expenditure reimbursed			
	Human resource services		1,050,256,439	1,054,964,202
	Janitorial services		-	1,612,588
	Sports activities		49,891,690	88,512,553
	Security services		1,047,273	197,744
			1,101,195,402	1,145,287,087

23 COST OF SERVICES

	Note	2019 Rupees	2018 Rupees
Human resource services	23.1	1,050,256,439	1,054,964,202
Janitorial expenses		-	1,612,588
Sports activities	23.1	49,891,690	88,512,553
Security expenses		1,047,273	197,744
Expenses on hostel		2,154,838	1,236,744
		1,103,350,240	1,146,523,831

23.1 Human resource services and sports activities include Rs. 8.055 and 0.340 million (2018: 50.414 and 2.777 million) respectively, in respect of staff retirement benefits.

24 ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries, wages and other benefits	24.1	29,815,758	32,373,754
Repair and maintenance		125,929	135,215
Travelling and conveyance		412,170	240,552
Rent, rates and taxes		3,085,734	1,427,525
Postage, telephone and telegram		500,053	271,854
Printing, stationery and advertisement material		1,281,774	627,127
Fee and meeting expenses		1,206,208	428,928
Insurance		193,258	219,590
Legal and professional charges		999,634	1,441,123
Auditors' remuneration	24.2	429,684	336,745
Fuel expenses		314,104	237,808
Entertainment expenses		108,137	116,736
Depreciation	5	1,862,238	1,889,123
Miscellaneous expenses		4,450	-
		40,339,131	39,746,080

24.1 Salaries, wages and other benefits include Rs. 0.431 million (2018: 2.830 million) in respect of staff retirement benefits.

		Note	2019 Rupees	2018 Rupees
24.2	Auditors' remuneration			
	Annual audit fee		233,524	183,013
	Half yearly and quarterly review		121,433	95,168
	Other services		74,727	58,564
			429,684	336,745

25 OTHER INCOME

Income from financial assets		
Interest income from investments	95,097,264	48,037,390
Interest on bank deposits	4,677,314	2,862,664
Gain of Sale of Vehicles	1,751,997	-
	101,526,575	50,900,054

26 PROVISION FOR TAXATION

Current	77,471,803	61,626,247
Prior year income tax receivable (note 12.1)	5,095,687	(111,594)
	82,567,490	61,514,653
Deferred	(19,246,094)	(10,559,673)
	63,321,396	50,954,980

26.1 Comparison of tax provision against tax assessments

	Assessment as per financial statements	Assessment as per tax return
2018	61,626,247	61,626,247
2016	64,997,344	64,997,344
2015	67,161,123	67,161,123

26.2 Numerical reconciliation between the applicable tax rate and average effective tax rate is as

	2019	2018
Average effective tax rate	0.40	0.40
Temporary difference	(0.10)	(0.07)
Others	(0.01)	(0.040)
Applicable tax rate	0.29	0.29

27 EARNING PER SHARE - Basic and diluted

Profit for the year (Rupees)	128,089,356	102,684,672
Weighted average ordinary shares (Number)	10,000,000	10,000,000
Earning per share – basic and diluted (Rupees)	12.81	10.27

27.1 There is no dilutive effect on the basic earnings per share, as the Company has not issued any instruments carrying option which would have any impact on earnings per share when exercised.

	Note	2019 Rupees	2018 Rupees
28 CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	14,354,018	9,826,898
Short term investments	10	950,542,171	795,575,938
		964,896,189	805,402,836

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2019				2018			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	5,131,438	-	13,207,568	18,339,006	4,202,593	-	14,731,905	18,934,498
Bonus	-	-	-	-	150,000	-	611,094	761,094
Staff retirement benefits	-	-	844,398	844,398	-	-	2,939,398	2,939,398
Fee	-	570,000		570,000	-	230,000	-	230,000
Utilities	-	-	-	-	268,001	-	321,639	589,640
Total	5,131,438	570,000	14,051,966	19,753,404	4,620,594	230,000	18,604,036	23,454,540
Number of persons	1	6	8	15	1	6	9	16

b) The Chief Executive has been provided with self maintained car under Car Loan Depreciation Policy for official cum private use and other benefits as per his terms of employment.

c) The aggregate amount charged in the financial statements for remuneration, including all benefits to Executive directors and Non executive directors of the Company is as follows:

	2019			2018		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	Rupees					
Managerial remuneration	5,131,438	570,000	5,701,438	4,620,594	230,000	4,850,594
Number of persons	1	6	7	1	6	7

d) No remuneration / benefits were paid to the Non-Executive Directors other than the 4 Independent Directors during the current year and during preceding financial years.

30 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as

Description	Total	2019			Not interest / mark up bearing
		Interest/mark up bearing			
		Maturity up to one year	Maturity after one year	Sub-total	
		---------- Rupees ----------			
Financial assets					
Loans and receivables and HTM at amortized cost					
Receivable	187,053,954	-	-	-	187,053,954
Accrued interest	1,789,514	-	-	-	1,789,514
Short term investments	950,542,171	950,542,171	-	950,542,171	-
Other receivables	114,976	-	-	-	114,976
Cash and bank balances	14,354,018	14,322,800	-	14,322,800	31,218
	1,153,854,633	964,864,971	-	964,864,971	188,989,662
Financial liabilities					
Financial liabilities carried at amortized cost					
Deferred liabilities	391,728,663	-	-	-	391,728,663
Trade and other payable:	14,478,318	-	-	-	14,478,318
Security deposits	352,502	-	-	-	352,502
	406,559,483	-	-	-	406,559,483
On balance sheet gap	747,295,150	964,864,971	-	964,864,971	(217,569,821)
Off Balance sheet Items					
Financial commitments:	-	-	-	-	-
Total Gap	747,295,150	964,864,971	-	964,864,971	(217,569,821)

Description	Total	2018			Not interest / mark up bearing
		Interest/mark up bearing			
		Maturity up to one year	Maturity after one year	Sub-total	
		---------- Rupees ----------			
Loans and receivables and HTM at amortized cost					
Receivable	137,724,246	-	-	-	137,724,246
Short term investments	809,599,098	809,599,098	-	809,599,098	-
Accrued interest	1,033,301	-	-	-	1,033,301
Other receivables	114,976	-	-	-	114,976
Cash and bank balances	9,826,898	9,795,680	-	9,795,680	31,218
	958,298,519	819,394,778	-	819,394,778	138,903,741
Financial liabilities					
Financial liabilities carried at amortized cost					
Deferred liabilities	349,747,830	-	-	-	349,747,830
Trade and other payable:	12,560,548	-	-	-	12,560,548
Security deposits	225,002	-	-	-	225,002
	362,533,380	-	-	-	362,533,380
On balance sheet gap	595,765,139	819,394,778	-	819,394,778	(223,629,639)
Off Balance sheet Items					
Financial commitments:	-	-	-	-	-
Total Gap	595,765,139	819,394,778	-	819,394,778	(223,629,639)

Effective interest rates are mentioned in the respective notes to the financial statements.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2018. The Company considers that the carrying amount of all the financial assets and financial liabilities are a reasonable approximation of their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change the occurred.

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees	Rupees
December 31, 2019					
Investments held to maturity					
Term deposit receipts	950,542,171	950,542,171	-	-	950,542,171
December 31, 2018					
Investments held to maturity					
Term deposit receipts	809,599,098	809,599,098	-	-	809,599,098

Determination of fair values

A number of the Company's accounting polices and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.

Non-derivate financial asset

The fair value of non-derivate financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

32 TRANSACTIONS WITH RELATED PARTIES

32.1 The related parties of the Company comprise of holding company, directors and key management personnel. Transactions with related parties during the period are as follows:

Relation with the Company	Nature of transactions	2019 Rupees	2018 Rupees
Holding company (Zarai Taraqiati Bank Limited - ZTBL)	Services charges	151,466,167	164,992,245
	Rent paid during the year	6,913,199	4,685,316
	Expenses reimbursed during the year	1,101,195,402	1,145,287,087
	Short-term investment made (TDRs)	2,270,817,283	1,184,478,059
	Short-term investment enchased	(2,370,750,626)	(816,466,148)
	Interest income	99,538,354	35,297,311
	Period end balances		
	Receivable balance	187,053,954	137,724,246
	Bank accounts maintained		
	Current account	29,268	29,268
	Saving accounts	14,129,576	9,618,821

32.2 There are no transactions with key management personnel other than those which are under their terms of employment.

33 NUMBER OF EMPLOYEES

The number of employees as at year end was 3,969 (2018: 4,046) and average number of employees during the year was 4,027 (2018: 4099).

34 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended December 31, 2018 is in accordance with the requirements in Companies Act, 2017. The fifth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassification has been made during the year in line with the IFRS 9 'Financial instruments'.

Reclassification from	Reclassification to	Amount (Rupees)
Accrued Interest	Short term investment	14,023,160

35 DATE OF AUTHORIZATION

This condensed financial information is authorized for issue by the Board of Directors on April 13, 2020.

36 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHAIRMAN