

KISSAN SUPPORT SERVICES (PVT) LIMITED

Annual Report 2020

(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, 2020.

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 123.243 million in the year 2020 as compared to Rs 128.089 million in the previous year, reflecting a slight decrease of 3.80% in the company's earning performance. This resulted into Earning Per Share (EPS) of Rs 12.32 which was Rs 12.81 per share in 2019. 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	2015	2016	2017	2018	2019	2020
Total Assets	581.059	795.119	910.335	1,066.176	1,268.024	1,440.900
Cash & Cash Equivalents	416.394	544.968	684.706	821.038	967.135	1,087.883
Non–Current assets	64.473	89.300	98.897	100.801	111.974	130.646
Share Capital & Reserves	364.765	471.477	585.860	697.873	849.961	1,000.695
Non–Current Liabilities	196.722	258.491	307.263	350.375	392.356	412.038
Profit before Tax	114.830	155.487	155.054	153.640	191.411	160.067
Taxation	44.343	50.577	49.547	50.955	63.321	36.824
Profit after Tax	70.487	104.909	105.507	102.685	128.089	123.243
Earnings per Share (Rs.)	7.05	10.49	10.55	10.27	12.81	12.32

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 2020 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	4
2	Mr Ahmed Chinoy	Director	4
3	Mr Jamal Abdul Nasir	Director	4
4	Mr Arshad Mahmood	Director	4
5	Mr Habib Ullah Khan	Director	4
6	Mr Muhammad Arif	Director	4
7	Brig (R) Zaheer Ud Din Ahmad	MD/CEO & Director	4
8	Mr Azmat Ullah	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

Fourteenth Annual General Meeting (AGM) of the Company was held on May 4, 2020.

Chief Executive Officer

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

Company's Future Outlook

KSSL 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 Crowe Hussain Chaudhury & Coompany, Chartered Accountants, Lahore were appointed as External Auditors for the year ending December 31, 2020 in the 14th Annual General Meeting of the Company held on May 4, 2020.

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.

CHIEF EXECUTIVE OFFICER DIRECTOR

Islamabad
March 26, 2021

Crowe Hussain Chaudhury & Co.
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Lahore-54600, Pakistan
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

REVIEW REPORT 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** for the year ended December 31, 2020.

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 controls, 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, 2020.

Lahore
Dated: 26 MAR 2021

CROWE HUSSAIN CHAUDHURY & 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, 2020

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 rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant</th></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>

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)	✔	

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	✔	
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. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 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. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the	10	✔ N/A ✔	

<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>company's website.</td><td></td><td></td><td></td></tr>
<tr><td>22</td><td>All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>✔</td><td></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>
</table>

<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>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 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>19</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</td><td>21(3)</td><td>✔
✔
✔</td><td></td></tr>
</table>

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant	
	Auditors.			
33	(a) The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✔	
	(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 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)	✔	

CHIEF EXECUTIVE OFFICER

DIRECTOR

AUDITOR'S REPORT

KISSAN SUPPORT SERVICES (PRIVTE) LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S 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, 2020, and the statement of profit or loss account, 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, statement of profit or loss account, statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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, 2020 and of the profit, its other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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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 the Companies Act, 2017 (XIX of 2017) and for such internal control as the 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, the 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Crowe

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and 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 deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements for the year ended December 31, 2019 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon vide their report dated April 13, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Lahore
Dated: 26 MAR 2021

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020 Rupees	2019 Rupees (Reclassified)	2018 Rupees (Reclassified)
ASSETS				
NON CURRENT ASSETS				
Operating fixed assets	6	11,211,576	7,931,393	6,202,592
Deferred tax asset	7	119,434,902	104,042,680	94,598,519
		130,646,478	111,974,073	100,801,111
CURRENT ASSETS				
Receivable from Associate	8	214,637,887	187,836,833	137,724,246
Advances and prepayments	9	7,733,169	1,412,816	1,258,076
Short-term investments	10	976,266,372	917,619,816	795,575,938
Accrued interest	11	103,217,557	34,711,869	15,056,461
Other receivables		-	114,976	5,210,663
Tax refund due from government		-	-	722,914
Bank balances	12	8,399,028	14,354,018	9,826,898
		1,310,254,013	1,156,050,328	965,375,196
TOTAL ASSETS		1,440,900,491	1,268,024,401	1,066,176,307
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital 10,000,000 (2019: 10,000,000) ordinary shares of Rs. 10 each	13	100,000,000	100,000,000	100,000,000
Issued, subscribed and paid up capital		100,000,000	100,000,000	100,000,000
Unappropriated profit		900,694,947	749,960,665	597,873,472
		1,000,694,947	849,960,665	697,873,472
NON CURRENT LIABILITIES				
Deferred liabilities	14	411,410,903	391,728,663	349,747,830
Payable against car loan depreciation policy	15	627,500	627,500	627,500
		412,038,403	392,356,163	350,375,330
CURRENT LIABILITIES				
Trade and other payables	16	8,785,493	14,478,318	12,560,548
Security deposits	17	1,168,836	352,502	225,002
Provision for taxation	18	18,212,812	10,876,753	5,141,955
		28,167,141	25,707,573	17,927,505
CONTINGENCIES AND COMMITMENTS	19	-	-	-
TOTAL EQUITY AND LIABILITIES		1,440,900,491	1,268,024,401	1,066,176,307

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Revenue	20	1,137,504,591	1,233,576,219
Cost of services	21	(1,050,725,351)	(1,103,350,240)
Gross Profit		86,779,240	130,225,979
Operating Expenses			
Administrative expenses	22	(55,722,938)	(40,339,131)
Operating Profit		31,056,302	89,886,848
Other income	23	129,015,532	101,526,575
Financial charges		(5,327)	(2,671)
		129,010,205	101,523,904
Profit before Taxation		160,066,507	191,410,752
Taxation	24	(36,823,611)	(63,321,396)
Net Profit for the Year		123,242,896	128,089,356
Earnings per share - basic and diluted	25	12.32	12.81

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	Rupees	Rupees
Net Profit for the Year	123,242,896	128,089,356
Other comprehensive income		
Item that will not be reclassified to profit and loss account		
Gain on remeasurement of defined benefit liability	38,720,262	33,799,770
Related deferred tax impact relating to remeasurement of defined benefit	(11,228,876)	(9,801,933)
	27,491,386	23,997,837
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	150,734,282	152,087,193

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	Share capital	Unappropriated profit	Total
	Rupees	Rupees	Rupees
Balance as at December 31, 2018	100,000,000	597,873,472	697,873,472
Net profit for the year	-	128,089,356	128,089,356
Other comprehensive income for the year	-	23,997,837	23,997,837
	-	152,087,193	152,087,193
Balance as at December 31, 2019	100,000,000	749,960,665	849,960,665
Net profit for the year	-	123,242,896	123,242,896
Other comprehensive income for the year	-	27,491,386	27,491,386
	-	150,734,282	150,734,282
Balance as at December 31, 2020	100,000,000	900,694,947	1,000,694,947

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 Rupees	2019 Rupees (Reclassified)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		160,066,507	191,410,752
Adjustments for non cash items:			
- Depreciation		2,534,874	1,862,238
- Excess provision / liability return back		(6,376,347)	-
- Gain on sale of vehicle		(46,163)	-
- Provision for gratuity		67,722,478	71,463,002
- Provision for medical fund		17,931,417	16,052,647
- Interest income		(122,593,022)	(101,526,575)
		(40,826,763)	(12,148,688)
Operating profit before working capital changes		119,239,744	179,262,064
Changes in working capital:			
(Increase)/decrease in current assets			
- Receivable from holding company		(26,801,054)	(49,329,708)
- Advances and prepayments		(6,320,353)	(937,619)
- Other receivables		114,976	-
Increase / (decrease) in current liabilities			
- Trade and other payables		683,522	1,917,770
- Security deposits net		816,334	127,500
		(31,506,575)	(48,222,057)
Cash generated from operations		87,733,169	131,040,007
Interest income received		54,087,334	100,770,362
Gratuity paid		(17,112,033)	(8,124,110)
Medical expenses paid		(10,139,360)	(3,610,936)
Income tax paid / deducted		(56,108,650)	(71,737,005)
		(29,272,709)	17,298,311
Net Cash Generated From Operating Activities		58,460,460	148,338,318
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(5,858,243)	(4,221,064)
Sale proceeds from disposal of property and equipment		89,349	2,641,585
Net Cash Used in Investing Activities		(5,768,894)	(1,579,479)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net Increase in Cash and Cash Equivalents		52,691,566	146,758,839
Cash and cash equivalents at the beginning of the Year		931,973,834	805,402,836
Cash and Cash Equivalents at the end of the Year	26	984,665,400	931,973,834

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1
The Company and its Operations

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 (now the Companies Act, 2017). It is a wholly owned subsidiary of Zarai Taraqiati Bank Limited (ZTBL). The registered office of the Company is situated at Zarai Taraqiati Bank Limited, Head Office, 1 - Faisal Avenue, Zero Point, Islamabad.

1.2 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 and services to any legal entity and corporate sector in accordance with applicable laws.

Note 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.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (Rs. / Rupees) which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee, unless otherwise stated.

Note 3
Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management estimates in these financial statements relate to the useful life and residual values of property and equipment, doubtful trade debts and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

Note 4
Changes in Accounting Standards, Interpretations and Pronouncements

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4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

IFRS 16 'Leases' has been adopted during the year by Securities & Exchange Commission of Pakistan and is mandatory for accounting periods beginning on or after July 1, 2019. It is considered to be relevant to the Company's financial statements. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and accounts for those two types of leases differently. IFRS 16 has 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. Its adoption does not have any effect on the financial statements of the Company for the current year.

4.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

There were certain amendments to accounting and reporting standards which became effective during the year but are not considered to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

4.3 Standards, interpretation and amendments to approved accounting standards that are relevant but not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective Date (Period beginning on or after)
- Annual improvements to IFRS Standards 2018-2020	January 01, 2022
- IAS 16 Property, Plant and Equipment [Amendments]	January 01, 2022
- IAS 37 Provisions, Contingent Liabilities and Assets [Amendments]	January 01, 2022

The Company will assess the impact of these changes in the period of initial application once such changes become effective for the Company.

4.4 Standards, interpretations and amendments to approved accounting standards that are not relevant and not yet effective

There were following new standards or amendments to existing standards and interpretations that are neither relevant nor yet effective.

	Effective Date (Period beginning on or after)
- IFRS 17 Insurance Contracts	January 1, 2021

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Note 5
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.

5.1 Operating fixed assets

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.

5.2 Impairment losses

Carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use.

5.3 Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.4 Advances and prepayments

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting 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 impaired then expected credit loss is recognized to profit and loss account.

5.5 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 account 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.

5.6 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand, cash at bank and short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

5.7 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.

Note 5, Summary Of Significant Accounting Policies - Cont ...

5.8 Bank balances

Bank balances are carried at nominal amount.

5.9 Taxation

The charge of Income tax for the year comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss account except to the extent that relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

Current

The charge for current tax is based on higher of minimum tax on turnover, corporate tax and alternate corporate tax for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of taxable loss for the year, income tax expense is recognized on the basis of minimum tax liability on turnover of the Company in accordance with the provisions of the income tax law. 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 turnover tax, or alternative corporate tax, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the reporting date liability method on all temporary differences arising at the reporting date between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable profits will be available against which the assets may be utilized.

The carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are derecognized to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or have been notified for subsequent enactments at the reporting date.

Prior years

The adjustments to tax charge relating to prior years are made when amounts finalized through assessments differ from previously recorded management's estimates and such amounts are recognised in tax charge of the current year.

5.10 Provision

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and of which a reliable estimate can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

5.11 Post employment benefits

5.11.1 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.

Note 5, Summary Of Significant Accounting Policies - Cont ...

5.11.2 Defined benefits plans (Gratuity)

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, 2020 using the projected unit credit actuarial cost method as prescribed 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.

5.12 Revenue recognition

Revenue is recognised at a point in time, when (or as) the Company satisfies performance obligations by rendering the services to its customers. Revenue is to be recognised in accordance with the aforementioned principle by applying the following steps:

i) Identify the contract with a customer
ii) Identify the performance obligation in the contract (Services to be rendered)
iii) Determine the transaction price of the contract (Cost of services plus profit margin)
iv) Allocate the transaction price to each of the separate performance obligations in the contract
v) Recognize the revenue when (or as) the entity satisfies a performance obligation (when services rendered)

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 using above, as prescribed by IFRS 15.
Interest income is recognized as revenue on time proportion basis.
Rental income is recognized on accrual basis.

5.13 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are carried out at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

5.14 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.15.1 Financial assets

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

Note 5, Summary Of Significant Accounting Policies - Cont ...

a) Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

b) Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable. Trade receivables are initially measured at the transaction price.

c) Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the profit or loss account.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

e) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

5.15.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

Note 5, Summary Of Significant Accounting Policies - Cont ...

5.15.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5.16 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange prevailing on the reporting date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the statement of profit or loss.

5.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes the inputs to valuation techniques into following three levels. There inputs to valuation techniques are used to measure the fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

The management usually engages external valuers for valuation of property, plant and equipment. Selection criteria of such valuers comprise market knowledge, reputation, independence and whether professional standards are maintained.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from the transaction price. Subsequently, that difference is credited or charged to the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at December 31, 2020 and December 31, 2019 the Company did not hold any financial instruments carried at fair value.

Note 6
Operating Fixed Assets

Year ended December 31, 2020

Description	Furniture and fixtures	Electrical installations	Vehicles	Office equipment	Computers	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets						
Cost						
Balance as at January 01, 2020	1,457,783	1,376,756	10,075,029	1,006,735	3,254,396	17,170,699
Additions	2,209,052	826,100	2,093,961	240,754	488,376	5,858,243
Disposals	-	-	(644,348)	-	-	(644,348)
Balance as at December 31, 2020	3,666,835	2,202,856	11,524,642	1,247,489	3,742,772	22,384,594
Accumulated depreciation						
Balance as at January 01, 2020	628,947	825,205	4,291,200	562,041	2,931,913	9,239,306
Charge for the year	101,625	149,105	1,942,520	102,751	238,873	2,534,874
Disposals	-	-	(601,162)	-	-	(601,162)
Balance as at December 31, 2020	730,572	974,310	5,632,558	664,792	3,170,786	11,173,018
Total as at December 31, 2020	**2,936,263**	**1,228,546**	**5,892,084**	**582,697**	**571,986**	**11,211,576**
Depreciation rates	10%	20%	20%	20%	33%	

Year ended December 31, 2019

Description	Furniture and fixtures	Electrical installations	Vehicles	Office equipment	Computers	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets						
Cost						
Balance as at January 01, 2019	1,457,783	1,331,711	9,455,765	965,785	2,895,651	16,106,695
Additions	-	45,045	3,776,324	40,950	358,745	4,221,064
Disposals	-	-	(3,157,060)	-	-	(3,157,060)
Balance as at December 31, 2019	1,457,783	1,376,756	10,075,029	1,006,735	3,254,396	17,170,699
Accumulated depreciation						
Balance as at January 01, 2019	536,855	692,009	5,456,338	460,253	2,758,648	9,904,103
Charge for the year	92,092	133,196	1,361,897	101,788	173,265	1,862,238
Disposals	-	-	(2,527,035)	-	-	(2,527,035)
Balance as at December 31, 2019	628,947	825,205	4,291,200	562,041	2,931,913	9,239,306
Total as at December 31, 2019	**828,836**	**551,551**	**5,783,829**	**444,694**	**322,483**	**7,931,393**
Depreciation rates	10%	20%	20%	20%	33%	

6.1 Depreciation charge for the year is taken to administrative expenses.

Note 7
Deferred Tax Asset

	2020	2019
	Rupees	Rupees
Deductable Temporary Differences in:		
Accelerated depreciation	125,739	243,300
Provision for post employment benefit obligation	84,259,640	71,009,554
Provision for medical facilities	35,049,523	32,789,826
	119,434,902	104,042,680
Tax rate used	29%	29%
Reconciliation of deferred tax		
Opening balance	104,042,680	94,598,519
Charge to profit or loss		
Provision against employment benefits obligation	24,478,962	14,685,617
Provision against medical fund	2,259,697	4,614,362
Operating fixed assets	(117,561)	(53,885)
	26,621,098	19,246,094
Charge to other comprehensive income		
Deferred tax on remeasurement of post employment benefit obligation (OCI)	(11,228,876)	(9,801,933)
Closing balance	119,434,902	104,042,680

Note 8
Receivable from Associate (Unsecured - considered good)

	2020	2019
	Rupees	Rupees (Reclassified)
Receivable from Holding company:		
Billed balance	211,744,257	187,053,954
Unbilled balance	2,893,630	782,879
	214,637,887	187,836,833

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

Past due 1 - 30 days	96,429,654	141,588,552
Past due 31 - 60 days	34,743,615	18,793,336
More than 60 days	83,464,618	27,454,945
	214,637,887	187,836,833

Note 9
Advances and Prepayments (Unsecured - considered good)

	Note	2020	2019
		Rupees	Rupees (Reclassified)
Advances to:			
Employees (for expenses)	9.1	1,171,138	889,464
Suppliers		5,851,193	-
Others	9.2	175,566	74,166
Prepayments -Insurance		535,272	449,186
		7,733,169	1,412,816

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

Note 10
Short Term Investments

	Note	2020 Rupees	2019 Rupees (Reclassified)
Term deposit receipts (TDR) - Zarai Taraqiati Bank Limited	10.1	976,266,372	617,619,816
Term deposit receipts (TDR) - Others		-	300,000,000
		976,266,372	917,619,816

10.1 This represents TDRs having maturity of one year each (2019: Three to six months) carrying interest at rates ranging from 10.65% to 13.05% (2019: 12.75% to 13.85%) per annum.

Note 11
Accrued Interest

	2020 Rupees	2019 Rupees (Reclassified)
Term deposit receipts	102,924,893	32,922,355
Saving accounts	292,664	1,789,514
	103,217,557	34,711,869

Note 12
Bank Balances

	Note	2020 Rupees	2019 Rupees
Current account		37,781	31,218
Savings accounts	12.1	8,361,247	14,322,800
		8,399,028	14,354,018

12.1 Saving accounts carry mark up at the rates ranging from 6.50% to 12.75% (2019: 8% to 12.75% per annum) and include funds kept in ZTBL amounting to Rs. 8.361 million (2019: Rs. 14.159 million).

Note 13
Issued, Subscribed and Paid up Capital

13.1 The Company is a wholly - owned subsidiary of Zarai Taraqati Bank Limited.

13.2 There is no movement in the share capital of the Company during the year.

Note 14
Deferred Liabilities

	Note	2020 Rupees	2019 Rupees
Gratuity	14.1	290,550,481	278,660,298
Medical fund	14.2	120,860,422	113,068,365
		411,410,903	391,728,663

14.1.1 Movement in the gratuity liability

At the beginning of the year	278,660,298	249,121,176
Amount recognized during the year	67,722,478	71,463,002
Benefits paid during the year	(17,112,033)	(8,124,110)
Other comprehensive income	(38,720,262)	(33,799,770)
Balance at the end of the year	290,550,481	278,660,298

Note 14, Deferred Liabilities - Cont ...

	2020	2019
	Rupees	Rupees
14.1.2 Movement in present value of defined benefit obligations		
Opening present value of defined benefit obligations	278,660,298	249,121,176
Current service cost for the year	36,544,242	38,387,840
Interest cost for the year	31,178,236	33,075,162
Benefits paid during the year	(17,112,033)	(8,124,110)
Remeasurement gain on obligation	(38,720,262)	(33,799,770)
Closing present value of defined benefit obligations	290,550,481	278,660,298
14.1.3 Remeasurement chargeable to other comprehensive		
Remeasurement gain on defined obligation due to:		
Change in financial assumptions	(2,416,541)	(3,055,540)
Experience adjustment	(36,303,721)	(30,744,230)
	(38,720,262)	(33,799,770)
14.1.4 Charge for the year		
Current service charges	36,544,242	38,387,840
Interest cost for the year	31,178,236	33,075,162
	67,722,478	71,463,002
14.1.5 The principal actuarial assumptions used were as follows:		
Following are a few important actuarial assumptions used in the valuation:		
Valuation Discount Rate (p.a)	10.25%	11.75%
Valuation Discount Rate (p.a.) - P&L	11.75%	13.75%
Expected rate of increase in salary (%)	9.25%	10.75%
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Weighted average duration of the defined benefits obligation (years)	11.89	12.16

14.1.6 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 latest 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, 2020 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.

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.

Note 14, Deferred Liabilities - Cont ...

14.1.7 Comparison for five years (Rs.)

2020	2019	2018	2017	2016
Rupees	Rupees	Rupees	Rupees	Rupees
290,550,481	278,660,298	249,121,176	215,243,023	182,323,337

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.

14.1.8 Sensitivity Analysis

	Liability	% change
	Rupees	
Current Liability	285,780,522	
+1% Discount Rate	254,710,303	-10.87%
-1% Discount Rate	322,689,832	12.92%
+1% Salary Increase Rate	324,163,309	13.43%
-1% Salary Increase Rate	253,018,112	-11.46%
+10% Withdrawal Rates	286,370,690	0.21%
-10% Withdrawal Rates	285,173,701	-0.21%
1 Year Mortality age set back	285,918,161	0.05%
1 Year Mortality age set forward	285,642,032	-0.05%

14.2 Medical fund

	2020	2019
	Rupees	Rupees
At the beginning of the year	113,068,365	100,626,654
Recognized during the year	17,931,417	16,052,647
Payments during the year	(10,139,360)	(3,610,936)
Balance at the end of the year	120,860,422	113,068,365

14.2.1 General description

This represents amount set aside for employees' hospitalization expenses. This unfunded amount is utilized against the reimbursement of employees' hospitalization expenses. Contribution to this fund is made at the rate of Rs. 400 per employee per month on proportionate time basis.

Note 15

Payable against Car Loan Depreciation Policy (CLDP)

	2020	2019
	Rupees	Rupees
Secured - against vehicles		
Against CLDP	627,500	627,500

15.1 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. Vehicles are registered on the joint name of the Company and the employees and transferable after five years to the employees at net book value at the expiry of five year or at retirement of employee whichever is earlier.

15.2 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 16

Trade and Other Payables

	2020	2019
	Rupees	Rupees
Sundry and trade creditors	619,041	1,418,041
Tax deducted payable	4,059,904	7,075,327
Accrued expenses	4,106,548	3,530,291
Sports expenses payable	-	2,454,659
	8,785,493	14,478,318

Note 17
Security Deposits

	Note	2020 Rupees	2019 Rupees
Contractors securities	17.1	1,168,836	352,502

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

Note 18
Provision for Taxation

	2020 Rupees	2019 Rupees
Opening Balance	10,876,753	5,141,955
Adjustment of tax refund due from Government	-	(722,914)
Add: Provision for taxation	63,444,709	77,471,803
Less: Payment made during the year	(11,051,953)	-
Less: Advance income tax deposited /deducted	(45,056,697)	(71,014,091)
	18,212,812	10,876,753

Note 19
Contingencies and Commitments

19.1 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 of Rs. 32.10 million. The Company submitted detail reply in June 2015 against the show cause with complete documentary evidences, 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 In land 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 re-examine the remaining issue by only treating any amount paid to ZTBL for services other than salary, bonuses, overtime etc. Further, Officer Inland Revenue was 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 favor of the Company.

c) The Company is facing claims launched in various Courts filed by employees, pertaining to service promotion, dismissal from service and entry into the 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 (2019: same as mentioned).

d) The Assistant Collector (Grade-I), Employees' Old age Benefits Institution (EOBI), Islamabad Region, 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 EOBI Act, 1976. The Assistant Collector EOBI created a demand of Rs. 69.804 million being dues of contributions under section 9, 9B and 13(1) of the Employees' Old-Age Benefits Act, 1976 for recovery as arrears of land revenue. The Company filed writ petition (1262 of 2018) before the Honourable Islamabad High Court against the said orders. The Court in its judgment dated October 6, 2020 disposed of the petition by directing the EOBI to consider the recent judgment of the apex Court and decide the matter in accordance with law. The Court also permitted KSSL to raise all factual and legal questions in the said proceedings before the respective adjudicating authority. The Company has not yet received opinion of the EOBI on the judgment. Therefore, no provision has been created in financial statements.

e) There was no other contingent liability of the Company as at the reporting date (2019: Nil).

19.2 Commitments

The Company has no commitments as at the reporting date date (2019: Nil).

Note 20
Revenue

	Note	2020 Rupees	2019 Rupees
Service charges	20.1	140,205,315	151,466,167
Others	20.2	1,924,149	1,806,534
Less: Sales tax on services		(19,644,614)	(20,891,884)
		122,484,850	132,380,817
Add: Expenditure reimbursed	20.3	1,015,019,741	1,101,195,402
		1,137,504,591	1,233,576,219
20.1 Service charges			
Human resource services		136,149,983	145,557,245
Sports activity		3,782,752	5,787,437
Security services		272,580	121,485
		140,205,315	151,466,167
20.2 Others			
Rental income		1,893,392	1,744,229
Miscellaneous income		30,757	62,305
		1,924,149	1,806,534
20.3 Expenditure reimbursed			
Human resource services	20.3.1	979,698,120	1,050,256,439
Sports activities		32,609,912	49,891,690
Security services		2,711,709	1,047,273
		1,015,019,741	1,101,195,402

20.3.1 This includes reimbursement related to gratuity expense of Rs. 31,260,313 (2019: 68,272,652). As per agreement, ZTBL shall reimburse gratuity expenses up to one gross salary of employees per annum.

Note 21
Cost of Services

	Note	2020 Rupees	2019 Rupees
Human resource services	21.1	1,011,688,641	1,050,256,439
Sports activities	21.1	33,539,983	49,891,690
Security expenses	21.1	2,711,709	1,047,273
Expenses on hostel		2,785,018	2,154,838
		1,050,725,351	1,103,350,240

21.1 This includes employees gratuity expenses of Rs. 64,180,905 (2019: 68,272,652) out of which Rs. 31,260,313 have been reimbursed by ZTBL during the year.

Note 22
Administrative Expenses

	Note	2020 Rupees	2019 Rupees
Salaries & wages and other benefits	22.1	38,848,506	29,815,758
Repair and maintenance		3,003,935	125,929
Travelling and conveyance		76,785	412,170
Rent, rates and taxes		5,805,029	3,085,734
Postage, telephone and telegram		327,920	500,053
Printing, stationery and advertisement material		848,609	1,281,774
Fee and meeting expenses		1,353,755	1,206,208
Insurance		207,737	193,258
Legal and professional charges		1,774,035	999,634
Auditors' remuneration	22.2	393,750	429,684
Fuel expenses		402,043	314,104
Entertainment expenses		145,960	108,137
Depreciation	6	2,534,874	1,862,238
Miscellaneous expenses		-	4,450
		55,722,938	40,339,131

Note 22, Administrative Expenses - Cont ...

22.1 This includes employees gratuity expenses of Rs. 3,127,942 (2019: 3,167,589).

	2020	2019
	Rupees	Rupees
22.2 Auditors' remuneration		
Annual audit fee	195,000	190,417
Half yearly and quarterly review	120,000	120,000
Other services	60,000	60,000
Sales tax	18,750	59,267
	393,750	429,684

Note 23

Other Income

	2020	2019
	Rupees	Rupees
Interest income from investments	120,875,327	95,097,264
Interest on bank deposits	1,717,695	4,677,314
Excess provision / liability return back	6,376,347	-
Gain of disposal of vehicles	46,163	1,751,997
	129,015,532	101,526,575

Note 24

Provision for Taxation

	2020	2019
	Rupees	Rupees
Current tax		
Current year	63,444,709	77,471,803
Prior year tax adjustment	-	5,095,687
	63,444,709	82,567,490
Deferred tax	(26,621,098)	(19,246,094)
	36,823,611	63,321,396

24.1 Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	2020	2019
	%	%
Average effective tax rate	23%	33%
Tax effect of expenses that are not deductible for tax purposes	-11%	-11%
Prior year tax adjustment	0%	-3%
Tax effect of temporary differences	17%	10%
Applicable tax rate	29%	29%

Note 25

Earning Per Share - Basic and Diluted

	2020	2019
	Rupees	Rupees
Profit for the year (Rupees)	123,242,896	128,089,356
Weighted average ordinary shares (Number)	10,000,000	10,000,000
Earning per share – basic and diluted (Rupees)	12.32	12.81

25.1 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.

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Note 26

Cash and Cash Equivalents

	Note	2020 Rupees	2019 Rupees (Reclassified)
Bank balances	12	8,399,028	14,354,018
Short term investments	10	976,266,372	917,619,816
		984,665,400	931,973,834

Note 27

Transactions with Related Parties

Related parties comprise related Zarai Taraqati Bank Limited, the holding Company, directors and executives. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Related party	Relationship	Nature of Transaction	2020 Rupees	2019 Rupees
Transactions during the year				
Zarai Taraqiati Bank Limited	The holding Company	Services charges	140,205,315	151,466,167
		Rent paid during the year	9,210,200	6,913,199
		Expenses reimbursed	1,015,019,741	1,101,195,402
		Short-term investment made (TDRs)	641,554,502	2,270,817,283
		Short-term investment enchased	(617,619,815)	(2,370,750,626)
		Interest income	112,855,286	99,538,354
Balance outstanding as at December 31, 2020				
Zarai Taraqiati Bank Limited	The holding Company	Receivable balance	214,637,887	187,836,833
		Current account	-	29,268
		Saving accounts	8,361,247	14,129,576
		Short-term investments	976,266,372	917,619,816
		Accrued interest	103,217,557	34,711,869

Note 28

Remuneration Of Chief Executive, Directors And Executives

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:

	2020				2019			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	4,469,400	-	10,517,349	14,986,749	4,470,120	-	13,207,568	17,677,688
Medical facility	23,525	-	-	23,525	-	-	-	-
Gratuity fund	546,127	-	845,520	1,391,647	369,606	-	844,398	1,214,004
Meeting fee	-	780,000	-	780,000	-	570,000	-	570,000
Fuel	332,583	-	-	332,583	291,712	-	-	291,712
Total	5,371,635	780,000	11,362,869	17,514,504	5,131,438	570,000	14,051,966	19,753,404
Number of persons	1	4	6	11	1	6	8	15

28.1 The Chief Executive has been provided with self maintained car under Car Loan Depreciation Policy for official cum private use and fuel of 250 liter per month as per his terms of employment.

28.2 As per the 5th schedule to the Companies Act, 2017, an executive is defined as a person whose annual basic salary exceeds Rs. 1,200,000.

28.3 No remuneration has been paid to independent Directors during the current and preceding years.

Note 29
Financial Risk Management

29.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that may affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company is not exposed to any currency risk as it is not engaged in any foreign currency transactions.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The company is not exposed to price risk.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short-term investments.

Interest rate of the Company's financial assets and financial liabilities as at December 31, 2020 can be evaluated from the following schedule:

	2020	2019
	Rupees	Rupees
At amortized cost		
Short-term investments	976,266,372	917,619,816
Saving accounts	8,399,028	14,354,018
	984,665,400	931,973,834

	2020	2019
	%	%
The following rates have been applied:		
Short-term investments	10.65 to 13.05	7.51 to 13.25
Saving accounts	5.50 to 12.75	8 to 12.75

The Company is not exposed to variable interest rate risk as the Company does not hold any variable interest bearing instrument as at the reporting date, therefore, no sensitivity analysis has been presented.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Note 29, Financial Risk Management - cont ...

	2020	2019
	Rupees	Rupees
Receivable from associate	214,637,887	187,836,833
Short-term investments	976,266,372	917,619,816
Accrued interest	103,217,557	34,711,869
Other receivables	-	114,976
Bank balances	8,399,028	14,354,018

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

The aging of trade receivables as at reporting date is as follows:

	2020	2019
	Rupees	Rupees
Past due 1 - 30 days	96,429,654	141,588,552
Past due 31 - 60 days	34,743,615	18,793,336
More than 60 days	83,464,618	27,454,945
	214,637,887	187,836,833

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2020	2019
				Rupees	Rupees
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	8,361,247	14,322,800
Habib Bank Limted	A-1+	AAA	JCR-VIS	37,781	31,218

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	One year or less	One to two years	Two to five years and more
	Rupees	Rupees	Rupees	Rupees	Rupees
December 31, 2020					
Trade and other payables	4,725,589	4,725,589	4,725,589	-	-
Security deposits	1,168,836	1,168,836	1,168,836	-	-
	5,894,425	5,894,425	5,894,425	-	-

Note 29 Financial Risk Management- conti..

	Carrying Amount	Contractual Cash Flows	One year or less	One to two years	Two to five years and more
	Rupees	Rupees	Rupees	Rupees	Rupees
December 31, 2019					
Trade and other payables	7,402,991	7,402,991	7,402,991	-	-
Security deposits	352,502	352,502	352,502	-	-
	7,755,493	7,755,493	7,755,493	-	-

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. The Company considers that the carrying amount of all the financial assets and financial liabilities are a reasonable approximation of their fair values.

Determination of fair values

No financial instrument of the company is carried at fair value.

Financial instruments by categories

	At amortized cost	At fair value through profit or loss	At fair value through OCI	Total
	Rupees	Rupees	Rupees	Rupees
Financial assets as at December 31, 2020				
Receivable from associate	214,637,887	-	-	214,637,887
Short-term investments	976,266,372	-	-	976,266,372
Accrued interest	103,217,557	-	-	103,217,557
Bank balances	8,399,028	-	-	8,399,028
	1,302,520,844	-	-	1,302,520,844
Financial assets as at December 31, 2019				
Receivable from associate	187,836,833	-	-	187,836,833
Short-term investments	976,266,372	-	-	976,266,372
Accrued interest	103,217,557	-	-	103,217,557
Other receivables	114,976	-	-	114,976
Bank balances	14,354,018	-	-	14,354,018
	14,354,018	-	-	14,354,018
Financial liabilities as at December 31, 2020				
Trade and other payables	4,725,589	-	-	4,725,589
Security deposits	1,168,836	-	-	1,168,836
	5,894,425	-	-	5,894,425
Financial liabilities as at December 31, 2019				
Trade and other payables	7,402,991	-	-	7,402,991
Security deposits	352,502	-	-	352,502
	7,755,493	-	-	7,755,493

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. No derivative financial asset exists as at the reporting date.

Note 30
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure and keeping its finance cost low.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital employed. Total capital is calculated as equity, as shown in the statement of financial position, plus total borrowings.

However as on the reporting date, the Company is not geared (2019: Not geared).

Note 31
Number Of Employees

	2020	2019
	Number	Number
Number of employees as at December 31	3,768	3,969
Average number of employees during the year	3,828	4,027

Note 32
Impact of Covid 19 on Financial Statements

The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted businesses to varying degrees, having implications on their operations, financial position, profitability, liquidity and in certain cases, the going concern status. The management has evaluated the impacts of COVID-19 on the financial statements of the Company and has concluded as follows:

- There are no material implications of COVID-19 on carrying amounts of assets and liabilities or items of income and expenses, as required under the relevant accounting and reporting standards, that require specific disclosure in the financial statements.
- The management has evaluated the impacts of COVID-19 on going concern status of the Company and has concluded that the Company is not exposed to any going concern risk.

Note 33
Authorization of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issuance on 26 MAR 2021

Note 34
General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material reclassifications have been made in these financial statements except as mentioned below, for better presentation:

Nature	From	To	2019	2018
			Rupees	Rupees
Interest receivable	Short-term investments	Accrued interest	32,922,355	14,023,160
Receivable from ZTBL	Advances and prepayments	Receivable from Associate	2,893,630	782,879

CHIEF EXECUTIVE OFFICER

DIRECTOR