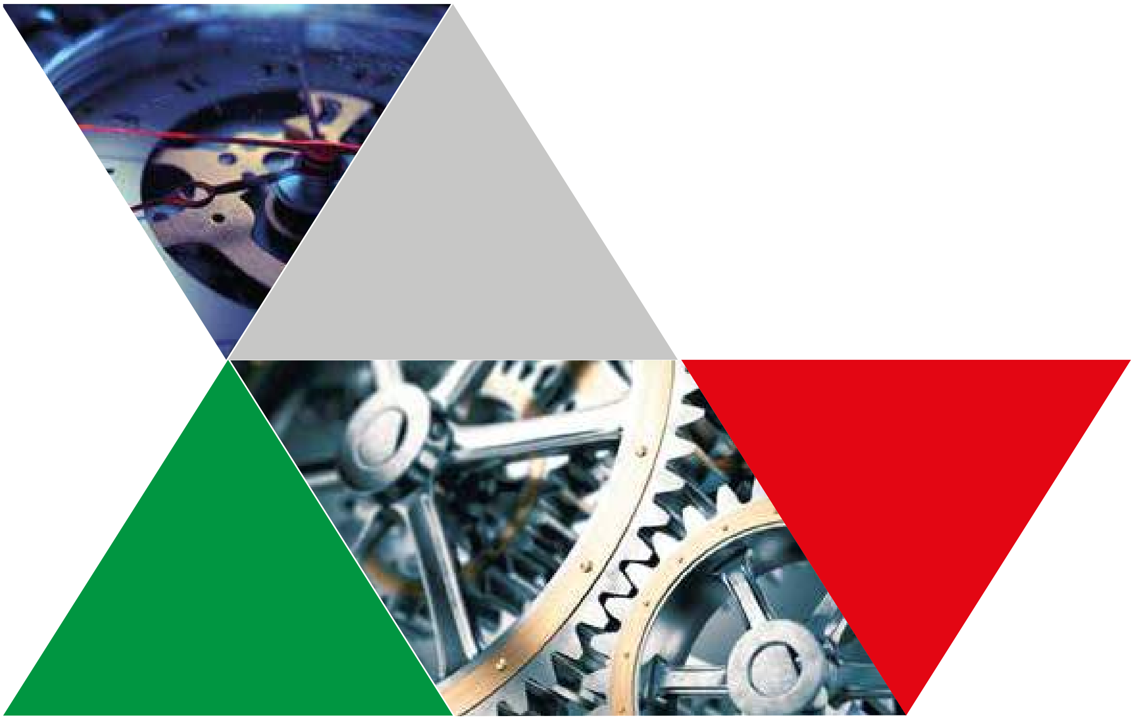
Annual Report 2018



Building the future today

PAÏR Investment Company Limited

Building the future today

Each step that we take today, is not only a testament of who we are and where are coming from, but is also a footstone of our achievements as we continuously strive to set new standards in providing the most advanced, high tech and innovative professional services to our clients.

Because our innovations are your prosperity and the promising future that we help you build and envision everyday...is the commitment that we make to ourselves every moment.

Contents

About PAÏR

Vision

To be the Premier Development Finance Institution of Pakistan and contribute to the economic development of both the brotherly countries through investment and Pakistan-Iran trade flows.

Mission

Our company is committed to developing the economic relationship between Pakistan and Iran through investment into projects in Pakistan and enhancing the two-way trade by providing the most professional and innovative services to our customers. We focus on providing a range of products and services to our customers (both Pakistani and Iranian) in a manner which creates value for them and promotes investment flows and trade between the two countries.

Entity Rating

Assigned by PACRA

Medium to Long-Term

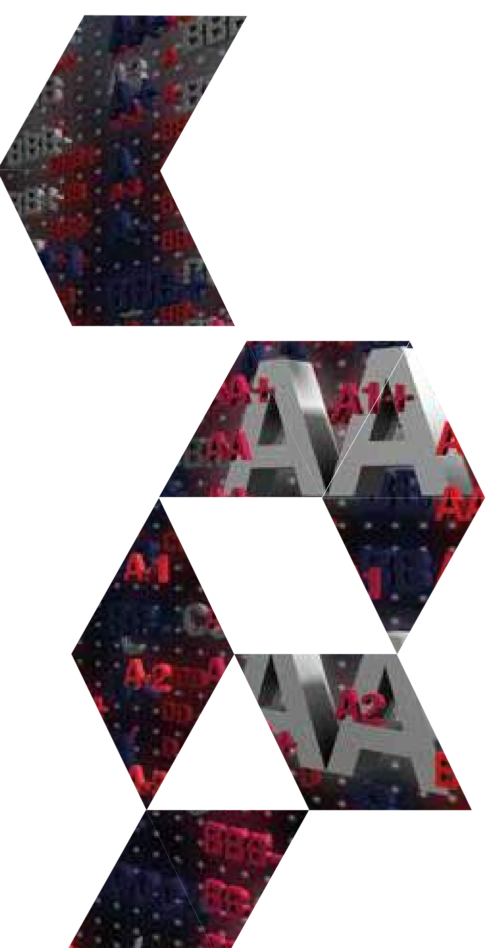
AA (Double A)

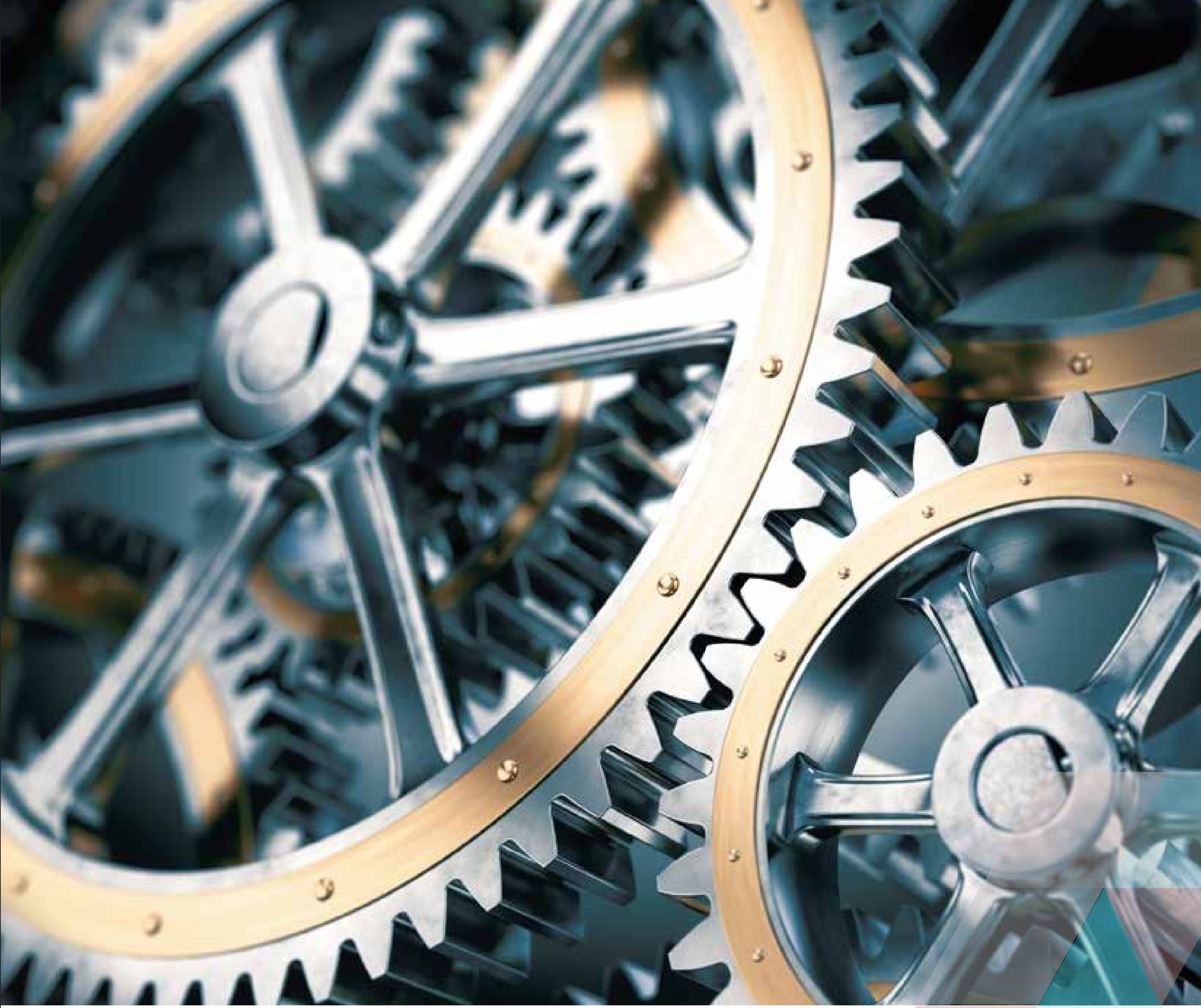
This denotes a very low expectation of credit risk indicating a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Short-Term

A1+ (A One Plus)

This denotes that obligations are supported by the highest capacity for timely repayments.





Core Values

Our Clients Come First

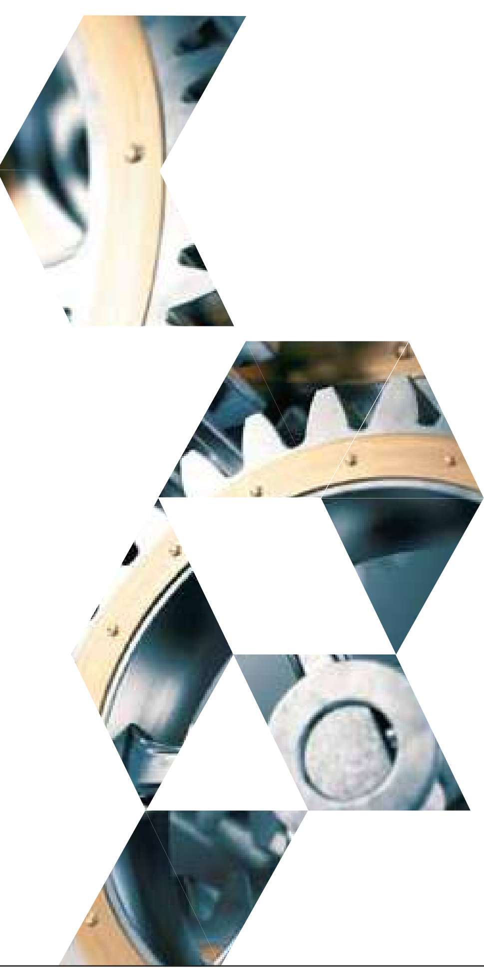
Each and every client is different and so are their needs. Hence, we at PAÏR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

Our People and Culture

Our people are our greatest asset. We continuously strive on improving our working standards and ambiance in order to provide the best environment for our employees' personal and professional growth.

Professional Quality of Work

We strive very hard to maintain our work quality and standards with those of internationally accepted professional levels by constantly improving our quality, timelines and results.



Teamwork

We focus on being team players and working as a team in order to achieve individual, departmental and company growth, hence maximizing output and results.

Constant Upgrade and Development

We are constantly adapting the latest trends and technologies in all fields, from international standards of accounting and compliance to the latest technology in IT to professional development of our employees by conducting presentations and providing them with trainings on the latest implemented software usage or organizing staff training sessions, workshops and activities related to their respective fields.

Integrity, Confidentiality and Honesty

We maintain high ethical standards of integrity, confidentiality and honesty in everything we do, as that is what sets us apart from the crowd and gives us our own unique identity.

Corporate Information

Board of Directors

Mr. Arif Ahmed Khan	Chairman
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Aamer Mahmood Hussain	Director
Mr. Zahoor Ahmed	Director
Mr. Hemmat Jafari	Director
Mr. Gholamreza Khalil Arjmandi	Director
Ms. Kauser Safdar	Chief Financial Officer
Mr. Amir Aizaz	Company Secretary

Audit Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Hemmat Jafari	Member
Mr. Zahoor Ahmed	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Amin Kazmi	Secretary - Audit Committee

Risk Management Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Hemmat Jafari	Member
Syed Salman Raza	Secretary - Risk Management Committee

Human Resource Committee

Mr. Zahoor Ahmed	Chairman
Mr. Hemmat Jafari	Member
Mr. Arif Ahmed Khan	Member
Mr. Aamer Mahmood Hussain	Member
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Ms. Saadia Shaikh	Secretary - Human Resource Committee

Board Strategic Investment Committee

Mr. Arif Ahmed Khan	Chairman
Mr. Zahoor Ahmed	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Ahmad Bilal Darr	Secretary – Board Strategic Investment Committee

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Corporate Legal Consultants

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan

Board Committees Terms of Reference

The Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous board level formal oversight of the credit, market, liquidity and operational risks embedded in PAÏR's operations. It assists the Board of Directors in determining PAÏR's strategic direction by providing an overall risk perspective to the relevant business units and Risk Management Unit. It ensures implementation of risk-related policies, including the review and monitoring of the Company's overall portfolio, and a review of the risk limits under the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

Board Audit Committee

The primary responsibilities of the Board Audit Committee (BAC) are to determine the appropriateness of the measures taken by the management to safeguard the DFI's assets, ensure integrity of the financial statements and recommend the appointment of the external auditors and ensure close coordination with them to fulfill statutory and Code of Corporate Governance requirements.

BAC is inter alia responsible to ascertain the effectiveness of the Internal Control System, including financial and operational controls, ensuring adequate and effective accounting and reporting structures, and monitoring compliance with the best practices of the Corporate Governance and the applicable legal and regulatory requirements. The other function of BAC includes the assurance that an independent and effective internal audit function is in place.

Human Resource & Compensation Committee

The main tasks of the Human Resource & Compensation Committee are to ensure the review of existing policies and revision in these policies as deemed necessary, development of in-house expertise, approval and revision of organizational setup, setup of the latest criterion for recruitment, training, disciplinary matters and performance appraisals.

Strategic Investment Committee

The main task of the Strategic Investment Committee is to review long-term strategic plans, operational plans and material strategic initiatives, including acquisitions, mergers, disposals, strategic projects / investments, joint ventures and any new business / expansion, recommending such to the board for approval.

Analysis

For the year ended December 31, 2018


50,18
12,85
12,65
-2,0
12,67
10,67
10,35
-0,3
10,38
19,43
18,92
+0,2
49,66
50,86
69,41
-1,8
-1,3
26.3.


633,62
7165,56

Ten Year's Vertical Analysis

Statement of Financial Position / Profit & Loss Account

For the year ended December 31

	2018	%	2017	%	2016	%	2015	%
Assets								
Cash and balances with treasury banks	73,144	0.39	37,870	0.21	64,205	0.35	46,114	0.20
Balances with other banks	60,653	0.33	91,727	0.52	432,783	2.33	215,426	0.93
Lendings to financial institutions	105,000	0.57	970,000	5.48	-	-	-	-
Investments	11,259,928	60.78	11,044,299	62.45	11,842,973	63.68	18,543,009	79.85
Advances	6,223,926	33.60	4,652,932	26.31	5,424,351	29.17	3,502,948	15.09
Fixed assets	193,031	1.04	197,598	1.12	176,708	0.95	190,800	0.82
Intangible assets	211	0.00	405	0.00	274	0.00	511	0.00
Deferred tax assets - net	346,484	1.87	260,554	1.47	238,128	1.28	259,691	1.12
Other assets	263,060	1.42	430,280	2.43	419,049	2.25	462,778	1.99
Total Assets	**18,525,437**	**100.00**	**17,685,665**	**100.00**	**18,598,471**	**100.00**	**23,221,277**	**100.00**
Liabilities								
Borrowings from financial institutions	7,915,859	42.73	6,370,738	36.02	6,549,981	35.22	11,652,435	50.18
Deposits and other accounts	1,221,724	6.59	1,814,001	10.26	2,079,728	11.18	1,890,502	8.14
Other liabilities	278,164	1.50	245,594	1.39	518,803	2.79	484,862	2.09
	9,415,747	50.83	8,430,333	47.67	9,148,512	49.19	14,027,799	60.41
Net Assets	**9,109,690**	**49.17**	**9,255,332**	**52.33**	**9,449,959**	**50.81**	**9,193,478**	**39.59**
Represented By:								
Share Capital	6,000,000	32.39	6,000,000	33.93	6,000,000	32.26	6,000,000	25.84
Advance against share capital	-	-		-		-		
Reserves	838,020	4.52	840,066	4.75	794,107	4.27	673,449	2.90
Unappropriated Profit	2,343,371	12.65	2,452,552	13.87	2,572,774	13.83	2,390,166	10.29
Surplus / (deficit) on revaluation of assets - net of tax	(71,701)	(0.39)	(37,286)	(0.21)	83,078	0.45	129,863	0.56
Total Equity and Liabilities	9,109,690	49.17	9,255,332	52.33	9,449,959	50.81	9,193,478	39.59
Profit and Loss Account								
Mark-up / return / interest earned	907,417	89.96	1,045,117	89.05	1,243,694	95.89	1,509,674	80.76
Fee, commission and brokerage income	12,767	1.27	10,327	0.88	19,631	1.51	13,825	0.74
Dividend income	29,295	2.90	39,683	3.38	30,205	2.33	30,260	1.62
Gain on sale of securities - net	58,211	5.77	79,271	6.75	2,993	0.23	313,567	16.77
Other income / charges	963	0.10	(771)	(0.07)	413	0.03	2,108	0.11
Total Income	1,008,653	100.00	1,173,627	100.00	1,296,936	100.00	1,869,434	100.00
Mark-up / return / interest expensed	472,607	46.86	387,358	33.01	533,274	41.12	627,125	33.55
Non mark-up / return / interest expenses	267,425	26.51	351,464	29.95	318,427	24.55	302,029	16.16
Provision and Impairment	257,163	25.50	66,591	6.60	(415,856)	(32.06)	16,949	0.91
Taxation - net	21,689	2.15	138,419	11.79	257,800	19.88	325,917	17.43
Profit after taxation	**(10,231)**	**(1.01)**	**229,795**	**19.58**	**603,291**	**46.52**	**597,414**	**31.96**

2014	%	2013	%	2012 (Restated)	%	2011 (Restated)	%	2010	%	2009	%
33,303	0.18	27,829	0.16	43,999	0.28	9,143	0.08	10,552	0.10	2,633	0.03
261,059	1.39	158,417	0.92	106,586	0.68	20,675	0.17	352,808	3.37	1,309,451	15.80
-	-	-	-	-	-	-	-	600,000	5.73	446,250	5.39
14,114,870	75.30	12,745,355	73.75	10,841,572	68.89	8,974,337	75.76	7,160,982	68.39	5,326,675	64.29
3,592,178	19.16	3,678,206	21.28	4,325,337	27.48	2,475,156	20.89	2,103,430	20.09	945,387	11.41
208,870	1.11	191,748	1.11	47,695	0.30	46,693	0.39	43,298	0.41	22,541	0.27
1,482	0.01	4,453	0.03	8,352	0.05	1,367	0.01	1,464	0.01	3,530	0.04
272,920	1.46	204,896	1.19	110,582	0.70	80,756	0.68	21,661	0.21	109,799	1.33
259,534	1.38	270,782	1.57	253,291	1.61	237,980	2.01	176,414	1.68	119,188	1.44
18,744,216	**100.00**	**17,281,686**	**100.00**	**15,737,414**	**100.00**	**11,846,107**	**100.00**	**10,470,609**	**100.00**	**8,285,454**	**100.00**
9,221,225	49.20	8,489,171	49.12	6,721,178	42.71	3,695,484	31.20	2,863,481	27.35	1,857,327	22.42
386,060	2.06	25,080	0.15	545,080	3.46	260,000	2.19	-	-	-	-
344,186	1.84	326,705	1.89	273,446	1.74	161,760	1.37	172,683	1.65	134,609	1.62
9,951,471	53.09	8,840,956	51.16	7,539,704	47.91	4,117,244	34.73	3,036,164	29.00	1,991,936	24.04
8,792,745	**46.91**	**8,440,730**	**48.84**	**8,197,710**	**52.09**	**7,728,863**	**65.27**	**7,434,445**	**71.00**	**6,293,518**	**75.96**
6,000,000	32.01	6,000,000	34.72	6,000,000	38.13	6,000,000	50.65	6,000,000	57.30	5,000,000	60.35
-		-		-		-		-		490,825	5.92
553,966	2.96	483,592	2.80	415,746	2.64	327,714	2.77	279,204	2.67	163,533	1.97
2,062,742	11.00	1,781,247	10.31	1,611,197	10.24	1,309,028	11.05	1,116,823	10.66	654,137	7.90
176,037	0.94	175,891	1.02	170,767	1.09	92,121	0.78	38,418	0.37	(14,977)	(0.18)
8,792,745	46.91	8,440,730	48.84	8,197,710	52.09	7,728,863	65.27	7,434,445	71.00	6,293,518	75.96
1,233,407	76.81	1,153,996	80.12	1,487,341	89.63	1,323,067	95.78	1,030,191	85.75	809,863	83.19
14,985	0.93	18,210	1.26	23,359	1.41	12,797	0.93	7,185	0.60	17,906	1.84
27,125	1.69	22,765	1.58	18,093	1.09	20,492	1.48	22,564	1.88	17,924	1.84
327,977	20.43	246,533	17.12	128,809	7.76	31,468	2.28	134,480	11.19	126,684	13.01
2,258	0.14	(1,089)	(0.08)	1,830	0.11	(6,417)	(0.47)	6,942	0.58	1,185	0.12
1,605,752	100.00	1,440,415	100.00	1,659,432	100.00	1,381,407	100.00	1,201,362	100.00	973,562	100.00
508,046	31.64	488,889	33.94	678,102	40.86	402,712	29.15	193,494	16.11	124,744	12.81
283,150	17.63	220,483	15.31	239,010	14.40	167,757	12.14	209,239	17.42	110,083	11.31
350,559	21.83	274,562	19.06	106,953	6.45	324,136	23.46	(79,955)	(6.66)	255,745	26.27
112,128	6.98	117,251	8.14	195,343	11.77	244,253	17.68	300,227	24.99	111,573	11.46
351,869	**21.91**	**339,230**	**23.55**	**440,024**	**26.52**	**242,549**	**17.56**	**578,357**	**48.14**	**371,417**	**38.15**

Ten Year's Horizontal Analysis

Statement of Financial Position / Profit & Loss Account

For the year ended December 31

Statement of Financial Position	2018	%	2017	%	2016	%	2015	%
Assets								
Cash and balances with treasury banks	73,144	93.14	37,870	(41.02)	64,205	39.23	46,114	38.47
Balances with other banks	60,653	(33.88)	91,727	(78.81)	432,783	100.90	215,426	(17.48)
Lendings to financial institutions	105,000	-	970,000	-	-	-	-	-
Investments	11,259,928	1.95	11,044,299	(6.74)	11,842,973	(36.13)	18,543,009	31.37
Advances	6,223,926	33.76	4,652,932	(14.22)	5,424,351	54.85	3,502,948	(2.48)
Fixed assets	193,031	(2.31)	197,598	11.82	176,708	(7.39)	190,800	(8.65)
Intangible assets	211	(47.84)	405	47.81	274	(46.38)	511	(65.52)
Deferred tax assets - net	346,484	32.98	260,554	9.42	238,128	(8.30)	259,691	(4.85)
Other assets	263,060	(38.86)	430,280	2.68	419,049	(9.45)	462,778	78.31
Total Assets	**18,525,437**	**4.75**	**17,685,665**	**(4.91)**	**18,598,471**	**(19.91)**	**23,221,277**	**23.89**
Total Equity	**9,109,690**	**(1.57)**	**9,255,332**	**(2.06)**	**9,449,959**	**2.79**	**9,193,478**	**4.56**
Borrowings from financial institutions	7,915,859	24.25	6,370,738	(2.74)	6,549,981	(43.79)	11,652,435	26.37
Deposits and other accounts	1,221,724	(32.65)	1,814,001	(12.78)	2,079,728	10.01	1,890,502	389.69
Other liabilities	278,164	13.26	245,594	(52.66)	518,803	7.00	484,862	40.87
Total Equity and Liabilities	**18,525,437**	**4.75**	**17,685,665**	**(4.91)**	**18,598,471**	**(19.91)**	**23,221,277**	**23.89**
Profit and Loss Account								
Mark-up / return / interest earned	907,417	(13.18)	1,045,117	(15.97)	1,243,694	(17.62)	1,509,674	22.40
Mark-up / return / interest expensed	472,607	22.01	387,358	(27.36)	533,274	(14.97)	627,125	23.44
Net mark-up / interest income	**434,810**	**(33.90)**	**657,759**	**(7.41)**	**710,420**	**(19.50)**	**882,549**	**21.67**
Non Markup / Interest Income								
Fee, commission and brokerage income	12,767	23.63	10,327	(47.39)	19,631	42.00	13,825	(7.74)
Dividend income	29,295	(26.18)	39,683	31.38	30,205	(0.18)	30,260	11.56
Income from dealing in foreign currencies	963	(224.90)	(771)	(288.97)	408	(24.72)	542	(181.02)
Gain on sale of securities - net	66,221	(4.84)	69,591	1,316.47	4,913	(98.43)	313,567	(4.39)
Unrealised (loss) / Gain on HFT	(8,010)	(182.75)	9,680	(604.17)	(1,920)	(360.16)	738	(22.96)
Other income / charges	-	-	-	(100.00)	5	(99.40)	828	(57.95)
Total non mark-up / return / interest income	**101,236**	**(21.22)**	**128,510**	**141.37**	**53,242**	**(85.20)**	**359,760**	**(3.38)**
Total Income	**536,046**	**(31.82)**	**786,269**	**2.96**	**763,662**	**(38.53)**	**1,242,309**	**13.17**
Total non mark-up / interest expenses	267,425	(23.91)	351,464	10.38	318,427	5.43	302,029	6.67
Profit before Provision	**268,621**	**(38.22)**	**434,805**	**(2.34)**	**445,235**	**(52.65)**	**940,280**	**15.43**
Provision and Impairment	257,163	286.18	66,591	(116.01)	(415,856)	(2,553.57)	16,949	(95.17)
Profit before tax	11,458	(96.89)	368,214	(57.24)	861,091	(6.74)	923,331	99.00
Taxation - net	21,689	(84.33)	138,419	(46.31)	257,800	(20.90)	325,917	190.67
Profit after taxation	**(10,231)**	**(104.45)**	**229,795**	**(61.91)**	**603,291**	**0.98**	**597,414**	**69.78**
Basic and diluted earnings per share	**(0.02)**	**(104.45)**	**0.38**	**(61.91)**	**1.01**	**0.98**	**1.00**	**68.76**

2014	%	2013	%	2012 (Restated)	%	2011 (Restated)	%	2010	%	2009	%
33,303	19.67	27,829	(36.75)	43,999	381.23	9,143	(13.35)	10,552	300.76	2,633	(99.48)
261,059	64.79	158,417	48.63	106,586	415.53	20,675	(94.14)	352,808	(73.06)	1,309,451	(27.91)
-	-	-	-	-	-	-	(100.00)	600,000	34.45	446,250	(26.96)
14,114,870	10.75	12,745,355	17.56	10,841,572	20.81	8,974,337	25.32	7,160,982	34.44	5,326,675	114.96
3,592,178	(2.34)	3,678,206	(14.96)	4,325,337	74.75	2,475,156	17.67	2,103,430	122.49	945,387	188.83
208,870	8.93	191,748	302.03	47,695	2.15	46,693	7.84	43,298	92.09	22,541	13.11
1,482	(66.72)	4,453	(46.68)	8,352	510.97	1,367	(6.63)	1,464	(58.53)	3,530	127.74
272,920	33.20	204,896	85.29	110,582	36.93	80,756	272.82	21,661	(80.27)	109,799	1,407.61
259,534	(4.15)	270,782	6.91	253,291	6.43	237,980	34.90	176,414	48.01	119,188	152.91
18,744,216	**8.46**	**17,281,686**	**9.81**	**15,737,414**	**32.85**	**11,846,107**	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**
8,792,745	**4.17**	**8,440,730**	**2.96**	**8,197,710**	**6.07**	**7,728,863**	**3.96**	**7,434,445**	**18.13**	**6,293,518**	**18.23**
9,221,225	8.62	8,489,171	26.30	6,721,178	81.88	3,695,484	29.06	2,863,481	54.17	1,857,327	303.80
386,060	1,439.31	25,080	(95.40)	545,080	109.65	260,000	100.00	-	-	-	-
344,186	5.35	326,705	19.48	273,446	69.04	161,760	(6.33)	172,683	28.28	134,609	313.89
18,744,216	**8.46**	**17,281,686**	**9.81**	**15,737,414**	**32.85**	**11,846,107**	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**
1,233,407	6.88	1,153,996	(22.41)	1,487,341	12.42	1,323,067	28.43	1,030,191	27.21	809,863	53.66
508,046	3.92	488,889	(27.90)	678,102	68.38	402,712	108.13	193,494	55.11	124,744	291.07
725,361	**9.06**	**665,107**	**(17.81)**	**809,239**	**(12.07)**	**920,355**	**10.00**	**836,697**	**22.12**	**685,119**	**38.36**
14,985	(17.71)	18,210	(22.04)	23,359	82.54	12,797	78.11	7,185	(59.87)	17,906	394.50
27,125	19.15	22,765	25.83	18,093	(11.71)	20,492	(9.18)	22,564	25.89	17,924	(70.26)
(669)	(200.75)	664	(10.90)	745	2,158.15	33	100.00	-	-	-	-
327,977	33.04	246,533	91.39	128,809	309.33	31,468	(76.60)	134,480	6.15	126,684	310.31
958	(122.10)	(4,334)	(812.57)	608	(107.53)	(8,080)	(212.21)	7,201	(1,248.48)	(627)	(100.00)
1,969	(23.71)	2,581	441.09	477	(70.74)	1,630		(259)	-	1,812	-
372,345	**30.00**	**286,419**	**66.43**	**172,091**	**194.98**	**58,340**	**(65.92)**	**171,171**	**4.56**	**163,699**	**72.75**
1,097,706	**15.36**	**951,526**	**(3.04)**	**981,330**	**0.27**	**978,695**	**(2.89)**	**1,007,868**	**18.74**	**848,818**	**43.89**
283,150	28.42	220,483	(7.67)	238,798	42.35	167,757	(19.83)	209,239	90.07	110,083	33.41
814,556	**11.42**	**731,043**	**(1.55)**	**742,532**	**(8.44)**	**810,938**	**1.54**	**798,629**	**8.11**	**738,735**	**45.59**
350,559	27.68	274,562	156.71	106,953	(67.00)	324,136	(505.40)	(79,955)	(131.26)	255,745	581.99
463,997	1.65	456,481	(28.18)	635,579	30.56	486,802	(44.59)	878,584	81.91	482,990	2.78
112,128	(4.37)	117,251	(40.00)	195,417	(19.99)	244,253	(18.64)	300,227	169.09	111,573	(26.48)
351,869	3.73	339,230	(22.93)	440,162	81.47	242,549	(58.06)	578,357	55.72	371,417	16.74
0.59	**3.51**	**0.57**	**(21.92)**	**0.73**	**82.50**	**0.40**	**(59.08)**	**0.98**	**32.10**	**0.74**	**-**

Cash Flow Summary

For the year ended December 31

Rupees in '000

	2018	2017	2016	2015	2014	2013	2012 (Restated)	2011	2010	2009
Cash flows from operating activities	519,893	(213,566)	(725,103)	4,181,808	1,601,343	(3,888,232)	1,963,372	1,708,563	448,811	1,287,294
Cash flows from investing activities	(415,693)	446,175	1,110,551	(4,139,630)	(1,493,227)	3,973,893	(1,817,605)	(2,042,105)	(1,906,710)	(2,789,298)
Cash flows from financing activities	(100,000)	(600,000)	(150,000)	(75,000)	-	(50,000)	(25,000)	-	509,175	490,825
Cash and cash equivalents at beginning of the year	129,597	496,988	261,540	294,362	186,246	150,585	29,818	363,360	1,312,084	2,323,263
Cash and cash equivalents at end of the year	**133,797**	**129,597**	**496,988**	**261,540**	**294,362**	**186,246**	**150,585**	**29,818**	**363,360**	**1,312,084**

Key Financial Ratios

For the year ended December 31

	2018	2017	2016	2015	2014	2013	2012	2011 (Restated)	2010 (Restated)	2009
Profitability Ratios (%)										
Gross Profit Margin	47.92	62.94	57.12	58.46	58.81	57.64	54.41	69.56	81.22	84.60
Operating Margin	1.14	31.37	66.39	49.39	28.90	31.69	38.30	35.24	73.13	49.61
Net Profit Margin	(1.01)	19.58	46.52	31.96	21.91	23.55	26.52	17.56	48.14	38.15
Yield on Investment	7.24	6.73	6.25	9.13	9.13	8.26	12.15	12.87	13.60	15.04
Yield on Advances	2.74	7.17	7.35	10.28	10.28	10.96	12.26	13.44	11.20	17.62
Debt Equity Ratio	100.31	88.43	91.32	147.31	109.26	100.87	88.64	51.18	38.52	29.51
Return to Share Holders (%)										
Return on Average Assets (ROA)	0.06	2.03	4.12	4.40	2.58	2.76	4.61	4.36	9.37	6.85
Return on Average Equity (ROE)	0.12	3.94	9.24	10.27	5.38	5.49	7.98	6.42	12.80	8.32
Return on Capital Employed (ROCE)	(0.06)	1.32	3.34	2.63	1.91	2.00	2.85	2.08	5.62	4.56
Earning per Share	(0.02)	0.38	1.01	1.00	0.59	0.57	0.73	0.40	0.98	0.74
Earning Growth	0.86	0.90	0.69	1.16	1.11	0.87	1.20	1.15	1.23	1.57
Profit Growth	0.03	0.43	0.93	1.99	1.02	0.72	1.31	0.55	1.82	1.03
Breakup Value per Share	15.18	15.43	15.75	15.32	14.65	14.07	13.66	12.88	12.57	12.59
Performance / Liquidity (%)										
Total Assets Turnover	5.57	6.47	6.20	8.91	8.91	8.72	12.03	12.38	12.81	13.81
Total Liabilities / Equity	103.36	91.09	96.81	152.58	113.18	104.74	91.97	53.27	40.84	31.65
Paid-up Capital / Total Assets	32.39	33.93	32.26	25.84	32.01	34.72	38.13	50.65	57.30	60.35
Equity / Total Assets	49.17	52.33	50.81	39.59	46.91	48.84	52.09	65.24	71.00	75.96

Statement of Value Added

For the year ended December 31

Rupees in '000

WEALTH GENERATED	2018		2017		2016		2015		2014		2013		2012		2011	
Financial & Other Income	1,008,653		1,173,627		1,296,936		1,869,434		1,605,752		1,440,415		1,659,432		1,381,407	
Financial & Other Expenses	810,905		605,611		215,231		730,728		951,456		797,052		875,557		804,957	
	197,748		568,016		1,081,705		1,138,706		654,296		643,363		783,875		576,450	
WEALTH DISTRIBUTED																
To Employees																
Salaries, benefits and related costs	174,891	88%	185,710	33%	205,369	19%	193,626	17%	168,485	26%	157,420	24%	124,931	16%	74,385	13%
To Government																
Income Tax	21,689	11%	138,419	24%	257,800	24%	325,917	29%	112,128	17%	117,251	18%	195,343	25%	244,253	42%
To Shareholders																
Cash dividend	-	0%	100,000	18%	300,000	28%	300,000	26%	150,000	23%	100,000	16%	50,000	6%	-	0%
Stock dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained for reinvestment & future growth																
Depreciation, Amortisation and retained Profit	1,168	0.6%	143,887	25%	318,536	29%	319,163	28%	223,683	34%	268,692	42%	413,601	53%	257,812	45%
	197,748	**100%**	**568,016**	**100%**	**1,081,705**	**100%**	**1,138,706**	**100%**	**654,296**	**100%**	**643,363**	**100%**	**783,875**	**100%**	**576,450**	**100%**

Chairman's Review

For The Financial Year Ended December 31, 2018

I am pleased to present the Financial Statements of PAÏR Investment Company Limited ("the Company") for the year ended December 31, 2018. It has been testing times for the Company in terms of external and internal happenings. The transition of the government from the caretaker to the new elected government during the year made a positive impact on the business and consumer confidence however economic concerns continue to persist. State Bank of Pakistan ("SBP") raised target policy rate aggressively. Reasons for the aggressive rate hike included concerns on rising inflation and persistent twin deficit situation along with increased pressures from global developments i.e. change in oil prices, capital outflow from Emerging Markets, and trade war between US and China.

Pakistan Stock Exchange ("PSX") have been taking big swings from negative to positive and from positive to negative throughout the year. From the stock market perspective expectations are that the investors will respond positively to Pakistan's entry in an IMF program. Once the PKR ¬attains stability, the market is expected to regain its appeal for foreign investors, given that it is trading at attractive valuations compared to other emerging markets. The challenging economic situation is already accounted for in these valuations.

The Company showed resilience and absorbed the shocks of non-performing assets and still made a breakeven. I would like to share the fact that the exposures that went bad were one from the legacy loans booked in the era of the previous managements. After careful analysis of the causes and effects, due diligence mechanism has been further strengthened and stricter monitoring controls are implemented to ensure non recurrence of the same. The provisions made in respect of the Investments were on account of the equity investments as the PSX remained influenced by the factors mentioned above. Lessons have been learned from the experiences and efforts are being made to diversify the revenue sources and increase the customer base. As such there were many new names added to the portfolio. Asset and Liability Committee oversee the asset profile and aligns the asset booking and fund generation after taking into account the prevalent economic constraints and capture the opportunities at the same time.

I assure you that the Company is fundamentally strong and have full support of its shareholder and will continue to contribute towards the economic growth of the country. We at the board level are fully aware of the challenges currently being faced by the Company including the placement of the MD/CEO and are working for the resolution of the same. We have full confidence in the management team who comprise of seasoned professionals of their respective fields.

I would like to offer my sincere appreciation to all the stakeholders who continue to support the Company including Iran Foreign Investment Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our company. I would also encourage the staff and colleagues for their commitment, their team spirit as they hold hands of each other when the turbulent time of the Company and their contribution to the progress of business.

Arif Ahmed Khan
Chairman of the Board of Directors
Tehran: February 24, 2019

چیئرمین کا جائزہ

مختتمہ سال 31 دسمبر 2018

31 دسمبر 2018 کو ختم ہونے والے سال کے لیے پائرانویسٹمنٹ کمپنی (دی کمپنی) کے مالیاتی گوشوارے پیش کرنا میرے لیے باعثِ مسرت ہے۔ یہ کمپنی کے لیے بیرونی اور اندرونی واقعات کے لحاظ سے آزمائش سے بھرپور وقت تھا۔ سال کے دوران نگران حکومت سے منتخب حکومت کو اقتدار کی منتقلی نے کاروبار اور صارف کے اعتماد پر مثبت اثرات مرتب کیے، تاہم اقتصادی خدشات برقرار رہے۔ اسٹیٹ بینک آف پاکستان (SBP) نے ٹارگیٹ پالیسی ریٹ میں جارحانہ انداز میں اضافہ کیا۔ شرح سود میں جارحانہ اضافے کی وجوہ میں بڑھتے افراطِ زر پر خدشات اور مستقلاً برقرار دوہرے خسارے کی صورتِ حال کے ساتھ ساتھ بدلتے عالمی حالات، مثلاً تیل کی قیمتوں میں ردوبدل، ایمرجنگ مارکیٹس سے سرمایے کا اخراج اور امریکا اور چین کے درمیان تجارتی جنگ کی طرف سے دباؤ میں اضافہ شامل تھا۔

پاکستان اسٹاک ایکسچینج (PSX) پورے سال کے دوران منفی سے مثبت، مثبت سے منفی تک زبردست اتار چڑھاؤ کا شکار رہا ہے۔ اسٹاک مارکیٹ کی طرف سے ظاہر کردہ توقعات کے مطابق سرمایہ کار پاکستان کے آئی ایم ایف پروگرام میں داخلے پر مثبت ردِ عمل ظاہر کریں گے۔ پاکستان روپے نے ایک بار استحکام حاصل کرلیا تو امید ہے کہ مارکیٹ ایک بار پھر غیر ملکی سرمایہ کاروں کے لیے پُرکشش بن جائے گی، بشرطیکہ یہ دیگر ایمرجنگ مارکیٹس کے مقابلے میں پُرکشش مالیتوں پر لین دین کر رہی ہو۔ چیلنج سے بھرپور اقتصادی صورتِ حال پہلے ہی ان مالیتوں پر اثرات مرتب کرچکی ہے۔

کمپنی نے قوتِ مدافعت کا مظاہرہ کیا اور غیر فعال اثاثوں کے صدمات برداشت کرلیے اور اس کے باوجود گزشتہ سال کے مساوی نتائج دکھائے۔ میں آپ کو اس حقیقت میں شریک کرنا چاہوں گا کہ خرابی زدہ سرمایہ کاریاں گزشتہ انتظامیہ کے دور میں بک کیے گئے موروثی قرضوں میں ایک تھیں۔ وجوہات اوراثرات کے محتاط تجزیے کے بعد مطلوبہ احتیاطی طریقہ کار (due diligence mechanism) مزید مستحکم کردیا گیا ہے اورایسے واقعے کے دوبارہ رونما نہ ہونے کو یقینی بنانے کے لیے پہلے سے زیادہ سخت مانیٹرنگ کنٹرولز لاگو کردیے گئے ہیں۔ سرمایہ کاریوں کے حوالے سے کی جانے والی پروویژنز ایکویٹی کی سرمایہ کاریوں کی مد میں تھیں جیسا کہ PSX مندرجہ بالا عوامل سے متاثر رہا ہے۔ ان تجربات سے سبق سیکھ لیے گئے ہیں اور آمدنی کے ذریعے کو متنوع بنانے اوت کسٹمر بیس میں اضافے کے لیے کوششیں کی جارہی ہیں۔ اس اعتبار سے بہت سے نئے نام پورٹ فولیو میں شامل کیے گئے ہیں۔ ایسیٹ اورلائبیلیٹی کمیٹیز موجودہ اقتصادی پابندیوں کو مدنظر رکھتے ہوئے اور اس کے ساتھ ساتھ دستیاب مواقع سے فائدہ اٹھانے کے لیے ایسیٹ پروفائل کی نگرانی کرتی ہے اور ایسیٹ بکنگ اور فنڈ جنریشن کو متوازن رکھتی ہے۔

میں آپ کو یقین دلاتا ہوں کہ کمپنی بنیادی طور پر طاقتور ہے اوراسے شیئر ہولڈرز کی مکمل سپورٹ حاصل ہے اور یہ ملک کی اقتصادی ترقی میں اپنا کردارادا کرتی رہے گی۔ ہم بورڈ کی سطح پر کمپنی کی سطح پر درپیش چیلنجوں سے پوری طرح آگاہ ہیں جن میں مستقل ایم ڈی/سی ای او کی تقرری شامل ہے، اور ان کے حل کے لیے کام کررہے ہیں۔ ہمیں منیجمنٹ ٹیم پر پورا اعتماد ہے جو متعلقہ شعبوں کے تجربہ کار پروفیشنل پر مشتمل ہے۔

میں تمام اسٹیک ہولڈرز کو پُرخلوص خراجِ تحسین پیش کرتا ہے جو کمپنی کی سپورٹ جاری رکھے ہوئے ہیں جن میں ہماری کمپنی کو رہنمائی اورتعاون پیش کرنے والے ایران فارن انویسٹمنٹ کمپنی، وزارتِ خزانہ، حکومتِ پاکستان، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان شامل ہیں۔ میں اپنے اسٹاف اورساتھیوں کوایک ٹیم کے جذبے کے ساتھ کمپنی کے مشکل حالات میں شانہ بہ شانہ جدوجہد کرنے اور کمپنی کی ترقی کے لیے ان کے کردار پر شاباش کہنا چاہوں گا۔

عارف احمد خان

چیئرمین آف بورڈ آف ڈائریکٹرز

تہران 24، فروری 2019

Directors' Report

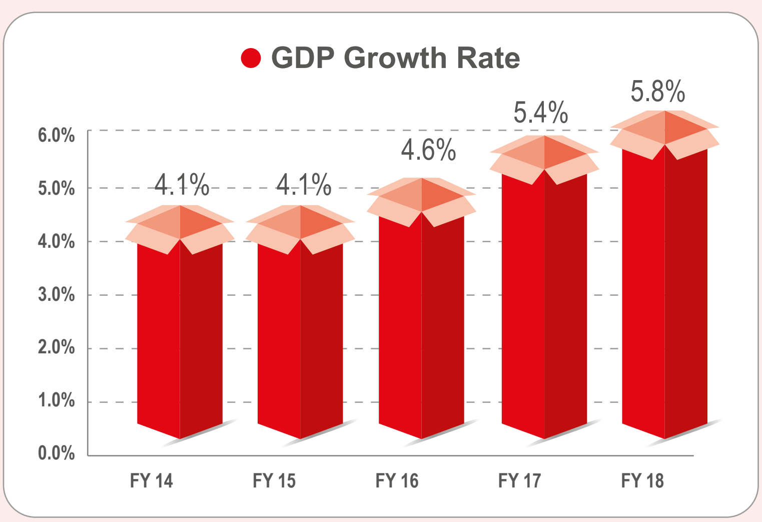
Directors' Report for The Financial Year Ended

December 31, 2018

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAÏR Investment Company Limited (PAÏR) for the year ended December 31, 2018. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018 and BPRD Circular No. 10 dated November 27, 2018.

Economic Overview

The favorable global economic environment including low oil prices, CPEC related investment activity and expansionary fiscal and monetary policies have supported the GDP growth to reach 5.8% in FY 2018. However in FY 2019 the anticipations are of deceleration with the target GDP growth cut down to 4.8% amid signifi¬cant monetary as well as fi¬scal tightening resulting in rising cost of doing business. State Bank of Pakistan has cumulatively raised interest rates by 425bps in FY2018 with the objective to curtail domestic demand pressure, with majority of increase happening in the latter half of the year. The Inflation is expected to inch up in the first half of FY 2019 driven by increased utility prices, impact of currency devaluation etc. till it peaks at 10% thereafter it is expected to stay at the same level before starting the downward journey. This will further push up the interest rates.



Rupee has suffered a massive 26% devaluation in FY2018, as it was considerably overvalued and is now near its equilibrium value. The overvalued rupee had in the last few years resulted in unmanageable current account defi¬cit as it subsidized imports for local consumers, while making exports uncompetitive widening the deficit in current account that has adversely affected SBP forex reserve that dropped from USD 14.1 billion at the start of FY2018 to around USD 7.5 billion at year-end. The precarious situation prompted the government to pursue tightening policies such as PKR devaluation, removal of monetary accommodation, and levying and expanding the import duties with the aim to contain domestic consumption. Substantial drop in crude oil prices in the last two months is a major positive for our economy as it will lower the import bill in the coming quarters. In terms of taking off pressure from foreign reserves is the start of USD 3 billion deferred oil facility by Saudi Arabia in FY2019. These are the opportunities for the PTI government to put the economy on track by making structural changes for self-sustaining economic growth and durable financial stability.

Stock market suffered the pre and post-election uncertainties. In first half of FY 2018 market remained positive reaching peaks of 46,638 points however the second half and more specifically the closing session, it was a falling market taking a dip to 37,067 points due to sharp rise in interest rates, continued foreign selling, and uncertainty on IMF program. Along with the attractive stock valuation, factoring in the Political stability achieved after election in FY 2018, current account defi¬cit showing declining trend, on-going dialogue with IMF for a new program, and subsided risk of currency devaluation FY 2019 hold better prospects.

Financial Highlights

FY 2018 was a tough year for the Company both in terms of external economic factors as well as issues that were unique to the organization itself. Profit before tax was a mere breakeven whereas there was a net loss after taking charge of tax. Gross markup income earned during the year was PKR 1.078 billion as against the PKR 1.045 billion in FY 2017. However due to income reversal of PKR 171.389 million on account of legacy non-performing loan getting classified in the current year it came to PKR 907.417 million. On the other income side the turbulent stock market as well as rising interest rates crowded out the opportunities for making capital gains hence the total other income for FY 2018 was PKR 101.236 million including capital gain on sale of securities of PKR 58.211 million as compared to total other income for FY 2017 of PKR 128.510 million including capital gain on sale of securities of PKR 79.271 million. Administrative expenses remained under control when compared to the last year as there was a reduction of 24% in FY 2018 over FY 2017. Workers Welfare Fund in FY 2017 included charge in respect of prior years too. The Administrative expenses excluding Workers Welfare Fund have reduced by 10%.

Despite the fact that FY 2018 had been tough in term of profitability and operational challenges to the Company, yet financial position of the Company is expected to improve in the coming days on the back of healthy growth in loan book as well as improved capital markets. The recovery of the latter will be a key factor in boosting the revenues of the Company.

The total assets Increased by PKR 1,140 million to close at PKR 18.525 billion as against PKR 17.685 billion of total asset as at December 2017. Placements made in the market with financial institutions matured, as such the lendings to FIs as at December 31, 2018 were PKR 105 million. This is expected to be replenished once the market see stability in the interest rates. Investments closed at PKR 11.259 billion which is a slight increase of 2% from the previous year when it closed at PKR 11.044 billion. In view of rising interest rates the focus was shifted from fixed income securities to floating rate investments consequently there was a decrease in the government securities and increase in floating rate Sukuk and Term Finance Certificates can be seen in the investment composition. Further charge of PKR 139.641 million for diminution in the value of investment was also taken to P&L during the year against the equity exposure, direct and through mutual funds. Loan portfolio saw a healthy growth of 34% from PKR 4.653 billion of FY 17 to PKR 6.223 billion at the close of FY 18. Much of it was booked in the last quarter hence the FY 19 will have a better earning stream. In addition to the portfolio was augmented with new names as well as deepening of the existing relationships.

The portfolio of Non-performing loans including the legacy accounts, gave a blow to the Profit and Loss account with the reclassification to non- performing loans amounting to PKR 753.826 million. In addition to the income reversal of PKR 171.389 million stated above, PKR 117.524 million was taken as charge on account of provision against non performing advances, taking away a total of PKR 288.913 million away from the profits.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating long-Term Entity Rating 'AA'(Double A) and a short term Entity Rating of 'A1+' (A One Plus). These ratings indicate a very low expectation of credit risk emanating very strong capacity for timely payment of financial commitments. The ratings of PAIR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Statement of Internal Controls

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Controls is included in the Annual Report.

Corporate and Financial Reporting Framework

The Board of Directors of PAÏR, for the purpose of establishing a framework of good corporate governance has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2018. Review report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this report. As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements prepared by the management of PAÏR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in the process of being designed in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAÏR's ability to continue as a going concern.
- There has been no material departure from the best practices of the Code of Corporate Governance.
- Key operating and financial data for the years 2009-2018 in summarized form is included in the annual report.
- Tax outstanding amount and reason thereon are properly disclosed in the attached financial statements.

Risk Management Framework

Taking cognizance of various types of business risks, effective risk management framework is embedded in PAIR`s strategy and organization structure. An independent Credit and Risk Management Department ("CRMD") is working as a core function to strengthen Company-wide Risk Management activities by adopting Basel II/III Framework. PAÏR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the company to set its focus towards deployment of stringent risk management polices to assess, mitigate and monitor major risks associated with business operations of the company. Accordingly, your Company has established a set of activities and creates core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with latest developments & challenges to safeguard shareholders' interests/ enhance Shareholder's wealth.

Your Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish more Risk Sensitive Assessment, Capital planning, formalization of Company-wide Risk Appetite, and to remain abreast with the internal and external risks that may impact future operations of the company. The deployment of this process allowed an adequate management of capital as the Capital Adequacy Ratio stood at 52.41% against the regulatory requirement of 10% plus Capital Conservation Buffer (CCB) of 1.90%. This contributed to the development of risk appetite and concentrations levels with respect to the transaction level risk profiling as well as integrated portfolio management.

PAIR also periodically evaluates the organic strength of business by conducting Stress Testing of overall risk exposure. It helps to ensure the smooth operations of business under hypothetically stressed circumstances. For this, CRMD applies shocks on different risk factors including interest rate, credit, equity price, and liquidity. Results of latest stress testing exercise depict solid and resilient financial position of your organization. The stress testing methodology implemented by PAIR is in adherence of SBP guidelines.

The Credit & Risk Management Department is also involved in the development of entity wide policies, procedures, systems and reporting mechanism to achieve and maintain entity wide best rating status and adaption of risk management principals in true letter and spirit. Further, Board Risk Management Committee and Board of Directors of your organization oversee the strategy related to risk management. In addition, the Internal Audit department conducts independent, risk-based review and verification of major functions throughout the year for evaluation of control systems supplemented by Internal Control and Compliance Divisions.

Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the statement of the financial position that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Corporate Social Responsibility

The Company firmly believes in being a responsible corporate citizen and plays an integral role in our long-term success, and strives to incorporate the approach into every aspect of its work culture. In addition to our priority of operating profitability, the Company is aware of its responsibilities that go beyond its business, particularly its commitment towards employees, society and environment.

The Company will continue to encourage community growth and development, thereby contributing in building a sustainable future in FY 2019 and beyond. Being a joint venture between the two brotherly countries inclusion of the charitable organizations from Iran will also be ensured, subject to the regulatory approvals for the later.

PAIR Investment, on annual basis, sponsors one of its staff members to perform Hajj, through a transparent balloting mechanism.

Board of Directors and their Meetings

Four (5) Board Meetings were held during the year 2018. The director(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the Board. The directors of the company attended the meetings, as under:

Name of Director	Representing	Meetings Attended
Arif Ahmed Khan*- Chairman	MOF-Pakistan	3
Hamid Eftekhari Kondelaji – CEO	IFIC -Iran	4
Aamer Mahmood Hussain – Director	MOF-Pakistan	4
Hemmat Jafari – Director	IFIC -Iran	4
Zahoor Ahmed –Director	MOF-Pakistan	4
Gholamreza Khalil Arjmandi**	IFIC -Iran	-

*Mr. Arif Ahmed Khan being the nominee of Pakistani shareholder nominated/appointed as a Chairman of the Board of Directors on 15 May, 2018.
**Mr. Gholamreza Khalil Arjmandi was appointed as new Iranian Board Member in place of Mr. Seyed Ahmad Araghchi on 13 September, 2018.

Board Committees and their Meetings

Four (4) meetings of Board Audit Committee (BAC), Board Risk Management Committee (BRMC) and Board Human Resource Compensation Committee (BHRCC) whereas Two (2) meetings of Board Strategic Investment Committee (BSIC) were held during 2018.

The member(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the committee. The details of the meetings attended by each committee member are as under:

Name of Director	Representing	Designation and name of committee	BAC	BRMC	BHRCC	BSIC
Arif Ahmed Khan	MOF-Pakistan	Chairman BSIC				2
		Member BHRCC			1	
Hamid Eftekhari Kondelaji	IFIC -Iran	Member BRMC		4		
		Member BHRCC			4	
		Member BSIC				2
Aamer Mahmood Hussain	MOF-Pakistan	Chairman BAC	4			
		Chairman BRMC		4		
		Member BHRCC			4	
Zahoor Ahmed	MOF-Pakistan	Member BAC	3			
		Chairman BHRCC			4	
		Chairman BSIC				2
Hemmat Jafari	IFIC -Iran	Member BAC	4			
		Member BRMC		4		
		Member BHRCC			4	
Gholamreza Khalil Arjmandi	IFIC -Iran	Member BAC	-			
		Member BSIC				-

Staff End of Service Benefits

The Bank operates two post retirement funds, Provident Fund & Gratuity Fund. The carrying value of investments and bank balance respective funds as at December 31, 2018 were:

Value of the Investments and Bank Balances	Provident Fund	Gratuity Fund
	------------PKR '000------------	------------PKR '000------------
2018-unaudited	75,478	44,061
2017 – audited	55,248	33,901

(Loss) / Earnings Per Share

Basic and Diluted (loss) /earnings per share have been disclosed in note 31 of the financial statements.

Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through Ministry of Finance	**50%**
Government of Iran through Iran Foreign Investment Company	**50%**
Total	**100%**

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, retired and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. Therefore, on the suggestion of the Audit Committee, the Board of Directors recommends the shareholders to appoint M/s. KPMG Taseer Hadi & Company Chartered Accountants as the statutory auditor of the company for the financial year ending December 31, 2019.

Future Outlook

The macroeconomic challenges that current government faces requires a methodical and careful approach. A well thought out and decisive policy response would restore investors' confidence. Together with clarity on external funding arrangements such as inflows from China and Gulf and progress on a fresh IMF program, would act as a key trigger for the local bourse.

PAIR investment sees a wide scope of business for itself in year 2019 however it takes full cognizance of the challenges in terms of high cost of funds and mounting inventory of non-performing loans. Therefore it will be focusing on raising low funds from non-conventional sources for a DFI and will be expanding its customer base through its diversified product portfolio.

In terms of the internal challenges, it is imperative to resolve the issues surrounding the appointment of the key management personal i.e. MD/CEO of the Company. To overcome the same, it is considered appropriate that appointment of a suitable professional be done locally as such the process of recruitment has been initiated by MOF – GOP and requires to be completed in minimum possible time.

Appreciation and Acknowledgement

We would like to thank our customers and business partners for the trust they have placed in us. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our company. Finally, we are also thankful to our associates, staff and colleagues for their commitment and their contribution to the progress of our business.

For and on behalf of the Board of Directors

Chairman of the Board of Directors
Tehran: February 24, 2019

اندرونی چیلنجوں کے حوالے سے یہ لازم ہے کہ اہم انتظامی عہدے داروں یعنی کمپنی کے ایم ڈی/سی ای او کی تقرری سے منسلک مسائل حل کرے۔اس مسئلے پر قابو پانے کے لیے یہ مناسب سمجھا جاتا ہے کہ مقامی طور پر ایک موزوں پروفیشنل کی تقرری کی جائے جیسا کہ MOF حکومتِ پاکستان کی طرف سے ریکروٹمنٹ کا طریقہ کارشروع کیا گیا ہے اور جس کی تکمیل ممکنہ کم سے کم وقت میں درکار ہے۔

اظہارِ ستائش اور اعتراف(Appreciation and acknowledgement)

ہم تہہ دل سے اپنے صارفین اور شرکائے کاروبار کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہم پر بھرپور اعتماد کا اظہار کیا۔ہم ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ ، حکومت پاکستان ، بینک دولتِ پاکستان اور سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی دل کی گہرائیوں سے قدر کرتے ہیں جنہوں نے ہماری کمپنی کی بھرپور رہنمائی اور اعانت فرمائی ۔آخر میں ہم ہمارے وابستگان ، عملے اور رفقاء سے بھی اظہارِ تشکر بجالاتے ہیں، جنہوں نے ہمارے کاروبار کی ترقی و فروغ کے لئے اپنا زبردست عزم اور تعاون پیش کیا۔

برائے ومنجانب بورڈآف ڈائریکٹرز

چیئرمین آف بورڈآف ڈائریکٹرز

تہران 24، فروری 2019

عملے کے لئے بعد از ملازمت فوائد

کمپنی کے پاس بعد از سبکدوشی کے دو فنڈز ہیں، پروویڈنٹ فنڈ اور گریجویٹی فنڈ۔ بمطابق 31 دسمبر 2018، متعلقہ فنڈز سے کی جانے والی سرمایہ کاریاں اور بینک بیلنس کی تفصیلات درج ذیل ہیں۔

سرمایہ کاری اور بینک بیلنسز کی قدر	پروویڈنٹ فنڈ	گریچویٹی فنڈ
	------------PKR '000------------	------------PKR '000------------
2018۔ غیر آڈٹ شدہ	75,478	44,061
2017۔ غیر آڈٹ شدہ	55,248	33,901

آمدن فی حصص

بنیادی اور تخفیف شدہ آمدن فی حصص کو مالیاتی گوشواروں کے نوٹ نمبر 31 میں ظاہر کر دیا گیا ہے۔

شیئر ہولڈنگ کا اسلوب

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ کے ذریعے حکومت پاکستان	50٪
ایران فارن انویسٹمنٹ کمپنی کے ذریعے حکومت ایران	50٪
کل	100٪

آڈیٹرز کا تقرر

موجودہ آڈیٹرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کی بنا پر آئندہ سالانہ اجلاسِ عام میں خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ لہٰذا آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے شئیر ہولڈرز کو سفارش کی ہے کہ وہ میسرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2019 کو ختم ہونے والے مالی سال کیلئے دوبارہ کمپنی کا قانونی آڈیٹر مقرر کریں۔

مستقبل کی توقعات

موجودہ حکومت کو جن مجموعی اقتصادی چیلنجوں کا سامنا ہے وہ منظم اور محتاط لائحہ عمل کا تقاضا کرتے ہیں۔ ایک خوب سوچی سمجھی اور فیصلہ کن پالیسی کی شکل میں ردعمل سرمایہ کاروں کا اعتماد بحال کرے گی۔ بیرونی فنڈنگ مثلاً چین اور خلیج سے سرمائے کی آمد اور نئے آئی ایم ایف پروگرام کے حوالے سے واضح موقف مقامی حصص بازار کے لیے اہم محرک کا کام کرے گا۔

پائر انویسٹمنٹ سال 2019 میں اپنے لیے کاروبار کے وسیع امکانات دیکھتی ہے تاہم اسے فنڈز کی بھاری لاگت اور غیر فعال قرضوں کی بڑھتی فہرست کے حوالے سے چیلنجوں کا پورا ادراک ہے۔ لہٰذا یہ کسی DFI کے لیے غیر روایتی ذرائع سے کم لاگتی فنڈز حاصل کرنے پر توجہ رکھے گی اور اپنے متنوع پروڈکٹ پورٹ فولیو کے ذریعے اپنی کسٹمرز بیس وسیع کرے گی۔

مستقبل کی تعمیر میں حصہ ڈالتی رہے گی۔ دوبرادرانہ ملکوں کی مشترکہ کمپنی ہونے کے ناطے ایران سے فلاحی اداروں کی شمولیت کو بھی یقینی بنا یا جائے گا۔ جو ثانی الذکر کی انضباطی منظوریوں سے مشروط ہے۔
پائر نے سالانہ بنیاد پر اپنے عملے کے ایک فرد کو بذریعہ شفاف قرعہ اندازی حج کی ادائیگی کے لئے امداد بھی فراہم کی ہے۔

بورڈ آف ڈائریکٹرز اور ان کے اجلاس

سال 2017 میں بورڈ کے چار (4) اجلاس منعقد ہوئے۔ ڈائریکٹر ز جو اجلاس میں شریک ہونے سے قاصر تھے انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی ۔ کمپنی کے ڈائریکٹر ز نے درج ذیل اجلاسوں میں شرکت کی۔

ڈائریکٹرز کے نام	نمائندہ برائے	اجلاس میں شرکت کی تعداد
عارف احمد خان*۔چیئرمین	ایم اوایف۔پاکستان	3
حامد افتخار ی کونڈ یلا جی۔ سی ای او	آئی ایف آئی سی۔ایران	4
عامر محمود حسین۔ ڈائریکٹر	ایم اوایف۔پاکستان	4
ہمت جعفری۔ڈائریکٹر	آئی ایف آئی سی۔ایران	4
ظہور احمد۔ڈائریکٹر	ایم اوایف۔پاکستان	4
غلام رضا خلیل ارجمندی ۔ڈائریکٹر	آئی ایف آئی سی۔ایران	-

*15 مئی 2018 کو جناب عارف احمد خان کو بحیثیت پاکستانی شیئر ہولڈر، بورڈ آف ڈائریکٹرز کا چیئرمین نامزد / مقرر کیا گیا۔
**13 ستمبر 2018 کو جناب غلام رضا خلیل ارجمندی کو سید احمد اراچگی کی جگہ نئے ایرانی بورڈ ممبر کی حیثیت سے تعینات کیا گیا۔

بورڈ کمیٹیز اور ان کے اجلاس

2018 میں بورڈ آڈٹ کمیٹی (BAC) اور بورڈ رسک مینجمنٹ کمیٹی (BRMC) اور بورڈ ہیومن ریسورس کمپنسیشن کمیٹی (BHRC) کے 4 اور بورڈ اسٹریٹجک انویسٹمنٹ کمیٹی (BSIC) کے 2 اجلاس منعقد کئے گئے۔

ڈائریکٹر جو اجلاس میں شریک ہونے سے قاصر تھے، انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمیٹی ممبران کی جانب سے اجلاس میں شرکت کی تفصیلات درجہ ذیل ہیں۔

ڈائریکٹرز کے نام	نمائندہ برائے	عہدہ اور کمیٹی کا نام	BAC	BRMC	BHRC	BSIC
محمد عارف خان	ایم او ایف۔ پاکستان	BSIC چیئرمین، BHRC ممبر	-	-	1	2
حامد افتخاری کونڈیلاجی	آ ئی ایف آئی سی۔ ایران	BRMC ممبر BHRCC ممبر BSIC ممبر	-	4	4	2
عامر محمود حسین	ایم او ایف۔ پاکستان	BAC ممبر BRMC چیئرمین BHRC ممبر	4	4	4	-
ظہور احمد	ایم او ایف پاکستان	BAC ممبر BHRC چیئرمین BSIC چیئرمین	3	-	4	2
ہمت جعفری	آئی ایف آئی سی۔ ایران	BAC ممبر BHRC چیئرمین BSIC چیئرمین	4	4	4	-
غلام رضا خلیل ارجمندی	آئی ایف آئی سی۔ ایران	BAC ممبر BSIC ممبر	-	-	-	-

خطرات کی نظم کاری کا دائرہ

مختلف کاروباری خطرات کی آگاہی رکھتے ہوئے ایک موثر خطرات کی نظم کاری کا دائرہ کار پائر کی ادارہ جاتی حکمت عملی کا حصہ ہے۔ایک خود مختار خطرات کی نظم کاری کا محکمہ(CRMD)ایک مرکزی حصہ کے طور پر کام کررہاہے تاکہ پورے ادارے میں خطرات کی نظم کاری سرگرمیوں کو BASEL II/III کے مطابق مضبوط کیا جائے۔پائر بینک دولت پاکستان کے تحت دیئے جانے والے Standarized) (Approach for Credit & Market Risk) ، (Basic Indicator Approach for Operational Risk کے مطابق شرائط کفایت سرمایہ کے ساتھ مکمل ہم آہنگ ہے۔

موجودہ معاشی صورتحال کے پیش نظر کمپنی اس بات پر آمادہ ہے کہ وہ اپنی توجہ نظم کاری کی سخت پالیسیز کو استعمال میں لاتے ہوئے کمپنی کے کاروبار سے منسلک بڑے خطرات کا تعین کرنے اور ان سے بچائو کی تدبیر کرے اور ان کی نگرانی کرے۔ان امور کی وجہ سے آپ کی کمپنی نے سرگرمیوں کے ایک مجموعہ کی تشکیل کی ہے جس کے تحت ایک مرکزی طریقے کار کے ساتھ کمپنی کے اغراض و مقاصد کی ایک منظم طرح سے تکمیل کی جائے اور نئی کاروباری پیش رفت اور دشواریوں کو بر وقت سمجھتے ہوئے کمپنی کے شیئر ہولڈرز کے مفادات کا تحفظ کیا جائے اور ان کی دولت میں اضافہ کیا جائے۔

آپ کی کمپنی نے ایک بہترین اندرونی شرائط کفایت سرمایہ (ICAAP)کی جانچ پڑتال کا طریقہ کار اپنایا ہوا ہے تاکہ زیادہ حساس خطرات کا تخمینہ ،سرمائے کی منصوبہ بندی، کمپنی بھر میں خطرات کے میلان کی باضابطگی قائم کی جائے تاکہ اندرونی اور بیرونی خطرات سے آگاہی رکھی جائے جو کہ کمپنی کے کام پر اثر انداز ہوتے ہیں۔اس پر عمل کرنے سے کفایت سرمایہ کی مناسب نظم کاری ممکن ہوئی ہے جس کا تناسب کفایت سرمایہ ٪52.41 رہا جبکہ ریگولیٹری شرط کے مطابق یہ ٪10جمع ٪1.9تک ہوناچاہیے۔اسکی وجہ سے لین دین کے سطح کے خطرات کی خاکہ سازی کے ساتھ ساتھ(Integrated Portfolio Management)کے لحاظ سے (Concentration Level)اور انفرادی لین دین کی حدود کا تعین کیا گیا ہے۔ پائر وقتاً فوقتاً اپنی نامیاتی قوت کا اندازہ لگانے کے لئے (آزمائشی دبائو)کا انعقاد کرتا رہتا ہے۔یہ فرضی جائزہ دبائو کے حالات میں کاروبار کے ہموار ویکساں کو یقینی بنانے میں مدد دیتا ہے۔ اس کے لیےCRMDمختلف خطرات پر مختلف دبائو ڈال کر دیکھتا ہے جس میں شرح سود، قرضے کی فراہمی، حصص کی قیمت اور زرسیال شامل ہیں۔تازہ ترین آزمائش دبائو کے طریقہ کار سے جو نتائج بر آمد ہوئے ہیں ان کے مطابق آپ کے ادارے کی مالیاتی حیثیت و مقام ٹھوس و مضبوط معلوم ہوتی ہے۔آزمائش دبائو کے طریقہ کار جو پائر کی جانب سے نافذ ہیں وہ بینک دولت پاکستان کے رہنمااصولوں سے مکمل طور پر پیوستہ و ہم آہنگ ہیں۔

نظم کاری کا محکمہ(CRMD)پوری کمپنی کے طریقہ کار، نظام ہائے کاراور طریقہ کارگزارشات کی تشکیل و فروغ میں شامل رہا ہے۔ تاکہ کمپنی کی Ratingبہترین رکھی جائے اور خطرات کی نظم کاری کے اصولوں کو معنی و مفہوم کے ساتھ اختیار کیا جائے۔مزید یہ کہ بورڈ کی خطرات کی نظم کاری کرنے والی کمیٹی آپ کی کمپنی کی خطرات کی نظم کاری سے متعلق حکمت عملی کی نگرانی کرتی ہیں۔اس کے ساتھ اندرونی آڈٹ کا محکمہ آزادانہ طور پر بڑے بڑے خطرات کا جائزہ لیتا ہے۔ اور یہ کام سال بھر جاری رہتا ہے۔ اس میں کمپلائنس کا محکمہ اندرونی آڈٹ کے محکمہ کی مدد کرتا ہے۔

مالیاتی گوشواروں کی تاریخ کے بعد ہونے والے واقعات

مالیاتی گوشواروں کی تاریخ کے بعد ایسا کوئی واقعہ رونما نہیں ہوا جس کی وجہ سے ان گوشواروں میں تبدیلی کی ضرورت ہو، ماسوا ان واقعات کے جن کے بارے میں ان گوشواروں میں بیان پہلے سے شامل ہے۔

ادارہ جاتی سماجی ذمہ داری

کمپنی ایک ذمہ دار کاروباری شہری ہونے پر پختہ یقین رکھتی ہے اور ہماری طویل مدتی کامیابی میں ایک لازمی کردار ادا کرتی ہے اور اپنے شعارِ کار کے ہر پہلو میں یہ لائحہ عمل شامل کرنے کی کوشش کرتی ہے۔ ۔ عملی منافع کے کمانے کی ترجیح کے علاوہ کمپنی اپنی سماجی ذمہ داری سے بھی واقف ہے جو کاروبار سے کہیں آگے تک بروئے کار لائی جاتی ہے، خصوصاً اس کا اپنے ملازمین ،معاشرے اور ماحول کی بہتری کا عزم۔ کمپنی معاشرے کی ترقی و نشو نما کی حوصلہ افزائی کرتی رہے گی ، اوراس طرح مالی سال 2019اور اس سے بھی آگے آنے والے پائیدار

139.641 ملین روپے کا مزید چارج P&L تک لے جایا گیا۔لون پورٹ فولیو نے مالی سال `2018 کے اختتام پر 6.223 ارب روپے کے ساتھ مالی سال 2017 کے 4.653 ارب روپے کے مقابلے میں 34٪ کی صحت مند نمو دکھائی ۔ اس میں سے زیادہ تر آخری سہ ماہی میں بُک کیے گئے ، یہ مالی سال2019 آمدنی کے لیے بہتر تسلسل کا حامل ہوگا۔ اس کے علاوہ قرضہ جات کے حجم کو موجودہ تعلقات کے استحکام کے ساتھ نئے ناموں سے تقویت ملی۔

غیر فعال قرضوں ، بشمول موروثی اکاؤنٹس نےP&L کو کافی نقصان پہنچایا۔ ان غیرفعال قرضوں کی درجہ بندی میں تبدیلی کے ساتھ 753.826 ملین روپے مالیت کے غیر فعال قرضوں کی درجہ بندی تبدیل ہوئی اور 171.389 ملین روپے کی آمدنی میں کمی کے علاوہ غیرفعالقرضوں کی مدمیں میں 117.524 ملین روپے بطور پروویژن چارج لیے گئے ، جس سے مجموعی طور پر 288.913 ملین روپے منافع جات سے نکل گئے ۔

کریڈیٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ(PACRA)نے کمپنی کی طویل مدتی ادارہ جاتی درجہ بندی 'AA'(ڈبل اے) اور قلیل مدتی ادارہ جاتی درجہ بندی '+A1'(اے ون پلس)کی توثیق کی ہے۔یہ ریٹنگز مالیاتی معاہدوں کے لیے بروقت ادائیگی کی بہت مستحکم صلاحیت کی بدولت کریڈٹ رسک کی بہت کم توقعات کی نشان دہی کرتی ہیں۔ PAIR کی ریٹنگزبنیادی طور پر پاکستان اور ایران کی مشترکہ خودمختار ملکیت کی عکاسی کرتی ہیں۔

اندرونی کنٹرول کا بیان

بورڈ مسرت کے ساتھ انتظامیہ کی جانب سے اندرونی کنٹرول پر جاری کردہ بیان بشمولICFR کے بارے میں بیان کی تصدیق کرتا ہے۔ انتظامیہ کا اندرونی کنٹرول پر بیان سالانہ رپورٹ میں شامل ہے۔

ادارہ جاتی اور مالیاتی رپورٹنگ کا دائرہ کار

31 دسمبر 2018 کو ختم ہونے والے مالیاتی سال میں پائر کے بورڈ آف ڈائریکٹرز نے ایک اچھے ادارہ جاتی نظم ونسق کے نفاذ کی خاطر ادارہ جاتی نظم کے ضابطے کی متعلقہ شقوں پر عمل درآمد کیا ہے۔ادارہ جاتی ضابطوں کی پابندی کے مطابق بیرونی آڈیٹر کی جائزہ رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔جیساکہ ادارہ جاتی نظم کے ضابطے کے تحت درکار ہے، بوڈ آف ڈائریکٹرز بیان کرتے ہیں کہ:

☆ پائر کی انتظامیہ کی جانب سے تیارکردہ مالیاتی گوشوارے، اسکے امورکار، اسکی سرگرمیوں کے نتائج ،نقد بہاؤاور ملکیت میں تبدیلی کو منصفانہ طور پر پیش کرتے ہیں۔
☆ کمپنی نے مناسب کھاتے اپنے پاس رکھے ہیں۔
☆ حسابات کی مناسب طریقہ کار کو مالیاتی گوشواروں کی تشکیل کے لئے مستقل بنیادوں پر بروئے کار لایا گیا ہے اور ان میں استعمال کیے جانے والے محتاط اندازے بھی معقول تھے۔
☆ ان مالیاتی گوشواروں کے بنانے میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جس حد تک پاکستان میں لاگو ہیں ،کی پیروی کی گئی ہے اور جہاں انحراف کیا گیا ہے اس کو مناسب انداز میں ظاہر کردیا گیاہے۔
☆ ایک مسلسل جاری عمل کے طور پر ، اندرونی کنٹرول کے نظام کو موثر انداز سے نافذ رکھنے کے لئے کوشش کی جارہی ہیں جوکہ حکام کی شرائط کے بھی عین مطابق ہو۔
☆ پائر کے ایک جاری وساری کاروبار ہونے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔
☆ ادارہ جاتی نظم کے ضابطے کے بہترین طور طریقوں سے کوئی عملی انحراف نہیں کیا گیا۔
☆ 2009سے2018 تک کی کلیدی عملی اور مالیاتی معلومات خلاصے کی شکل میں اس رپورٹ میں شامل کی گئی ہے۔
☆ ٹیکس بقایا جات کی رقم اور اس سے منسلک وجوہات ان مالیاتی گوشواروں میں مناسب طور پر ظاہر کردی گئی ہیں۔

مالی سال2018میں روپے کو قدر میں26٪ کی بھاری کمی برداشت کرنی پڑی ہے، جیسا کہ اس کی قدر اصل سے کافی زیادہ تھی اور اب یہ اپنی متوازن قدر کے قریب ہے۔ گزشتہ چند سالوں میں روپے کی قدر اصل سے زیادہ ہونے کا نتیجہ کرنٹ اکاؤنٹ خسارہ قابلِ انتظام نہ ہوپانے کی صورت میں نکلا ہے ، جیسا کہ اس نے مقامی صارفین کو درآمدات میں رعایت دی ، جبکہ برآمدات کو غیر مسابقتی بنادیا جس سے کرنٹ اکاؤنٹ خسارے میں اضافہ ہوا جس کے SBP کے زرِ مبادلہ کے ذخائر پر منفی اثرات مرتب ہوئے جو مالی سال2018کے آغاز میں 14.1ارب امریکی ڈالر سے سال کے اختتام پر7.5ارب امریکی ڈالر تک گرگئے ۔ نازک صورتِ حال نے حکومت کو سخت پالیسیوں پر عمل درآمد پر مجبورکیا مثلاً روپے کی قدر میں کمی، مالیاتی رعایتوں کا خاتمہ، اور ملکی کھپت محدود کرنے کے ہدف کے ساتھ درآمدی ڈیوٹیز لاگوکرنا اور بڑھانا۔گزشتہ دوماہ میں خام تیل کی قیمتوں میں بھاری کمی ہماری معیشت کے لیے ایک بڑی مثبت پیش رفت ہے جس سے آئندہ سہ ماہیوں میں درآمدی بل میں کمی ہوگی۔ مالی سال 2019میں سعودی عرب کی طرف سے تین ارب ڈالر کے تیل کی مؤخر ادائیگی کی سہولت زرِ مبادلہ کے ذخائر پر دباؤ ہٹانے کے حوالے سے ایک آغاز ہے۔یہ پی ٹی آئی حکومت کے لیے خودکفیل معاشی نمو اور پائیدار مالیاتی استحکام کے لیے ڈھانچے میں تبدیلی کے ذریعے معیشت کودوبارہ پٹری پر لانے کے لیے بہترین مواقع ہیں۔

انتخابات سے پہلے اور بعد کی غیر یقینی صورتِ حال سے اسٹاک مارکیٹ متاثر ہوئی۔ مالی سال2018کے پہلے نصف میں مارکیٹ مثبت رہی اور 46,638پوائنٹ کی بلندی تک پہنچ گئی، تاہم دوسرے نصف میں ، اور خصوصاً اختتامی مرحلے میں شرح سود میں تیزی سے اضافے، غیرملکیوں کی طرف سے مسلسل فروخت اور آئی ایم ایف پروگرام پر بے یقینی کی وجہ سے مارکیٹ 37,067پوائنٹس تک گرگئی ۔اسٹاک کی پرکشش مالیت کے ساتھ مالی سال 2018میں انتخابات کے بعد آنے والے سیاسی استحکام ، کرنٹ اکاؤنٹ خسارے میں کمی کے رجحان ، نئے پروگرام کے لیے آئی ایم ایف کے ساتھ جاری مذاکرات اور کرنسی کی قدر میں کمی کے خطرے میں کمی کے ساتھ مالی سال 2019میں بہتر امکانات نظر آتے ہیں۔

مالیاتی جھلکیاں

بیرونی اقتصادی عوامل اور ادارے کے لیے اندرونی مسائل ، دونوں حوالوں سے مالی سال 2018 کمپنی کے لیے ایک مشکل سال تھا۔ قبل از ٹیکس منافع بمشکل گزشتہ سال کے مساوی رہا جب کہ ٹیکس کی ادائیگی کے بعد خالص خسارے کا سامنا کرناپڑا۔سال کے دوران کمائی گئی مجموعی مارک اپ آمدنی مالی سال2017میں 1.045ارب روپے کے مقابلے میں 1.078ارب روپے رہی۔ تاہم موجودہ سال میں موروثی (legacy) غیرفعال قرضے کو کلاسیفائیڈ(نادہندگی کے خطرے سے دوچار) قرار دیے جانے کے نتیجے میں آمدنی میں171.389ملین روپے کی کمی کی وجہ سے یہ 907.417ملین روپے تک آگئی۔ثانوی آمدنی کے محاذ پر ،اتارچڑھاؤ کا شکار اسٹاک مارکیٹ اور بڑھتی شرح سود نے مالی فوائد حاصل کرنے کے مواقع کم کردیے لہٰذا مالی سال 2017میں 79.271ملین روپے کی سیکیورٹیز کی فروخت پر مالی منافع سمیت 128.510ملین روپے مجموعی ثانوی آمدنی کے مقابلے میںمالی سال 2018کے لیے مجموعی ثانوی آمدنی 101.236ملین روپے کی سیکیورٹیز کی فروخت پر مالی منافع سمیت101.236ملین روپے رہی۔گزشتہ سال کے مقابلے میں انتظامی اخراجات قابو میں رہے ،جن میں مالی سال 2018میں ، مالی سال2017کے مقابلے میں24٪ کی کمی ہوئی۔مالی سال 2017میں ورکرز ویلفیئر فنڈ میں گزشتہ سالوں کے حوالے سے چارج بھی شامل تھا۔بجز ورکرز ویلفیئر فنڈ، انتظامی اخراجات میں 10٪ کمی ہوئی ۔

اس حقیقت کے باوجود کہ منافع کمانے کی اہلیت اور کمپنی کو درپیش عملی چیلنجوں کے حوالے سے مالی سال2018کمپنی کے لیے مشکل رہاہے، قرض کے کھاتوں میں صحت مند نمواور بہتر کیپیٹل مارکیٹ کی بدولت آنے والے دنوں میں کمپنی کی مالی صورتِ حال بہتر ہونے کی توقع ہے۔بعدازذکر کی بحالی کمپنی کی آمدنی بڑھانے میں ایک اہم عامل ہوگی۔

بمطابق دسمبر2017، 17.685ارب روپے کے مجموعی اثاثے کے مقابل مجموعی اثاثوں میں 1,140ملین روپے کا اضافہ ہوا جو18.525 ارب روپے پر بند ہوئے ۔ مالیاتی اداروں کے ساتھ مارکیٹ میں کی گئی پلیسمنٹس ، مثلاً مالیاتی اداروں کو دیے گئے قرضے کی مدت پوری ہوگئی ، جوبمطابق31دسمبر2018، 105ملین روپے تھیں۔ مارکیٹ میں شرح سود میں استحکام نظر آنے پر ان میں دوبارہ سرمایہ لگانے کی توقع ہے۔ انویسٹمنٹس11.259ارب روپے پر بندہوئیں جو گزشتہ سال سے 2٪ کا معمولی اضافہ ہیں جب یہ 11.044ارب روپے پر بند ہوئی تھیں۔ سود کی بڑھتی ہوئی شرحوں کے پیش نظر توجہ فکسڈ انکم سیکیورٹیز سے ہٹ کر فلوٹنگ ریٹ انویسٹمنٹس پر مرکوز ہوئی جس کے نتیجے میں مجموعی انویسٹمنٹ میں حکومتی سیکیورٹیز میں کمی اور فلوٹنگ ریٹ سکوک اور ٹرم فنانس سرٹیفکیٹس میں اضافہ دیکھا جاسکتاہے۔ براہ راست اور میوچل فنڈز کے ذریعے ایکویٹی میں سرمایہ کاری کے مقابل سال کے دوران سرمایہ کاری کی قدر میں تخفیف کے لیے

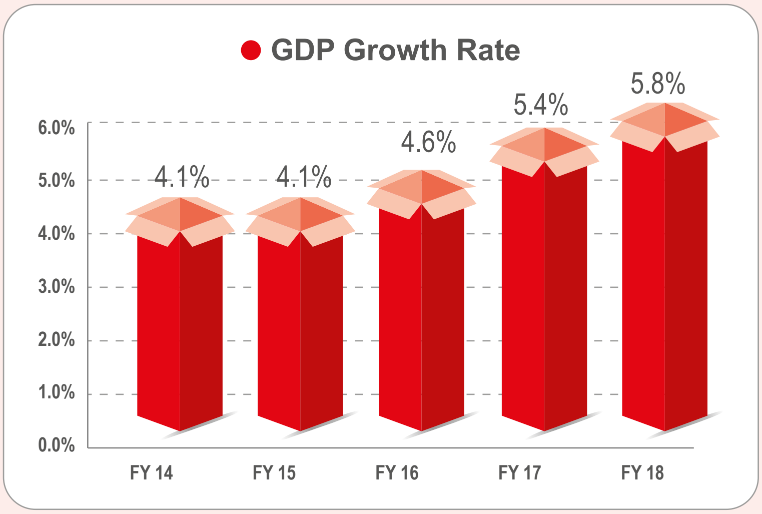
پائر (PAIR) انویسٹمنٹ کمپنی لمیٹڈ

31 دسمبر 2018 کو ختم ہونے والے سال کے لئے ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے PAIR انویسٹمنٹ کمپنی لمیٹڈ (PAIR) کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔ یہ مالیاتی گوشوارے BSD سرکلر نمبر 02 بتاریخ 25 جنوری 2018 او BPRD سرکولر نمبر 10 بتاریخ 27 نومبر 2018 کے تقاضوں کی تعمیل میں تیار کیے گئے ہیں۔

اقتصادی جائزہ

سازگار عالمی اقتصادی ماحول بشمول تیل کی کم قیمتیں ، سی پیک سے متعلق سرمایہ کاری کی سرگرمیوں اور توسیعی مالیاتی اور خزانہ جاتی پالیسیوں سے مالی سال 2018 میں GDP نمو کو 5.8٪ تک پہنچنے میں مدد ملی ہے۔ تاہم نمایاں خزانہ جاتی اور مالیاتی سختی کے باعث کاروبار کی بڑھتی ہوئی لاگت کے درمیان GDP شرح نمو کے ہدف میں 4.8٪ تک کمی کے ساتھ مالی سال 2019 میں معاشی سست روی کی توقعات ہیں۔اسٹیٹ بینک آف پاکستان نے ملکی طلب کا دباؤ کم کرنے کے مقصد کے ساتھ مالی سال 2018 میں شرح سود میں 425 بنیادی پوائنٹس تک مجموعی اضافہ کیا ہے ،جو کہ زیادہ تر سال کے دوسرے نصف میں ہوا۔ یوٹیلیٹی کی قیمتوں میں اضافے اور کرنسی کی قدر میں کمی وغیرہ کے اثرات کے نتیجے میں مالی سال 2019 کے پہلے نصف میں افراطِ زر میں بتدریج اضافے کی توقع ہے ، حتیٰ کہ یہ 10٪ کی بلند سطح پر پہنچ جائے گی ، اس کے بعد یہ اسی سطح پر رہنے کی توقع ہے،یہاں تک کہ یہ نچلی سمت سفر شروع کردے۔ اس سے سود کی شرحوں



Statement of Internal Control

For the year ended December 31, 2018

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated May 27, 2004. Paragraph 7a of the SBP guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

Evaluation of Internal Control Systems by Management

The management of the PAIR Investment is responsible for (i) preparing the DFI's annual financial statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAIR Investment maintains an effective organization structure and instituting appropriate control procedures and monitors the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The management of PAIR Investment has adopted internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from the State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). In addition, DFI has formulated comprehensive guidelines for adherence to COSO framework on continuing basis.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the internal control system including ICFR, by periodically reviewing the internal control systems and implementation of the internal control gaps /deficiencies identified by the respective departments as a result of self-assessment, internal auditors, external auditors and regulators reviews. The gap / recommendation report is then submitted to ICMC which decides on priority and implementation initiatives required taking into account nature and size of the business and cost benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the internal controls framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, Long Form report (LFR) on the assessment of DFI's ICFR for the year 2017 was issued by the statutory auditors and has been submitted to SBP. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2018. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2018.

The DFI is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

Managing Director/ Chief Executive Office	Chief Financial Officer	Head of Internal Audit

Date:

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

KPMG

We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Code) prepared by the Board of Directors of PAIR Investment Company Limited ('the Company') for the year ended December 31, 2018 The code is no longer applicable on Development Finance Institutions (DFIs) vide BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFIs are expected to continue to follow the best practices on corporate governance.

The responsibility for voluntary compliance with the Code 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 Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As 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 Code require 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 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 Code as applicable to the Company for the year ended December 31, 2018.

Further, we highlight below instance of non-compliance with the requirement of the code as reflected in the paragraph reference where it is stated in the Statement of Compliance:

	Reference	Description
1.	Paragraph	03 Appointment of a director

Date: 24 February 2019
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Compliance with the Best Practice of Code of Corporate Governance

Year ended December 31, 2018

SBP vide BPRD Circular No.14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) shall no longer be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, this statement is being presented to comply with the best practices of Corporate Governance i.e. Code of Corporate Governance.

The Company has applied the principles contained in the code in following manner:

1. As per the joint venture arrangement between Government of Pakistan and Government of Iran, the Company's Board of Directors comprises of six directors and all directors are nominated by both the shareholders. The Company encourages representation of non-executive directors on its Board of Directors (the Board) at present the Board includes:

Category	**Names**
Executive Directors	Mr. Hamid Eftekhari Kondelaji
Non-Executive Directors	Mr. Arif Ahmed Khan Mr. Zahoor Ahmed Mr. Aamer Mahmood Hussain Mr. Gholamreza Khalil Arjmandi Mr. Hemmat Jafari

The Company has obtained relaxation from State Bank of Pakistan with regards to the requirement of independent director.

2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. Two casual vacancies occurred on the Board which were duly filled within prescribed time. During the year, a director was nominated on the Board whose Fit and Proper Test (FPT) is still awaited from State Bank of Pakistan.
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and the determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive Directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. Director's training has already been performed by two directors the other four will attend Director's training program this year. Further, the Board has carried out annual evaluation of the Board's own performance, members of board and of its committees.

9. The Board had approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

10. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the CCG.

14. The Board has formed an Audit Committee which comprises of 4 members including the chairman representing Ministry of Finance- Government of Pakistan. All the members of the committee are non-executive directors.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is a non-executive director representing Ministry of Finance.

17. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles enshrined in the CCG have been complied with.

Mr. Arif Ahmed Khan
Chairman

Dated: February 24, 2019

Independent Auditor's Report

To the Members of PAIR Investment Company Limited

Report on the Audit of the Financial Statements

KPMG

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the 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 31 December 2018 and of the loss and other comprehensive loss, 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 Company's Annual Report for the year ended 31 December 2018, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Company and the transactions of the Company which have come to our notice have been within the powers of the Company; and

d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

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

Date: 24 February 2019
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Financial Statements

For the year ended December 31, 2018

PAÏR Investment Company Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**73,144**	37,870
Balances with other banks	6	**60,653**	91,727
Lendings to financial institutions	7	**105,000**	970,000
Investments	8	**11,259,928**	11,044,299
Advances	9	**6,223,926**	4,652,932
Fixed assets	10	**193,031**	197,598
Intangible assets	11	**211**	405
Deferred tax assets	12	**346,484**	260,554
Other assets	13	**263,060**	430,280
		18,525,437	17,685,665
LIABILITIES			
Bills payable		**-**	-
Borrowings	14	**7,915,859**	6,370,738
Deposits and other accounts	15	**1,221,724**	1,814,001
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	16	**278,164**	245,594
		9,415,747	8,430,333
NET ASSETS		**9,109,690**	9,255,332
REPRESENTED BY			
Share capital	17	**6,000,000**	6,000,000
Reserves	18	**840,066**	840,066
Deficit on revaluation of assets	19	**(71,701)**	(37,286)
Unappropriated profit		**2,341,325**	2,452,552
		9,109,690	9,255,332

CONTINGENCIES AND COMMITMENTS *20*

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer | Chief Executive & Managing Director | Chairman | Director | Director

PAÏR Investment Company Limited
Profit and Loss Account

For the year ended 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
Mark-up / return / interest earned	23	**907,417**	1,045,117
Mark-up / return / interest expensed	24	**472,607**	387,358
Net mark-up / interest income		**434,810**	657,759
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	**12,767**	10,327
Dividend income		**29,295**	39,683
Foreign exchange income / (loss)		**963**	(771)
Income / (loss) from derivatives		**-**	-
Gain on securities	26	**58,211**	79,271
Other income		**-**	-
Total non mark-up / interest income		**101,236**	128,510
Total Income		**536,046**	786,269
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	**267,421**	296,323
Workers welfare fund		**-**	55,091
Other charges	28	**4**	50
Total non mark-up / interest expenses		**267,425**	351,464
Profit Before Provisions		**268,621**	434,805
Provisions and write offs - net	29	**257,163**	66,591
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**11,458**	368,214
Taxation	30	**21,689**	138,419
(LOSS) / PROFIT AFTER TAXATION		**(10,231)**	229,795
		(Rupees)	
Basic and diluted (loss) / earnings per share	31	**(0.02)**	0.38

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive & Managing Director	Chairman	Director	Director

PAÏR Investment Company Limited

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	(Rupees in '000)	
(Loss) / Profit after taxation for the year	**(10,231)**	229,795
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	**(34,415)**	(120,364)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	**(996)**	(4,058)
Movement in surplus on revaluation of non-banking assets - net of tax	**-**	-
	(996)	(4,058)
Total comprehensive (loss) / income	**(45,642)**	105,373

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive & Managing Director	Chairman	Director	Director

PAÏR Investment Company Limited

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Share Capital	Statutory reserve	Surplus / (deficit) on revaluation of - Investments	Surplus / (deficit) on revaluation of - Fixed / Non Banking Assets	Unappropriated profit	Total
		(Rupees in '000)					
Balance as at 01 January 2017		6,000,000	794,107	83,078	-	2,572,774	9,449,959
Total comprehensive income							
Profit after taxation		-	-	-	-	229,795	229,795
Other comprehensive income - net of tax		-	-	(120,364)	-	(4,058)	(124,422)
Total comprehensive income for the year ended 31 December 2018		-	-	(120,364)	-	225,737	105,373
Transfer to statutory reserve	18	-	45,959	-	-	(45,959)	-
Transactions with owners recognised directly in equity							
Final cash dividend - 31 December 2016 declared subsequent to the year end		-	-	-	-	(300,000)	(300,000)
Balance as at 31 December 2017		6,000,000	840,066	(37,286)	-	2,452,552	9,255,332
Total comprehensive income							
Loss after taxation		-	-	-	-	(10,231)	(10,231)
Other comprehensive loss - net of tax		-	-	(34,415)	-	(996)	(35,411)
Total comprehensive income for the year ended 31 December 2018		-	-	(34,415)	-	(11,227)	(45,642)
Transfer to statutory reserve	18	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Final cash dividend - 31 December 2017 declared subsequent to the year end		-	-	-	-	(100,000)	(100,000)
Balance as at 31 December 2018		**6,000,000**	**840,066**	**(71,701)**	**-**	**2,341,325**	**9,109,690**

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive & Managing Director	Chairman	Director	Director

PAÏR Investment Company Limited

Cash Flow Statement

For the year ended 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**11,458**	368,214
Less: Dividend income		**(29,295)**	(39,683)
		(17,837)	328,531
Adjustments:			
Depreciation		**11,201**	13,755
Amortisation		**194**	338
Provisions and write-offs	29	**257,163**	66,591
Loss on sale of fixed assets		**4**	-
Charge for defined benefit plan		**9,392**	8,090
Unrealised loss / (gain) on revaluation of held for trading investments		**8,010**	(9,680)
		285,964	79,094
		268,127	407,625
(Increase) / decrease in operating assets			
Lendings to financial institutions		**865,000**	(970,000)
Held-for-trading securities		**91,039**	180,956
Advances		**(1,688,518)**	775,054
Others assets (excluding advance taxation)		**125,214**	(16,029)
		(607,265)	(30,019)
Increase / (decrease) in operating liabilities			
Borrowings		**1,545,121**	(179,243)
Deposits		**(592,277)**	(265,727)
Other liabilities (excluding current taxation)		**30,997**	111,689
		983,841	(333,281)
		644,703	44,325
Income tax paid		**(117,479)**	(250,793)
Defined benefits paid		**(7,331)**	(7,098)
Net cash flow from / (used in) operating activities		**519,893**	(213,566)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**(597,697)**	589,868
Net investments in held-to-maturity securities		**153,060**	(153,060)
Dividend received		**30,310**	39,208
Investment in operating fixed assets		**(1,418)**	(41,854)
Proceeds from sale of fixed assets		**52**	12,013
Net cash flow (used in) / from investing activities		**(415,693)**	446,175
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(100,000)**	(600,000)
Net cash flow used in financing activities		**(100,000)**	(600,000)
Increase / (decrease) in cash and cash equivalents		**4,200**	(367,391)
Cash and cash equivalents at beginning of the year	32	**129,597**	496,988
Cash and cash equivalents at end of the year	32	**133,797**	129,597

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive & Managing Director	Chairman	Director	Director

PAÏR Investment Company Limited

Notes to the Financial Statements

For the year ended 31 December 2018

1. STATUS AND NATURE OF BUSINESS

PAÏR Investment Company Limited (the Company) is an unlisted Public Limited Company incorporated in Pakistan on 15 January 2007 under the repealed Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives interalia includes financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI Building, Clifton, Karachi.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 25 January 2018 effective from the accounting year ending 31 December 2018.

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

2.2 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 comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017; and

- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

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

- The SBP through its BSD Circular letter No. 11 dated 11 September 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements;

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

- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).

- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 29).

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

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

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

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

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

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

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

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

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
- Classification and valuation of investments and impairment	4.4 & 8
- Provision against non-performing advances including net investment in finance lease	4.5 & 9
- Provision against off - balance sheet obligations	4.21

-	Non-banking assets acquired in satisfaction of claims	4.7 & 13
-	Useful life of fixed and intangible assets, depreciation and amortization	4.6, 10 & 11
-	Current and deferred taxation	4.13, 12 & 30
-	Accounting for defined benefit plan	4.9 & 34

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments, certain non - banking assets acquired in satisfaction of claims and derivative financial instruments which are revalued as referred to in notes 4.4, 4.7 and 4.18.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 SBP revised the format for presentation of Banks / DFIs financial statements for the year ended 31 December 2018. This requires a change in accounting policy for deficit / surplus on revaluation of assets which is now required to be shown as part of equity (note 4.4, 4.7 and 19). Previously, it was shown below the equity.

4.2 Cash and cash equivalents

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

4.3 Repurchase / resale agreements

The Company enters into repurchase / resale agreements at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligations

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

Purchase under resale obligation

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

4.4 Investments

The Company classifies its investments as follows:

Held for trading

These are securities, which are acquired with the intention to trade by taking advantages of short term market / interest rate movements and are carried at market value. Cost of investment is determined on weighted average basis. These securities are required to be sold within 90 days from the date of their classification as 'Held for trading' under normal circumstances, in accordance with the requirements of State Bank of Pakistan.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity.

Available for sale

Investments that do not fall under the held for trading or held to maturity categories are classified as available for sale.

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

Initial Recognition

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

Subsequent Measurement

Investments in government securities and quoted investments, categorized as 'held for trading' and 'available for sale' are valued at rates quoted on PKRV, PKFRV and Pakistan Stock Exchange (PSX) as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held for trading' is taken to profit and loss account and that of 'available for sale' is taken to the statement of financial position, and shown within equity in accordance with the requirements of State Bank of Pakistan.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgment (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

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

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates, if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

Impairment

Impairment loss on investments in respect of available for sale (except term finance certificates) and held to maturity recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

4.5 Advances

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

Loans and advances

Advances are stated net of specific provision. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. Advances are written off when there is no realistic prospect of recovery.

Finance lease receivables

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as “net investment in finance lease”.

4.6 Fixed Assets

Capital work in progress

Capital work in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

Property and equipment - owned

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

4.7 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of property is charged to profit and loss account and not capitalised.

4.8 Borrowings and deposits

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

4.9 Staff retirement benefit

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each balance sheet date, using the Projected Unit Credit Method for the valuation of the scheme.

Gratuity is payable to staff on completion of two years of service.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Company recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; or
(b) and when the Company recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 34.3 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

Defined contribution plan

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the basic salary.

4.10 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the reporting date.

4.11 Foreign currencies

Transaction and balances in foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction.

Functional and presentation currency

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

Translation gains and losses

Exchange gains and losses are included in profit and loss account.

4.12 Revenue recognition

Mark-up / return / interest income is recognised on a accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

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

Fee, commission and brokerage income is recognised as the services are rendered.

4.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments /developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.14 Impairment

The carrying amount of the Company’s assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.15 Off setting

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

4.16 Other provisions

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.17 Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit or loss account of the current year.

4.18 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.19 Dividend distribution

Dividend and appropriation to reserves, except appropriation which is required by the law after the reporting date, is recognised as liability in the Company's financial statements in the period in which these are approved.

4.20 Earnings per share

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

4.21 Provisions against off - balance sheet obligations

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.22 Segment reporting

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

4.22.1 Business segments

Following are the main segments of the Company:

Corporate finance and commercial banking	It includes loans, advances, leases and other transactions with corporate customers. Further, it undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.
Trading & Sales (other than Capital Market)	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gains.

4.22.2 Geographical segments

The Company operates only in Pakistan.

4.23 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the DFI is to be transferred to this reserve.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		(Rupees in '000)	
In hand			
Local currency		**70**	70
Foreign currencies		**4,153**	1,221
		4,223	1,291
With State Bank of Pakistan in			
Local currency current account	*5.1*	**68,363**	36,028
With National Bank of Pakistan in			
Local currency current account		**12**	8
Local currency deposit account	*5.2*	**546**	543
		558	551
		73,144	37,870

5.1 This represents current account maintained for minimum cash reserve required to be maintained with the State Bank of Pakistan in accordance with its requirements.

5.2 This carries mark-up at the rate 6.5% (2017: 3.75%) per annum.

6. BALANCES WITH OTHER BANKS

	Note	2018	2017
		(Rupees in '000)	
In Pakistan			
In current accounts		**33,268**	44,920
In deposit accounts	*6.1*	**27,385**	46,807
		60,653	91,727

6.1 These deposit accounts carry mark-up rate of 3.25% to 8% (2017: 3.75%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Call / clean money lendings	*7.2*	**-**	170,000
Certificate of Investment	*7.3*	**105,000**	800,000
		105,000	970,000

7.1 Particulars of lendings

	2018	2017
In local currency	**105,000**	970,000

7.2 This carry mark-up rate of nil (2017: 5.90%) per annum, with maturity at nil (2017: 02 January 2018).

7.3 These carry mark-up rates upto 12.50% (2017: 7.50%) per annum, with maturity upto 29 March 2019 (2017: 23 May 2018).

8. INVESTMENTS

8.1 Investments by type

	Note	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
		(Rupees in '000)							
Held for trading securities									
Shares		84,075	-	(8,010)	76,065	155,754	-	9,680	165,434
		84,075	-	(8,010)	76,065	155,754	-	9,680	165,434
Available for sale securities	8.3 & 8.4								
Federal Government securities		5,276,557	-	(15,511)	5,261,046	5,771,457	-	21,663	5,793,120
Shares		953,722	(135,043)	(62,239)	756,440	645,047	(69,841)	(16,727)	558,479
Non Government Debt Securities		4,986,574	(12,956)	(6,924)	4,966,694	4,161,843	(12,956)	9,036	4,157,923
Units of mutual funds		274,119	(74,436)	-	199,683	274,119	-	(57,836)	216,283
		11,490,972	(222,435)	(84,674)	11,183,863	10,852,466	(82,797)	(43,864)	10,725,805
Held to maturity securities	8.5								
Commercial papers		-	-	-	-	153,060	-	-	153,060
		-	-	-	-	153,060	-	-	153,060
Total investments		11,575,047	(222,435)	(92,684)	11,259,928	11,161,280	(82,797)	(34,184)	11,044,299

8.2 Investments by segments

	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
	(Rupees in '000)							
Federal Government securities								
- Market treasury bills	3,963,632	-	(1,512)	3,962,120	4,934,925	-	(695)	4,934,230
- Pakistan Investment Bonds	1,312,925	-	(13,999)	1,298,926	836,532	-	22,358	858,890
	5,276,557	-	(15,511)	5,261,046	5,771,457	-	21,663	5,793,120
Shares								
- Listed companies	1,037,797	(135,043)	(70,249)	832,505	800,801	(69,841)	(7,047)	723,913
Non Government Debt Securities								
- Term finance certificate - listed	1,555,209	-	(9,000)	1,546,209	1,494,641	-	-	1,494,641
- Term finance certificate - unlisted	2,419,108	(11,245)	1,745	2,409,608	2,294,031	(11,245)	7,672	2,290,458
- Sukkuk bonds	1,012,257	(1,711)	331	1,010,877	373,171	(1,711)	1,364	372,824
	4,986,574	(12,956)	(6,924)	4,966,694	4,161,843	(12,956)	9,036	4,157,923
Units in mutual funds	274,119	(74,436)	-	199,683	274,119	-	(57,836)	216,283
Commercial papers	-	-	-	-	153,060	-	-	153,060
Total investments	11,575,047	(222,435)	(92,684)	11,259,928	11,161,280	(82,797)	(34,184)	11,044,299

8.2.1 Investments given as collateral

	2018	2017
	(Rupees in '000)	
Market Treasury Bills		
Carrying value	**2,715,515**	3,445,717
Deficit	**(1,200)**	(514)
	2,714,315	3,445,203
Pakistan Investment Bonds		
Carrying value	**1,312,924**	836,532
Deficit	**(13,998)**	22,358
	1,298,926	858,890
Shares		
Carrying value	**106,093**	-
Impairment	**(17,361)**	-
Deficit	**(16,638)**	-
	72,094	-
Term Finance Certificates		
Carrying value	**499,100**	659,869
Deficit	**124**	7,379
	499,224	667,248

8.3 Provision for diminution in value of investments

8.3.1 Available For Sale Investment

	2018	2017
Opening balance	**82,797**	12,571
Charge / reversals		
Charge for the year	**166,469**	70,697
Reversals for the year	-	-
Reversal on disposals	**(26,830)**	(471)
	139,639	70,226
Transfers - net	-	-
Amounts written off	-	-
Closing Balance	**222,436**	82,797

8.3.2 Particulars of provision against debt securities

Category of classification	2018 NPI	2018 Provision	2017 NPI	2017 Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	**54,336**	**(12,956)**	54,336	(12,956)
	54,336	**(12,956)**	54,336	(12,956)

8.4 Quality of Available for Sale Securities

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

	Note	2018	2017
		Cost (Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills	8.6	**3,963,632**	4,934,925
Pakistan Investment Bonds	8.7	**1,312,925**	836,532
		5,276,557	5,771,457
8.4.2 Shares			
Listed Companies			
- Cement		**44,913**	52,100
- Fertilizer		**159,403**	100,941
- Commercial Banks		**253,887**	197,825
- Insurance		**33,838**	16,798
- Textile Composite		**104,947**	14,690
- Refinery		**475**	-
- Power Generation and Distribution		**79,478**	83,770
- Oil and Gas Exploration Companies		**35,357**	10,564
- Oil and Gas Marketing Companies		**43,006**	25,655
- Engineering		**10,086**	-
- Automobile Assembler		**43,539**	7,868
- Automobile Parts and Accessories		**21,176**	16,106
- Fixed Line Telecommunication		**29,956**	21,328
- Pharmaceuticals		**14,188**	12,838
- Food Producers		**11,613**	11,613
- Industrial Metals and Mining		**8,254**	16,687
- Household Goods		**24,395**	29,744
- Media		**21,087**	12,396
- Real Estate Investment Trust		**843**	843
- Paper & Board		**6,032**	6,032
- Personal goods		**7,249**	7,249
		953,721	645,045
8.4.3 Non Government Debt Securities			
8.4.3.1 Listed			
- AAA		**1,094,521**	599,160
- AA+, AA, AA-		**-**	495,801
- A+, A, A-		**460,688**	399,680
		1,555,209	1,494,641
8.4.3.2 Unlisted			
- AA+, AA, AA-		**1,217,559**	1,142,254
- A+, A, A-		**1,190,414**	1,100,532
- BBB+, BBB, BBB-		**-**	40,000
- Unrated		**11,245**	11,245
		2,419,218	2,294,031

	2018	2017
	Cost (Rupees in '000)	
8.4.4 Mutual Funds	**274,119**	274,119

8.5 Particulars relating to Held to Maturity securities are as follows:

	2018	2017
Non Government Debt Securities- Unlisted		
- Unrated	-	153,060
	-	153,060

8.5.1 The market value of securities classified as held-to-maturity as at 31 December 2018 amounted to Nil (31 December 2017: Rs. 153.06 million).

8.6 Market treasury bills carry yield ranging from 6.01% to 10.30% (2017: 6.01%) per annum with maturities upto 28 Feb 2019 (2017: 07 June 2018).

8.7 The investments in Pakistan investment bonds are maturing upto 28 June 2028 (2017: 17 July 2019) and the effective yield ranges from 6.57% to 9.35% (2017: 6.57% to 9.35%) per annum.

9 ADVANCES

	Note	Performing		Non Performing		Total	
		2018	2017	**2018**	2017	**2018**	2017
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	*9.2*	**5,115,626**	4,125,788	**1,712,086**	958,250	**6,827,712**	5,084,038
Islamic financing and related assets		**332,984**	388,140	-	-	**332,984**	388,140
Bills discounted and purchased		**35,000**	35,000	-	-	**35,000**	35,000
Advances - gross	*9.1*	**5,483,610**	4,548,928	**1,712,086**	958,250	**7,195,696**	5,507,178
Provision against advances							
- Specific		-	-	**(971,770)**	(854,246)	**(971,770)**	(854,246)
- General		-	-	-	-	-	-
		-	-	**(971,770)**	(854,246)	**(971,770)**	(854,246)
Advances - net of provision		**5,483,610**	4,548,928	**740,316**	104,004	**6,223,926**	4,652,932

9.1 These include personal loans, car loans and house loans advanced to employees in accordance with their terms of employment. These personal loans, car loans and house loans carry mark-up at the rates of 3% and 5% (2017: 3% and 5%) per annum respectively.

9.2 Includes net investment in finance lease as disclosed below:

	2018			2017		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	**235,806**	**379,465**	**615,271**	137,428	252,218	389,646
Residual value	**6,469**	**131,841**	**138,310**	3,469	78,250	81,719
Minimum lease payments	**242,275**	**511,306**	**753,581**	140,897	330,468	471,365
Financial charges for future periods	**(48,180)**	**(50,158)**	**(98,338)**	(29,268)	(27,312)	(56,580)
Present value of minimum lease payments	**194,095**	**461,148**	**655,243**	111,629	303,156	414,785

9.2.1 The Company's implicit rate of return on leases ranges between 8.27% and 15.94% (2017: 7.67% and 15.94%) per annum. These are secured against leased assets and security deposits generally upto 27% (2017: 27%) of the cost of leased assets.

9.2.2 Lease rentals received during the year aggregate to Rs. 181 million (2017: Rs. 88 million).

9.3 Particulars of advances (Gross)

	2018	2017
	(Rupees in '000)	
In local currency	**5,483,610**	4,548,928
In foreign currencies	-	-
	5,483,610	4,548,928

9.4 Advances include Rs. 1,712 million (2017: Rs. 958 million) which has been placed under non-performing status as detailed below:

9.4.1 Category of Classification

	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	**165,656**	**31,059**	-	-
Doubtful	**235,803**	-	-	-
Loss	**1,310,627**	**940,711**	958,250	854,246
	1,712,086	**971,770**	958,250	854,246

9.5 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**854,246**	-	**854,246**	857,881	-	857,881
Charge for the year	**117,524**	-	**117,524**	42,362	-	42,362
Reversals	-	-	-	(45,997)	-	(45,997)
	117,524	-	**117,524**	(3,635)	-	(3,635)
Amounts written off	-	-	-	-	-	-
Closing balance	**971,770**	-	**971,770**	854,246	-	854,246

9.5.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	**971,770**	-	**971,770**	854,246	-	854,246
In foreign currencies	-	-	-	-	-	-
	971,770	-	**971,770**	854,246	-	854,246

9.5.2 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs.498 million (2017: Rs. 104 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

10. Fixed Assets

	Note	2018	2017
		(Rupees in '000)	
Capital work-in-progress	*10.1*	**183,090**	183,091
Property and equipment	*10.2*	**9,941**	14,507
		193,031	197,598

10.1 This represents office building and related parking space situated at The Ocean Mall, Clifton, Karachi purchased by the Company to transfer its registered and principal office.

10.2 Property and Equipment

	Note	2018			
		Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		(Rupees in '000)			
At 01 January 2018					
Cost		**35,538**	**36,586**	**36,922**	**109,046**
Accumulated depreciation		**(33,628)**	**(33,747)**	**(27,164)**	**(94,539)**
Net book value		**1,910**	**2,839**	**9,758**	**14,507**
Year ended 31 December 2018					
Opening net book value		**1,910**	**2,839**	**9,758**	**14,507**
Additions		**-**	**1,417**	**-**	**1,417**
Disposals	*10.3*	**-**	**(56)**	**-**	**(56)**
Depreciation charge		**(1,595)**	**(1,672)**	**(2,661)**	**(5,927)**
Closing net book value		**315**	**2,529**	**7,097**	**9,941**
At 31 December 2018					
Cost		**35,481**	**35,481**	**36,922**	**107,884**
Accumulated depreciation		**(35,166)**	**(32,953)**	**(29,825)**	**(97,943)**
Net book value		**315**	**2,529**	**7,097**	**9,941**
Rate of depreciation (percentage)		**20%**	**20%-25%**	**25%**	

	2017			
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)			
At 01 January 2017				
Cost	35,423	35,594	37,406	108,423
Accumulated depreciation	(31,458)	(31,496)	(23,104)	(86,058)
Net book value	3,965	4,098	14,302	22,365

	2017			
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)			
Year ended 31 December 2017				
Opening net book value	3,965	4,098	14,302	22,365
Additions	115	1,877	10,644	12,636
Disposals	-	(885)	(11,128)	(12,013)
Depreciation charge	(2,170)	(2,251)	(4,060)	(8,481)
Closing net book value	1,910	2,839	9,758	14,507
At 31 December 2017				
Cost	35,538	36,586	36,922	109,046
Accumulated depreciation	(33,628)	(33,747)	(27,164)	(94,539)
Net book value	1,910	2,839	9,758	14,507
Rate of depreciation (percentage)	20%	20%-25%	25%	

10.3 The gross cost of fully depreciated assets still in use is as follows;

	2018	2017
	(Rupees in '000)	
Furniture and fixture	**23,643**	23,700
Electrical, office and computer equipment	**27,502**	27,907
Vehicles	**4,825**	4,825
	55,970	56,432

11. INTANGIBLE ASSETS

	2018		2017	
	Computer software	**Total**	Computer software	Total
	(Rupees in '000)			
At 01 January				
Cost	**19,193**	**19,193**	18,724	18,724
Accumulated amortisation and impairment	**(18,788)**	**(18,788)**	(18,450)	(18,450)
Net book value	**405**	**405**	274	274
Year ended 31 December				
Opening net book value	**405**	**405**	274	274
Disposals	-	-	-	-
Closing net book value	**211**	**211**	405	405
At 31 December				
Cost	**19,193**	**19,193**	19,193	19,193
Accumulated amortisation and impairment	**(18,982)**	**(18,982)**	(18,788)	(18,788)
Net book value	**211**	**211**	405	405
Rate of amortisation (percentage)	**33%**		33%	

12. DEFERRED TAX ASSETS

	2018			
	At 01 January 2018	**Recognised in profit and loss account**	**Recgonised in other comprehensive income**	**At 31 December 2018**
	(Rupees in '000)			
Deductible Temporary Differences on				
- Tax losses carried forward	-	-	-	-
- Post retirement employee benefits	**3,157**	**(1,661)**	**407**	**1,903**
- Deficit on revaluation of investments	**39,037**	**5,182**	-	**44,219**
- Accelerated tax depreciation	**2,001**	**8,848**	-	**10,849**
- Provision against advances, off balance sheet etc.	**256,274**	**25,539**	-	**281,813**
- Provision against investments	**12,911**	**50,142**	-	**63,053**
- Others	-	**(1,252)**	-	**(1,252)**
	313,380	**86,798**	**407**	**400,585**
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	-	-	-	-
- Surplus on revaluation of investments	**(27,848)**	**(283)**	**6,395**	**(21,736)**
- Accelerated tax depreciation	**(20,216)**	**(4,054)**	-	**(24,270)**
- Leased assets	**(4,643)**	**(2,780)**	-	**(7,423)**
- Others	**(119)**	**(553)**	-	**(672)**
	(52,826)	**(7,670)**	**6,395**	**(54,101)**
	260,554	**79,128**	**6,802**	**346,484**

	2017			
	At 01 January 2017	Recognised in profit and loss account	Recgonised in other comprehensive income	At 31 December 2017
	(Rupees in '000)			
Deductible Temporary Differences on				
- Tax losses carried forward	-	-	-	-
- Post retirement employee benefits	1,418	-	1,739	3,157
- Deficit on revaluation of investments	1,435	(595)	38,197	39,037
- Accelerated tax depreciation	2,001	-	-	2,001
- Provision against advances, off balance sheet etc.	265,942	(9,668)	-	256,274
- Provision against investments	3,897	9,014	-	12,911
- Others	-	-	-	-
	274,693	(1,249)	39,936	313,380
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	-	-	-	-
- Surplus on revaluation of investments	(27,848)	-	-	(27,848)
- Accelerated tax depreciation	(381)	(19,835)	-	(20,216)
- Leased assets	(8,217)	3,574	-	(4,643)
- Others	(119)	-	-	(119)
	(36,565)	(16,261)	-	(52,826)
	238,128	(17,510)	39,936	260,554

13. OTHER ASSETS

	Note	2018	2017
		(Rupees in '000)	
Income / Mark-up accrued in local currency - net of provision		**1,132,962**	936,690
Advances, deposits, advance rent and other prepayments		**11,494**	66,300
Advance taxation (payments less provisions)		**15,694**	-
Non-banking asset acquired in satisfaction of claims	*13.1 & 13.2*	**94,905**	100,177
Dividend receivable		**514**	1,529
Security deposits		**7,231**	7,731
		1,262,800	1,112,427
Less: Provision held against other assets	*13.3*	**(999,740)**	(682,147)
Other Assets (Net of Provision)		**263,060**	430,280
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		-	-
Other Assets - total		**263,060**	430,280

13.1 Market value of Non-banking assets acquired in satisfaction of claims — **119,700** — 119,750

13.2 Non-banking assets acquired in satisfaction of claims

	2018	2017
Opening Balance	**100,177**	105,450
Less: Accumulated Depreciation	**5,272**	5,273
Closing Balance	**94,905**	100,177

13.3 Provision held against other assets

	2018	2017
Opening Balance	**682,147**	593,106
Add: Provision during the year	**317,593**	89,041
Closing Balance	**999,740**	682,147

14. BORROWINGS

Details of borrowings secured / unsecured

	Note	2018	2017
Secured			
Borrowings from State Bank of Pakistan			
-for Storage of Agricultural Produce (FFSAP)	*14.1*	-	3,294
-for Imported & Locally Manufactured Plant & Machinery (LTFF)	*14.2*	**712,115**	694,163
Repurchase agreement borrowings	*14.3*	**3,994,244**	4,235,781
Term borrowings	*14.4*	**2,062,500**	1,187,500
Total Secured		**6,768,859**	6,120,738
Unsecured			
Call borrowings		**1,147,000**	250,000
Total Unsecured		**7,915,859**	6,370,738

14.1 The Company has entered into agreement with the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP). The borrowing carries mark-up rate of Nil (2017: 2%) per annum.

14.2 The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 2.0% (2017: 2.0%) per annum. These borrowings will mature by 2027 (2017: 2027).

14.3 These carry mark-up at the rates ranging from 10.20% to 10.50% (2017: 6.00% to 6.05%) per annum and are secured against government securities having carrying amount of Rs. 4.028 billion (2017: Rs. 4.282 billion). These borrowings will mature up to February 2019 (2017: February 2018).

14.4 These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured by pledge of listed and unlisted Term finance certificates. It carries mark up at the rate of 6 months KIBOR plus 0.15% to 0.5% per annum. These are repayable in semi annual installments and shall be repaid by 2023.

15. DEPOSITS AND OTHER ACCOUNTS

	Note	2018	2017
		(Rupees in '000)	
Customers			
Term deposits	*15.2*	**711,906**	1,080,192
Financial Institutions			
Term deposits	*15.3*	**509,818**	733,809
		1,221,724	1,814,001

15.1 Composition of deposits

	Note	2018	2017
- Individuals	*15.4*	**41,161**	32,600
- Public Sector Entities		**331,878**	800,000
- Non-Banking Financial Institutions		**509,818**	433,809
- Private Sector		**338,867**	547,592
		1,221,724	1,814,001

15.2 The mark-up rates on these certificate of investments (COI) range between 6.7% to 10.75% (2017: 6.15% to 6.6%) per annum. These COIs will mature up to May 2019 (2017: December 2018).

15.3 The mark-up rates on these certificate of investments (COI) is 8.85% to 10.65% (2017: 6.2%) per annum. These COIs will mature up to March 2019 (2017: March 2018).

15.4 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to October 2019 (2017: November 2018).

16. OTHER LIABILITIES

	2018	2017
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	**44,886**	39,556
Accrued expenses	**12,940**	18,335
Current taxation (provisions less payments)	-	561
Payable to defined benefit plan	**7,528**	4,064
Provision for compensated absences	**3,502**	4,773
Payable to an associated undertaking	**6,475**	5,279
Government levies payable	**4,694**	7,332
Provision for audit fee	**714**	1,436
Advance insurance premium on lease	**932**	469

	2018	2017
	(Rupees in '000)	
Security deposits against lease	**138,310**	81,719
Payable Brokerage / NCCPL	-	5,924
Provision for staff rewards	**3,092**	21,055
Provision for worker's welfare fund	**55,091**	55,091
	278,164	245,594

17. SHARE CAPITAL

17.1 Authorised capital

2018	2017		**2018**	2017
(Number of shares)			**(Rupees in '000)**	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

17.2 Issued, subscribed and paid-up share capital

600,000,000	600,000,000	Ordinary shares of Rs.10 each and fully paid in cash	**6,000,000**	6,000,000

17.3 Major shareholders (holding more than 5% of total paid-up capital)

	2018		**2017**	
Name of shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan*	**300,000,000**	**50%**	300,000,000	50%
Iran Foreign Investment Company*	**300,000,000**	**50%**	300,000,000	50%
	600,000,000	**100%**	600,000,000	100%

* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

18. RESERVES

	2018	2017
	(Rupees in '000)	
Statutory reserve		
Opening balance	**840,066**	794,107
Transfer during the year	-	45,959
Closing balance	**840,066**	840,066

18.1 According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

19. DEFICIT ON REVALUATION OF ASSETS

	2018	2017
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	**(84,674)**	(43,864)
- Fixed Assets	-	-
- Non-banking assets acquired in satisfaction of claims	-	-
	(84,674)	(43,864)

	2018	2017
	(Rupees in '000)	
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	**12,973**	6,578
- Fixed Assets	-	-
- Non-banking assets acquired in satisfaction of claims	-	-
	12,973	6,578
	(71,701)	(37,286)

20. CONTINGENCIES AND COMMITMENTS

20.1 The income years 2013 to 2015 are under scrutiny. For Tax year 2013, the income tax department has amended the assessments the Company has paid the additional demand created by the department under protest. While making amended assessment certain errors were made in the revised order with the effect amounting to PKR 5.5 million. The Company has filed a rectification application for the same in addition to filing an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the amended order issued by the Commissioner Inland Revenue (Appeals) (CIRA) which is pending for hearing.

In respect of tax years 2014 & 2015 ATIR deleted the demand on ground of allocation of mark-up expenses to capital gain and dividend income and directed the department to work out the liability of WWF in the light of Supreme Court's order. It has also remanded back the issue of taxing amortization of TFCs and preference shares and taxing of capital gain on sale of TFCs and T bills under the head business income instead of capital gain for re-adjudication. The department may file reference before High Court on allocation of expenses, where any adverse decision may increase the liability of the Company by approximately PKR 54.71 million & PKR 93.93 million respectively.

For tax years 2016 to 2017, return filed under Universal Self-Assessment Scheme (USAS) is treated as deemed assessment under section 120 of the Income Tax Ordinance, 2001.

	2018	2017
20.2 Commitments	(Rupees in '000)	
Repurchase agreement borrowings	**3,994,244**	4,235,781
20.3 Direct credit substitutes	**80,000**	148,810

20.4 Commitments to extend credit

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company's exposure in these instruments represents equity futures. The Company also enters into repo transactions against government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying government securities.

22. DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company treasury and investment group buy and sell derivative instruments such as equity futures.

22.1 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

		Note	2018	2017
			(Rupees in '000)	
23.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances		**148,770**	361,396
	On investments		**715,615**	642,281
	On deposits with financial institutions		**2,856**	5,504
	On lendings to financial institutions		**40,176**	35,936
			907,417	1,045,117
24.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**87,217**	91,800
	Securities sold under repurchase agreements		**245,513**	228,618
	On borrowing from State Bank of Pakistan			
	- for Storage of Agricultural Produce (FFSAP)		**-**	227
	- for Imported & Locally Manufactured Plant & Machinery (LTFF)		**13,977**	10,685
	Other Borrowing		**125,900**	56,028
			472,607	387,358
25.	**FEE & COMMISSION INCOME**			
	Investment banking fees		**12,282**	10,327
	Others		**485**	335
			12,767	10,662
26.	**GAIN ON SALE OF SECURITIES**			
	Realised	*26.1*	**66,221**	69,591
	Unrealised - held for trading	*8.1*	**(8,010)**	9,680
			58,211	79,271
26.1	Realised gain on:			
	Federal Government Securities		**-**	26,249
	Shares		**66,221**	23,315
	Units of mutual funds		**-**	20,027
			66,221	69,591
27.	**OPERATING EXPENSES**			
	Total compensation expense	*27.1*	**174,891**	185,710
	Property expense			
	Rent & taxes		**19,419**	18,423
	Insurance		**3,477**	4,089
	Utilities cost		**4,947**	6,778
	Security (including guards)		**626**	
	Repair & maintenance (including janitorial charges)		**3,605**	9,596
	Depreciation		**9,529**	11,504
			41,603	50,390
	Information technology expenses			
	Software maintenance		**4,131**	4,196
	Depreciation		**1,672**	2,251
	Amortisation		**194**	337
	Network charges		**4,056**	4,971
	Others		**259**	207
			10,312	11,962

	Note	2018	2017
		(Rupees in '000)	
Other operating expenses			
Directors' fees and allowances		**2,228**	2,313
Legal & professional charges		**4,178**	5,904
Travelling & conveyance		**23,326**	26,086
Depreciation		-	-
Training & development		**343**	250
Postage & courier charges		**218**	177
Communication		**1,201**	1,339
Stationery & printing		**83**	1,775
Marketing, advertisement & publicity		**209**	443
Donations	27.2	-	780
Auditors Remuneration	27.3	**3,641**	1,911
Commission and brokerage		**3,797**	3,609
Others		**1,391**	3,674
		40,615	48,261
		267,421	296,323

27.1 Total compensation expense

	2018	2017
Fees and Allowances etc.	-	-
Employees Remuneration		
i) Fixed	**90,078**	93,170
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**8,035**	19,710
b) Bonus & Awards in Shares etc.	-	-
Charge for defined benefit plan	**9,392**	8,654
Contribution to defined contribution plan	**8,676**	7,785
Rent & house maintenance	**23,339**	22,776
Utilities	**5,710**	5,444
Medical	**6,976**	7,125
Conveyance	**21,785**	20,850
Others	**900**	196
Total	**174,891**	185,710

27.2 None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	Note	2018	2017
		(Rupees in '000)	
National Institute Of Child Health		-	200
Al Umeed Rehabilitation Association		-	180
Patient Aid Foundation		-	100
Kidney Center		-	300
		-	780

27.3 Auditors' remuneration

	2018	2017
Audit fee	**544**	518
Half yearly review	**214**	204
Fee for audit of employee funds	**440**	175
Special certifications and sundry advisory services	**1,812**	583
Tax services	**300**	300
Out of pocket expenses	**331**	131
	3,641	1,911

28. OTHER CHARGES

	Note	2018	2017
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		-	50
Loss on disposal of fixed assets		**4**	-
		4	50

29 PROVISIONS & WRITE OFFS - NET

	Note	2018	2017
Provisions against lending to financial institutions		-	-
Provisions for diminution in value of investments	*8.3.1*	**139,639**	70,226
Provisions / (reversal) against loans and advances - net	9.4	**117,524**	(3,635)
		257,163	66,591

30. TAXATION

	2018	2017
Current	**65,098**	120,909
Prior year	**35,719**	-
Deferred	**(79,128)**	17,510
	21,689	138,419

30.1 Relationship between tax expense and accounting profit

	2018	2017
Profit before taxation	**11,458**	368,214
Tax on income @ 29% (2017: 30%)	**3,323**	110,464
Net tax effect on income taxed at reduced rates	**9,271**	9,745
Net tax effect on income subject to FTR	**(5,062)**	(21,584)
Net tax effect of income / expenses not subject to tax	**(10,802)**	(6,461)
Tax effect of expenses that are not deductible in determining taxable profit	**(24,573)**	41,016
Effect of change in rate of tax	**8,685**	7,681
Prior years charge	**35,719**	-
Others	**5,128**	(2,442)
Tax charge	**21,689**	138,419

31. BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
(Loss) / Profit for the year	**(10,231)**	229,795
	(Number of shares in '000)	
Weighted average number of ordinary shares	**600,000**	600,000
Basic and diluted (loss) / earnings per share	**(0.02)**	0.38

32. CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and balances with treasury banks	*5*	**73,144**	37,870
Balances with other banks	*6*	**60,653**	91,727
		133,797	129,597

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

	2018								
	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
					(Rupees in '000)				
Balance as at 01 January 2018	-	6,370,738	1,814,001	-	245,594	6,000,000	840,066	2,452,552	17,722,951
Changes from financing cash flows									
Receipts from subordinated debt - net	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(100,000)	-	-	(100,000)	(200,000)
Total changes from financing cash flows	-	-	-	-	(100,000)	-	-	(100,000)	(200,000)
Other changes									
Liability - related									
Changes in bills payable	-	-	-	-	-	-	-	-	-
Changes in borrowings	-	1,545,121	-	-	-	-	-	-	1,545,121
Changes in deposits and other accounts			(592,277)			-	-	-	(592,277)
Changes in other liabilities									
- Cash based	-	-	-	-	132,570	-	-	-	132,570
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	(10,231)	(10,231)
Other adjustments	-	-	-	-	-	-	-	(996)	(996)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	-
	-	1,545,121	(592,277)	-	132,570	-	-	(11,227)	1,074,187
Balance as at 31 December 2018	-	7,915,859	1,221,724	-	278,164	6,000,000	840,066	2,341,325	18,597,138

	2017								
	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
					(Rupees in '000)				
Balance as at 01 January 2017	-	6,549,981	2,079,728	-	518,803	6,000,000	794,107	2,572,774	18,515,393
Changes from financing cash flows									
Receipts from subordinated debt - net	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(300,000)	-	-	(300,000)	(600,000)
Total changes from financing cash flows	-	-	-	-	(300,000)	-	-	(300,000)	(600,000)
Other changes									
Liability - related									
Changes in bills payable	-	-	-	-	-	-	-	-	-
Changes in borrowings	-	(179,243)	-	-	-	-	-	-	(179,243)
Changes in deposits and other accounts			(265,727)			-	-	-	(265,727)
Changes in other liabilities									
- Cash based	-	-	-	-	32,588	-	-	-	32,588
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(5,797)	-	-	-	(5,797)
Transfer of profit to reserve	-	-	-	-	-	-	45,959	(45,959)	-
Profit for the year	-	-	-	-	-	-	-	229,795	229,795
Other adjustments	-	-	-	-	-	-	-	(4,058)	(4,058)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	-
	-	(179,243)	(265,727)	-	26,791	-	45,959	179,778	(192,442)
Balance as at 31 December 2017	-	6,370,738	1,814,001	-	245,594	6,000,000	840,066	2,452,552	17,722,951

33. STAFF STRENGTH

	2018	2017
	(Number of employees)	
Permanent	**45**	43
Temporary / on contractual basis	**7**	7
Company's own staff at end of the year	**52**	50
Outsourced	-	-
Total staff strength	**52**	50

34. DEFINED BENEFIT PLAN

34.1 General description

As mentioned in note 4.9, the Company operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

34.2 Number of Employees under the scheme

The number of employees covered under the defined benefit schemes are 45 (2017: 43).

34.3 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2018 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 34.3 to 34.15 has been obtained from the actuarial valuation carried out as at 31 December 2018.

	2018	2017
	Per annum	
Discount rate	**13.25%**	9.50%
Expected rate of return on plan assets	**13.25%**	9.50%
Expected rate of salary increase	**13.25%**	9.50%
Mortality rates (for death in service)	**SLIC(2001-05)-1**	SLIC(2001-05)-1
Rates of employee turnover	**Moderate**	Moderate

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

	2018	2017
	(Rupees in '000)	
Present value of obligations	**50,119**	38,046
Fair value of plan assets	**(44,061)**	(33,982)
Payable	**6,058**	4,064

34.5 Movement in defined benefit obligations

	2018	2017
Obligations at the beginning of the year	**38,046**	31,920
Current service cost	**9,006**	8,166
Interest cost	**3,949**	2,815
Benefits paid during the year	**(354)**	(9,696)
Re-measurement loss / (gain)	**(528)**	4,841
Obligations at the end of the year	**50,119**	38,046

34.6 Movement in fair value of plan assets

	2018	2017
	(Rupees in '000)	
Fair value at the beginning of the year	**33,982**	32,906
Interest income on plan assets	**3,563**	2,891
Contribution by the Company - net	**8,446**	(859)
Re-measurements gain / (loss) on plan assets	**(1,930)**	(957)
Fair value at the end of the year	**44,061**	33,982

34.7 Movement in payable under defined benefit schemes

	2018	2017
Opening balance	**4,063**	(986)
Charge for the year	**9,392**	8,090
Contribution by the Company - net	**(8,800)**	(8,837)
Re-measurement loss recognised in other comprehensive income during the year	**1,402**	5,797
Closing balance	**6,058**	4,064

34.8 Charge for defined benefit plans

34.8.1 Cost recognised in profit and loss

	2018	2017
Current service cost	**9,006**	8,166
Net interest on defined benefit liability / (asset)	**386**	(76)
	9,392	8,090

34.8.2 Re-measurements recognised in OCI during the year

	2018	2017
Loss / (gain) on obligation		
- Demographic assumptions	-	-
- Financial assumptions	**420**	3,801
- Experience adjustment	**(948)**	1,040
Actuarial loss on plan assets	**1,930**	956
Total Re-measurements recognised in OCI	**1,402**	5,797

34.9 Components of plan assets

	2018	2017
Cash and cash equivalents - net	**266**	3,962
Government Securities	**19,795**	6,020
Non-Government Debt Securities	**24,000**	24,000
	44,061	33,982

34.10 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	2018	2017
	(Rupees in '000)	
0.5% increase in discount rate	**47,898**	36,219
0.5% decrease in discount rate	**52,497**	40,010
0.5% increase in expected rate of salary increase	**52,544**	40,046
0.5% decrease in expected rate of salary increase	**47,836**	36,170

	2018 (Rupees in ‘000)
34.11 Expected contributions to be paid to the funds in the next financial year	**10,621**
34.12 Expected charge / (reversal) for the next financial year	**10,621**

34.13 Maturity profile

The weighted average duration of the obligation is 9.16 years.

Distribution of timing of benefit payments (time in years)

1	**5,674**
2	**2,838**
3	**3,417**
4	**4,051**
5	**4,789**
6-10	**39,033**

34.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

As far as possible, there is an implicit objective that the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

34.15 The significant risk associated with the staff retirement benefit plan may include:

Mortality Risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries’ service/age distribution and the benefit.

Investment Risk

The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries’ service/age distribution and the benefit.

35 DEFINED CONTRIBUTION PLAN

The general description of the note is included in note 4.9.

	2018	2017
	(Rupees in ‘000)	
Contributions made during the year:		
Employer's contribution	**8,676**	7,785
Employees' contribution	**8,676**	7,785

The number of employees covered under the defined contribution plan are 45 (2017: 43).

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director / Chief Executive Officer		Director		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fees	-	-	**2,218**	2,342	-	-
Managerial remuneration	**29,297**	20,547	-	-	**39,065**	42,560
Contribution to defined contribution plan	**2,622**	2,054	-	-	**2,633**	2,788
Rent and house maintenance	**1,039**	-	-	-	**10,530**	11,154
Utilities		2,018	-	-	**2,633**	2,788
Medical		183	-	-	**3,291**	3,486
Others	**1,504**	30,530	-	-	**9,066**	9,008
	34,462	55,332	**2,218**	2,342	**67,218**	71,784
Number of persons	**1**	*2	**4**	* 5	** 8	**10

The Managing Director / Chief Executive Officer is provided with free use of the Company maintained cars. All non-executive directors are given traveling allowance of Euro 5,000 per meeting for attending the board meeting held during the year.

*This also includes outgoing MD/CEO, directors & executives during the year.
**Executive means employees other than managing director and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

37 FAIR VALUE MEASUREMENTS

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

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

37.1 Fair value of financial assets

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

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

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

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

37.2 On balance sheet financial instruments

	2018		2017	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	**73,144**	**73,144**	37,870	37,870
Balances with other banks	**60,653**	**60,653**	91,727	91,727
Lendings to financial institutions	**105,000**	**105,000**	970,000	970,000
Investments	**11,352,612**	**11,259,928**	11,078,483	11,044,299
Advances	**6,223,926**	**6,223,926**	4,652,932	4,652,932
Other assets	**168,155**	**168,155**	330,103	330,103
	17,983,490	**17,890,806**	17,161,115	17,126,931
Liabilities				
Borrowings from financial institutions	**7,915,859**	**7,915,859**	6,370,738	6,370,738
Deposits and other accounts	**1,221,724**	**1,221,724**	1,814,001	1,814,001
Other liabilities	**278,164**	**278,164**	245,594	245,594
	9,415,747	**9,415,747**	8,430,333	8,430,333
	8,567,743	**8,475,059**	8,730,782	8,696,598
Off-balance sheet financial instruments	-	-	-	-

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Government securities	PKRV / PKFRV rates (MUFAP rates)
Term finance certificates and sukuk bonds (other than government)	MUFAP rates
Listed securities	PSX rates

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

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

	2018			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				-
Federal Government securities		**5,261,046**		**5,261,046**
Units of mutual funds		**199,683**		**199,683**
Shares in listed companies	**832,505**			**832,505**
Non Government Debt Securities	**3,992,913**			**3,992,913**

	2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets measured at fair value				
Investments				
Federal Government securities		5,793,120		5,793,120
Units of mutual funds		216,283		216,283
Shares in listed companies	723,913			723,913
Non Government Debt Securities	2,969,083			2,969,083

38. SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	2018				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	255,444	173,856	-	5,510	434,810
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	15,692	-	84,580	964	101,236
Total Income	**271,136**	**173,856**	**84,580**	**6,474**	**536,046**
Segment direct expenses	36,150	15,770	14,228	201,277	267,425
Inter segment expense allocation	-	-	-	-	-
Total expenses	**36,150**	**15,770**	**14,228**	**201,277**	**267,425**
Provisions	134,660	74,436	48,067	-	257,163
Profit before tax	**100,326**	**83,650**	**22,285**	**(194,803)**	**11,458**
Balance Sheet					
Cash & Bank balances	-	-	-	133,797	133,797
Investments	3,351,589	7,144,954	763,385	-	11,259,928
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	105,000	-	-	105,000
Advances - performing	5,410,162	-	-	73,448	5,483,610
- non-performing	740,316	-	-	-	740,316
Others	432,348	97,737	38,931	233,770	802,786
Total Assets	**9,934,415**	**7,347,691**	**802,316**	**441,015**	**18,525,437**
Borrowings	2,327,698	5,466,400	121,761	-	7,915,859
Subordinated debt	-	-	-	-	-
Deposits & other accounts	956,993	192,607	72,124	-	1,221,724
Net inter segment borrowing	-	-	-	-	-
Others	153,068	31,059	-	94,037	278,164
Total liabilities	**3,437,759**	**5,690,066**	**193,885**	**94,037**	**9,415,747**
Equity	6,496,656	1,657,625	608,431	346,978	9,109,690
Total Equity & liabilities	**9,934,415**	**7,347,691**	**802,316**	**441,015**	**18,525,437**
Contingencies & Commitments	80,000	-	-	-	80,000

	2017				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	435,508	199,426	-	22,825	657,759
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	13,231	46,276	69,773	(771)	128,509
Total Income	448,739	245,702	69,773	22,054	786,268
Segment direct expenses	31,971	15,202	10,556	293,734	351,463
Inter segment expense allocation	-	-	-	-	-
Total expenses	31,971	15,202	10,556	293,734	351,463
Provisions	5,298	-	61,293	-	66,591
Profit before tax	411,470	230,500	(2,076)	(271,680)	368,214
Balance Sheet					
Cash & Bank balances	-	-	-	129,597	129,597
Investments	2,681,938	7,712,870	649,491	-	11,044,299
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	970,000	-	-	970,000
Advances - performing	4,504,801	-	-	44,126	4,548,927
- non-performing	104,005	-	-	-	104,005
Others	461,451	59,660	(144)	367,870	888,837
Total Assets	7,752,195	8,742,530	649,347	541,593	17,685,665
Borrowings	1,126,249	5,219,999	24,490	-	6,370,738
Subordinated debt	-	-	-	-	-
Deposits & other accounts	655,015	1,121,578	37,408	-	1,814,001
Net inter segment borrowing	-	-	-	-	-
Others	96,679	25,065	5,924	117,926	245,594
Total liabilities	1,877,943	6,366,642	67,822	117,926	8,430,333
Equity	5,874,252	2,375,888	581,525	423,667	9,255,332
Total Equity & liabilities	7,752,195	8,742,530	649,347	541,593	17,685,665
Contingencies & Commitments	148,810	-	-	-	148,810

39. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise retirement benefit plan, major shareholders, directors, key management personnel and their close family members.

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

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

	2018			2017		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
Advances						
Opening balance	-	22,559	-	-	26,626	-
Addition during the year	-	41,059	-	-	1,939	-
Repaid during the year	-	(4,930)	-	-	(6,006)	-
Closing balance	-	58,688	-	-	22,559	-
Other Assets						
Receivable from staff retirement fund	-	-	-	-	-	-
Other receivable	-	-	9,035	-	-	7,144
Deposits and other accounts						
Opening balance	-	80	456,681	-	120	15,900
Received during the year	-	7,026	2,143,428	-	-	1,335,684
Withdrawn during the year	-	(5,263)	(2,012,394)	-	-	(894,900)
Transfer in / (out) - net	-	(20)		-	(40)	
Closing balance	-	1,823	587,715	-	80	456,684
Other Liabilities						
Interest / mark-up payable	-	14	2,767	-	-	792
Payable to staff retirement fund	-	-	2,156	-	-	1,915
Other liabilities	-	-	(6,475)	-	-	(5,279)

RELATED PARTY TRANSACTIONS

	2018			2017		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Income	(Rupees in '000)					
Mark-up / return / interest earned	-	1,432	-	-	1,597	-
Expense						
Mark-up / return / interest paid	-	43	44,622	-	-	8,682
Operating expenses						
Fees for Board & Committee Meeting	2,228	-	-	2,393	-	-
Allowances for Board & Committee Meeting	15,389	-	-	13,475	-	-
Managerial Remuneration	-	66,201	-	-	59,494	-
Cash Bonus / Awards	-	6,480	-	-	35,105	-
Contribution to defined contribution plan	-	5,467	-	-	4,807	-
Rent & house maintenance	-	12,420	-	-	12,448	-
Utilities	-	3,349	-	-	2,862	-
Medical	-	3,557	-	-	3,578	-
Conveyance	-	10,033	-	-	9,781	-
Others	-	630	-	-	216	-

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Capital adequacy

As per requirements of SBP, the Company is required to comply with the capital adequacy framework which comprises the following capital standards:

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid - up capital that the Company is required to hold at all times.

As of the statement of financial position date, the Company's paid - up capital stands at Rs. 6 billion as against the required MCR of Rs. 6 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the Banks / DFIs. The Banks / DFIs are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions became effective from 31 December 2013 with full implementation intended by 31 December 2019. These instructions also specify the transitional arrangements from 2013 to 2019.

Accordingly, the Company has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

	2018	2017
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**6,000,000**	6,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**5,816,658**	6,817,886
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	**5,816,658**	6,817,886
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	**5,816,658**	6,817,886
Risk Weighted Assets (RWAs):		
Credit Risk	**8,450,190**	8,483,909
Market Risk	**1,416,408**	1,498,467
Operational Risk	**1,231,336**	1,522,962
Total	**11,097,934**	11,505,338

	2018		2017	
	Required	**Actual**	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio	6.00%	52.41%	6.00%	59.26%
Tier 1 Capital Adequacy Ratio	7.50%	52.41%	7.50%	59.26%
Total Capital Adequacy Ratio	11.90%	52.41%	11.28%	59.26%

Standardized Approach of Basel III is used for calculating Capital Adequacy for Credit and Market Risk while Basic indicator Approach is used for calculating Capital Adequacy for Operational Risk.

	Note	2018	2017
Leverage Ratio (LR):		(Rupees in '000)	
Eligible Tier-1 Capital		**5,816,658**	6,817,974
Total Exposures		**17,766,344**	16,643,814
Leverage Ratio		**32.74%**	40.96%
Liquidity Coverage Ratio (LCR):			
Total High Quality Liquid Assets		**1,711,471**	2,051,268
Total Net Cash Outflow		**869,649**	785,842
Liquidity Coverage Ratio		**1.97**	2.61
Net Stable Funding Ratio (NSFR):			
Total Available Stable Funding		**12,175,418**	11,859,065
Total Required Stable Funding		**10,211,830**	8,581,747
Net Stable Funding Ratio		**119%**	138%

40.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time has be placed on the website. The link to the full disclosure is available at http:// www.pairinvestment.com.

41. RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: the risk of loss resulting from client or counterparty default.

Market Risk: the exposure to market variables such as interest rates and equity prices.

Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

PICL manages risk through a sound framework based on risk principles which includes an optimal organizational structure, risk assessment and monitoring processes. Credit & Risk Management function (CRMD) is mandated to implement this framework as a function independent of business segments working under the guidance of Board's Risk Management Committee (BRMC).

The Company's Credit & Risk Management Department has BASEL Compliant, Credit, Market, Liquidity and Operational Risk functions. Furthermore, Environmental Risk Management mechanism, through Green Banking Framework, has been defined and is currently in implementation phase.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics are in place to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system based risk assessment in order to have more efficiency in overall risk management processes.

41.1 Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.
- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

The Company has designed an Internal Risk Rating Models and methodology to gauge credit risk elements in the banking book of the Company.

The credit products mainly comprise of Fund based & Non-Fund based, including short term and long term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs, sukuk bonds and placements with financials institutions, etc. Exposures are collateralized by cash equivalents, fixed assets, and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty, to groups, and to industry, which are in line with SBP standards.

Stress testing on credit portfolio is being carried out on regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main shocks used to gauge the strength of Credit risk standing of the Company.

41.1.1 Credit Risk – General Disclosures Basel II/ III specific

The Company is more focused on the intent of Basel II/ III rather than just treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardized approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II .The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

41.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures, where available, against banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

41.1.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✔	✔
Corporate	✔	✔

Credit exposures subject to standardised approach

	Rating Category	Amount Outstanding	Deduction	Net amount
	(Rupees in '000)			
Corporate	1	1,138,207	-	1,138,207
	2	3,086,312	-	3,086,312
	3,4	-	-	-
	5,6	-	-	-
	Unrated 1	2,113,943	-	2,113,943
	Unrated 2	1,420,614	-	1,420,614
Banks		4,173,523	3,994,244	179,279
Sovereigns		5,371,956	-	5,371,956
Retail Portfolio		6,949	-	6,949
Residential Mortgage Finance		66,499	-	66,499
Past Due Loans		1,711,406	-	1,711,406
Listed Equity investments		450,650	-	450,650
Unlisted Equity investments		131,916	-	131,916
Cash and Cash Equivalents		4,223	-	4,223
Others		670,060	-	670,060
		20,346,258	3,994,244	16,352,014

41.1.4 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets , Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GOP Guarantee and Pledge of stocks are the main type of collaterals taken against the exposure.

41.1.5 Lendings to financial institutions

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Credit risk by public / private sector						
Public/ Government	-	-	-	-	-	-
Private	105,000	970,000	-	-	-	
	105,000	970,000	-	-	-	-

41.1.6 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Chemicals and pharmaceutical	486,777	499,035				
Financial Institution	3,524,317	3,338,673	11,245	11,245	11,245	11,245
Home Appliances	-	-				
Manufacture of bakery other food products	200,000	-				
Manufacture of basic iron and steel	300,000	-				
Manufacture of chemicals and chemical products	21,550	23,411	21,550	23,411	855	855
Manufacture of medicinal and pharmaceutical products	150,000	150,000				
Power	94,228	131,045				
Real estate activities	209,702	19,680	19,680	19,680		
	4,986,574	4,161,844	52,475	54,336	12,100	12,100

Credit risk by Public / Private Sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	4,986,574	4,161,844	52,475	54,336	12,100	12,100
	4,986,574	4,161,844	52,475	54,336	12,100	12,100

41.1.7 Advances

	Gross investments		Non-performing investments		Provision held	
Credit risk by industry sector	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Manufacture of electrical machinery and apparatus	600,000	200,000	-	-	-	-
Cargo handling	240,706	168,393	-	-	-	-
Casting of iron and steel	194,288	194,288	194,288	-	-	-
Education	122,204	-	-	-	-	-
Financial Institution	173,950	294,958	-	-	-	-
Hotels and Tourism	140,000	180,000	-	-	-	-
Manufacture of basic iron and steel	476,611	476,611	476,611	-	114,605	-
Manufacture of cement	375,000	75,000	75,000	75,000	75,000	75,000
Manufacture of dairy products	-	8,428	-	-	-	-
Manufacture of medicinal and pharmaceutical products	286,553	118,866	-	-	-	-
Manufacture of other grain mills products	150,000	125,000	-	-	-	-

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Manufacture of parts and accessories for motor vehicles	**116,227**	157,554	-	-	-	-
Manufacture of refined petroleum and products	**800,000**	-	-	-	-	-
Manufacture of rubber tyres	**31,250**	56,250	-	-	-	-
Manufacture of rubber tyres and tubes	**200,000**	200,000	-	-	-	-
Manufacture of structural metal products	-	11,250	-	-	-	-
Manufacture of sugar	**640,000**	744,821	**70,000**	70,000	**64,165**	61,246
Manufacture of Textiles	**1,212,547**	1,235,761	**500,000**	500,000	**500,000**	500,000
Media	**35,000**	35,000	-	-	-	-
Poultry and other animal farming and related products	**106,500**	129,000	**95,250**	95,250	-	-
Production, transmission and distribution of electricity	**453,698**	551,280	**41,515**	-	-	-
Real estate activities	**284,860**	284,860	**218,000**	218,000	**218,000**	218,000
Staff Loans	**73,536**	44,126	-	-	-	-
Textile others	**41,421**	47,355	**41,421**	-	-	-
Printing, publishing and allied industries	**123,157**	65,252	-	-	-	-
Maintenance and repair	**62,368**	86,629	-	-	-	-
Manufacture of parts and accessories for motor vehicles and their engine	**6,695**	16,496	-	-	-	-
Manufacture of other fabricated metal products	**49,125**	-	-	-	-	-
Manufacture of edible oil and ghee	**200,000**	-	-	-	-	-
	7,195,696	5,507,178	**1,712,086**	958,250	**971,770**	854,246

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	7,195,696	5,507,178	1,712,086	958,250	971,770	854,246
	7,195,696	5,507,178	1,712,086	958,250	971,770	854,246

41.1.8 Contingencies and Commitments

	Note	**2018**	2017
		(Rupees in '000)	
Credit risk by industry sector			
Production & Transmission of Energy		**80,000**	80,000
Manufacture of medicinal and pharmaceutical products		-	56,028
Production, transmission and distribution of electricity		-	12,782
		80,000	148,810
Credit risk by public / private sector			
Public/ Government		-	-
Private		80,000	148,810
		80,000	148,810

41.1.9 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 3.18 billion (2017: Rs. 2.76 billion) are as following:

	2018	2017
	(Rupees in '000)	
Funded	3,187,358	2,764,278
Non Funded	-	-
Total Exposure	3,187,358	2,764,278

The sanctioned limits against these top 10 exposures aggregated to Rs. 3.32 billion (2017: Rs. 2.84 billion).

41.1.10 Advances - Province/Region-wise Disbursement & Utilization

	2018		
	Disbursements*	Utilization **	
Province/Region		Punjab	Sindh
Sindh	3,135,959	1,645,902	1,490,057
Total	**3,135,959**	**1,645,902**	**1,490,057**

	2017		
	Disbursements*	Utilization **	
Province/Region		Punjab	Sindh
Sindh	2,626,632	1,280,941	1,345,691
Total	2,626,632	1,280,941	1,345,691

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

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

41.2 Market Risk

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all Market related products on timely basis.

"Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create."

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

Details of Market Risk Weighted Assets subject to Basel III Capital Adequacy Calculation are given below:

Market Risk Weighted Assets	Assets	Capital Charge
Interest Rate Risk Exposure	25,959	65
Equity Exposure	708,753	113,400

41.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	73,144	-	73,144	37,870	-	37,870
Balances with other banks	60,653	-	60,653	91,727	-	91,727
Lendings to financial institutions	105,000	-	105,000	970,000	-	970,000
Investments	10,227,639	1,032,289	11,259,928	10,104,104	940,195	11,044,299
Advances	6,223,926	-	6,223,926	4,652,932	-	4,652,932
Fixed assets	193,031	-	193,031	197,598	-	197,598
Intangible assets	211	-	211	405	-	405
Deferred tax assets	346,484	-	346,484	260,554	-	260,554
Other assets	263,060	-	263,060	430,280	-	430,280
	17,493,148	1,032,289	18,525,437	16,745,470	940,195	17,685,665

41.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2018				2017			
	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
Pakistan Rupees	18,512,249	9,409,272	80,000	9,182,977	17,677,230	8,425,054	148,810	9,400,986
United States Dollar	9,414	-	-	9,414	7,825	-	-	7,825
Euro	3,774	6,475	-	(2,701)	610	5,279	-	(4,669)
	18,525,437	9,415,747	80,000	9,189,690	17,685,665	8,430,333	148,810	9,404,142

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on :				
- Profit and loss account	67	-	31	-
- Other comprehensive income	-	-	-	-

41.2.3 Equity position Risk

The objective of 'Held for Trading' portfolio is to take advantages of short-term capital gains, while the 'Available for Sale' portfolio is maintained with a medium-term view of capital gains and dividend income. The Company has also invested in mutual funds categorize as "Available for Sale". Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for exposures against price risk.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on :				
- Profit and loss account	-	3,808	-	8,272
- Other comprehensive income	-	37,822	-	27,924

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

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuk that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	31,129	-	24,819	-
- Other comprehensive income	79,444	-	51,714	-

41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective yield / interest rate	Total	2018 Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.05%	73,144	566	-	-	-	-	-	-	-	-	72,578
Balances with other banks	3.33%	60,653	27,421	-	-	-	-	-	-	-	-	33,232
Lending to financial institutions	12.50%	105,000		105,000	-	-	-	-	-	-	-	-
Investments	10.20%	11,259,926	3,215,826	3,185,046	2,508,263	803,575	-	-	-	495,350	-	1,051,866
Advances	10.58%	6,223,926	1,921,354	2,321,319	334,048	253,082	130,682	121,442	310,252	135,585	49,021	647,141
Other assets		802,786										802,786
		18,525,435	5,165,167	5,611,365	2,842,311	1,056,657	130,682	121,442	310,252	630,935	49,021	2,607,603
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	9.67%	7,915,858	4,160,977	991,335	2,095,772	57,278	118,662	118,662	236,770	136,402	-	-
Deposits and other accounts	10.20%	1,221,722	572,930	535,718	113,074	-	-	-	-		-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		278,165	-	-	-	-	-	-	-	-	-	278,165
		9,415,745	4,733,907	1,527,053	2,208,846	57,278	118,662	118,662	236,770	136,402	-	278,165
On-balance sheet gap		9,109,690	431,260	4,084,312	633,465	999,379	12,020	2,780	73,482	494,533	49,021	2,329,438
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		**9,109,690**	**431,260**	**4,084,312**	**633,465**	**999,379**	**12,020**	**2,780**	**73,482**	**494,533**	**49,021**	**2,329,438**
Cumulative Yield/Interest Risk Sensitivity Gap		**9,109,690**	**431,260**	**4,515,572**	**5,149,037**	**6,148,416**	**6,160,436**	**6,163,216**	**6,236,698**	**6,731,231**	**6,780,252**	**9,109,690**

	Effective yield / interest rate	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments
			2017									
			Exposed to Yield/ Interest risk									
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.05%	37,870	543	-	-	-	-	-	-	-	-	37,327
Balances with other banks	3.75%	91,727	43,079	-	-	-	-	-	-	-	-	48,648
Lending to financial institutions	7.00%	970,000	170,000	300,000	500,000	-	-	-	-	-	-	
Investments	6.90%	11,044,299	466,226	3,854,750	4,751,498	153,060	858,890	-	-	-	-	959,875
Advances	8.03%	4,652,932	1,056,779	1,747,989	591,155	299,350	171,251	126,126	225,954	303,062	27,260	104,006
Other assets		330,103	-	-	-	-	-	-	-	-	-	330,103
		17,126,931	1,736,627	5,902,739	5,842,653	452,410	1,030,141	126,126	225,954	303,062	27,260	1,479,959
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	5.68%	6,370,738	4,035,780	450,000	1,213,774	38,839	87,676	105,309	210,618	228,742	-	-
Deposits and other accounts	6.25%	1,814,001	143,545	1,621,531	9,000	39,726	-	-	-	-	-	199
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		245,594	-	-	-	-	-	-	-	-	-	245,594
		8,430,333	4,179,325	2,071,531	1,222,774	78,565	87,676	105,309	210,618	228,742	-	245,793
On-balance sheet gap		8,696,598	(2,442,698)	3,831,208	4,619,879	373,845	942,465	20,817	15,336	74,320	27,260	1,234,166
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		8,696,598	(2,442,698)	3,831,208	4,619,879	373,845	942,465	20,817	15,336	74,320	27,260	1,234,166
Cumulative Yield/Interest Risk Sensitivity Gap		8,696,598	(2,442,698)	1,388,510	6,008,389	6,382,234	7,324,699	7,345,516	7,360,852	7,435,172	7,462,432	8,696,598

41.2.5.1 Reconciliation of financial assets and liabilities

	2018	2017
	(Rupees in '000)	
Assets as per Statement of financial position	**18,525,437**	17,685,665
Fixed assets	**193,031**	-
Intangible assets	**211**	-
Less:		
Advances, deposits, advance rent and other prepayments	**11,494**	66,300
Stationery and stamps on hand	-	-
Non-Refundable Deposits	**7,231**	7,731
Non Banking assets acquired against claims	**94,905**	100,177
Advance Taxation (payments less provisions)	**15,694**	-
	129,324	174,208
Interest Rate Sensitive Assets	**18,202,871**	17,511,457
Liabilities as per Statement of financial position	**9,415,747**	8,430,333
Deferred tax liabilities	-	-
Less:		
Provision for compensated absences	**3,502**	4,773
Branch Adjustment accounts	-	-
Workers' Welfare Fund	**55,091**	55,091
Provisions against off balance sheet obligations	-	-
Unearned commission LG	-	-
	58,593	59,864
Other liabilities - yield	**9,357,154**	8,370,469

41.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular# 04-2014 dated May 20, 2014, developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. PAIR Investment Company is adequately monitoring & reporting the operational risk data as per regulatory guidelines and Board of Directors (BOD) approved Operational Risk policy. With the implementation of Operational Risk Framework, the Company is being able to manage operational risks in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

PICL maintains a system of internal controls designed to keep operational risk at appropriate levels. Various techniques/tools used by the Company for management of Operational Risk includes RCSAs (Risk Control Self Assessment), KRIs (Key Risk Indicators) and Loss data management. PICL also has in place a business continuity plan for all critical functional areas for smooth functioning of operations.

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

41.3.1 Operational risk disclosure - Basel II/III specific

Basic Indicator approach of Basel II/ III has been used to calculate Operational Risk charge of the Company.

41.4 Liquidity risk

Liquidity risk is the risk of loss to the Company arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

The Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications. Moreover, PAIR Investment maintains strict adherence to SBP prescribed Liquidity Measures ensuring smooth liquidity i.e.: CRR, SLR, LCR and NSFR.

41.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Company's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Company calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2018, the Company's LCR stood at 121%.

41.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Company has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Market Risk Committee
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Company's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Company's liquidity risk.

Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

41.4.3 Funding Strategy

The Company's prime source of liquidity is it's own Capital and funding from other Financial Institutions. PICL also have sizable Deposits Base in the form of Certificate of Investments. PICL is endeavoring to diversify its funding sources and enhance its Long-Term funding options so as to minimize the Liquidity Risk.

41.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like Liquid Assets to Total Assets, advances to deposits, liquid assets to Clean Borrowing & COIs, Net Advances to Total Asset Ratio etc., which are monitored on regular basis against limits. Further, the DFI also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. The DFI also ensures that statutory cash and liquidity requirements are maintained at all times. In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of PICL.

41.4.5 Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under stress scenario. The Company's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity.

41.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Company which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. CFP highlights possible funding sources, in case of a liquidity contingency.

41.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD circular no. 08 dated 23 June 2016.

41.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

41.4.9 Concentration of Funding Sources

Almost half of the PICL's Balance sheet is funded by its own equity, while Borrowing from Financial Institutions remain key source of funding. In order to diversify its funding sources, PICL has sizable Deposits Base in the form of Certificate of Investment while Term Borrowing from Central Bank and other FIs are also tapped.

41.4.10 Currency Mismatch in the LCR

About 99% of the Company's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

41.4.11 Centralisation of Liquidity Management

Overall liquidity management of PICL is centralised in Treasury & Investment Unit. While ALCO periodically monitors the Liquidity Management of the Company.

41.4.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

41.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a company must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Company's NSFR stood at 119% as on 31 December 2018.

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

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	73,144	73,144	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	60,653	60,653	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	105,000	-	-	-	-	-	105,000	-	-	-	-	-	-	-
Investments	11,259,928	75,000	999,571	80	1,071,328	1,974,851	11,598	1,001,636	886,220	50,189	299,080	412,735	2,229,491	2,248,147
Advances	6,223,926	2,660	13,290	540,623	67,931	187,477	63,275	604,888	717,297	881,281	741,058	1,305,001	766,808	332,338
Fixed assets	193,031	-	-	-	-	-	-	-	-	-	-	-	-	193,031
Intangible assets	211	-	-	-	-	-	-	-	-	-	-	-	-	211
Deferred tax assets	346,484	-	-	-	-	-	-	-	-	-	-	-	-	346,484
Other assets	263,060	4,215	2,383	46,885	35,670	34,624	39,729	15,899	83,655	-	-	-	-	-
	18,525,437	215,672	1,015,244	587,588	1,174,929	2,196,952	219,602	1,622,423	1,687,172	931,470	1,040,138	1,717,736	2,996,299	3,120,211
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,915,859	2,000	1,835,653	982,737	1,340,588	988,739	2,596	220,772	8,716	173,561	618,662	618,662	986,770	136,402
Deposits and other accounts	1,221,724	-	73,537	242,399	257,014	60,535	475,184	112,976	20	60	-	-	-	-
Liabilities against assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	278,164	-	-	-	8,349	-	194,626	13,624	-	6,475	55,091	-	-	-
	9,415,747	2,000	1,909,190	1,225,136	1,605,951	1,049,274	672,406	347,372	8,736	180,096	673,753	618,662	986,770	136,402
Net assets	9,109,690	213,672	(893,946)	(637,548)	(431,022)	1,147,678	(452,804)	1,275,051	1,678,436	751,374	366,385	1,099,074	2,009,529	2,983,809
Share capital	6,000,000													
Reserves	838,020													
Surplus on revaluation of assets	(71,701)													
Unappropriated profit	2,343,371													
	9,109,690													

	2017													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	37,870	37,870												
Balances with other banks	91,727	91,727												
Lendings to financial institutions	970,000	-	170,000	-	-	-	300,000	500,000	-	-	-	-	-	-
Investments	11,044,299	22,224	-	80	179,299	2,978,608	59,712	2,774,198	214,666	45,616	1,115,614	401,108	1,001,626	2,251,548
Advances	4,652,932	2,417	42,853	1,385	312,142	144,932	60,517	411,252	366,647	969,141	782,288	591,315	537,983	430,060
Fixed assets	197,598													197,598
Intangible assets	405													405
Deferred tax assets	260,554													260,554
Other assets	430,280	7,995	54,997	14,554	5,249	15,241	96,790	188,772	11,994					
	17,685,665	162,233	267,850	16,019	496,690	3,138,781	517,019	3,874,222	593,307	1,014,757	1,897,902	992,423	1,539,609	3,140,165
Liabilities														
Borrowings	6,370,738	-	1,486,626	1,471,013	1,078,142	450,000	-	88,774	7,142	94,197	400,176	355,309	710,618	228,739
Deposits and other accounts	1,814,001	-	25,950	103,400	14,215	97,641	1,523,890	9,080	20	39,806	-	-	-	-
Liabilities against assets	-													
subject to finance lease	-													
Subordinated debt	-													
Deferred tax liabilities	-													
Other liabilities	245,594	-	-	-	27,762	-	129,559	27,903	-	5,279	55,091	-	-	-
	8,430,333	-	1,512,576	1,574,413	1,120,119	547,641	1,653,449	125,757	7,162	139,282	455,267	355,309	710,618	228,739
Net assets	9,255,332	162,233	(1,244,726)	(1,558,394)	(623,429)	2,591,140	(1,136,430)	3,748,465	586,145	875,475	1,442,635	637,114	828,991	2,911,426
Share capital	6,000,000													
Reserves	840,066													
Surplus on revaluation of assets	(37,286)													
Unappropriated profit	2,452,552													
	9,255,332													

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

	2018									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	73,144	73,144	-	-	-	-	-	-	-	-
Balances with other banks	60,653	60,653	-	-	-	-	-	-	-	-
Lending to financial institutions	105,000	-	105,000	-	-	-	-	-	-	-
Investments	11,259,928	2,145,981	1,986,449	1,001,636	936,409	299,080	412,735	2,229,491	1,748,147	500,000
Advances	6,223,926	624,504	250,783	604,878	1,598,568	741,047	1,305,001	766,808	283,316	49,021
Fixed assets	193,031	-	-	-	-	-	-	-	-	193,031
Intangible assets	211	-	-	-	-	-	-	-	-	211
Deferred tax assets	346,484	-	-	-	-	-	-	-	-	346,484
Other assets	263,060	89,153	74,353	15,899	83,655	-	-	-	-	-
	18,525,437	2,993,435	2,416,585	1,622,413	2,618,632	1,040,127	1,717,736	2,996,299	2,031,463	1,088,747
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	7,915,858	4,160,977	991,335	220,772	182,278	618,662	618,662	986,770	136,402	-
Deposits and other accounts	1,221,724	572,950	535,718	112,976	80	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	278,165	8,349	194,626	13,624	6,475	55,091	-	-	-	-
	9,415,747	4,742,276	1,721,679	347,372	188,833	673,753	618,662	986,770	136,402	-
Net assets	9,109,690	(1,748,841)	694,906	1,275,041	2,429,799	366,374	1,099,074	2,009,529	1,895,061	1,088,747
Share capital/ Head office capital account	6,000,000									
Reserves	838,020									
Surplus/(Deficit) on revaluation of assets	(71,701)									
Unappropriated/ Unremitted profit	2,343,371									
	9,109,690									

	2017									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	37,870	37,870	-	-	-	-	-	-	-	
Balances with other banks	91,727	91,727	-	-	-	-	-	-	-	-
Lending to financial institutions	970,000	170,000	300,000	500,000	-	-	-	-	-	-
Investments	11,044,299	201,603	3,038,320	2,774,198	260,282	1,115,614	401,108	1,001,626	1,751,548	500,000
Advances	4,652,932	358,797	205,449	411,252	1,335,788	782,288	591,315	537,983	402,800	27,260
Fixed assets	197,598	-	-	-	-	-	-	-	-	197,598
Intangible assets	405	-	-	-	-	-	-	-	-	405
Deferred tax assets	260,554	-	-	-	-	-	-	-	-	260,554
Other assets	430,280	82,794	112,031	188,772	11,994	-	-	-	-	34,689
	17,685,665	942,791	3,655,800	3,874,222	1,608,064	1,897,902	992,423	1,539,609	2,154,348	1,020,506
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	6,370,738	4,035,781	450,000	88,774	101,339	400,176	355,309	710,618	228,741	-
Deposits and other accounts	1,814,001	143,565	1,621,531	9,079	39,826	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	245,594	27,070	128,451	27,903	7,079	55,091	-	-	-	-
	8,430,333	4,206,416	2,199,982	125,756	148,244	455,267	355,309	710,618	228,741	-
Net assets	9,255,332	(3,263,625)	1,455,818	3,748,466	1,459,820	1,442,635	637,114	828,991	1,925,607	1,020,506

Share capital/ Head office capital account	6,000,000
Reserves	840,066
Surplus/(Deficit) on revaluation of assets	(37,286)
Unappropriated/ Unremitted profit	2,452,552
	9,255,332

42. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. Nil (2017: Rs. 100 million).

43. GENERAL

43.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

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

43.3 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company.

43.4 Corresponding figures

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

44. DATE OF AUTHORISATION

These financial statements were authorized for issue on 24th February 2019 by the Board of Directors of the Company.

Chief Financial Officer	Chief Executive & Managing Director	Chairman	Director	Director

PAÏR
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