



PAiR Investment Company Limited
Condensed Interim Financial Statements (Un-audited)
For the period ended 30 Sep 2017

PAIR Investment Company Limited
Condensed Interim Statement of Financial Position
As at 30 September 2017

	Note	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		37,470	64,205
Balances with other banks		92,039	432,783
Lendings to financial institutions		700,000	-
Investments - net	7	7,868,104	11,842,973
Advances - net	8	4,482,720	5,424,351
Operating fixed assets	9	198,993	176,982
Deferred tax assets - net		276,292	238,128
Other assets	10	439,362	419,049
		14,094,980	18,598,471
LIABILITIES			
Bills payable		-	-
Borrowings	11	3,037,544	6,549,981
Deposits and other accounts	12	1,665,198	2,079,728
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		223,750	518,803
		4,926,492	9,148,512
NET ASSETS			
		9,168,488	9,449,959
REPRESENTED BY			
Share capital	13	6,000,000	6,000,000
Reserves		824,250	794,107
Unappropriated profit		2,393,348	2,572,774
		9,217,598	9,366,881
Surplus on revaluation of assets - net of deferred tax	14	(49,110)	83,078
		9,168,488	9,449,959
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer /
Managing Director



Chairman



Chief Executive and
Managing Director



Director



Director

PAIR Investment Company Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the nine month period ended 30 September 2017


	Note		Nine month period ended		Quarter ended	
	30 Sep	30 Sep	30 Sep	30 Sep	30 Sep	30 Sep
	2017	2016	2017	2017	2016	2016
	------(Rupees in '000)-----					
Mark-up / return / interest earned	806,469	938,394	239,319	239,319	303,195	303,195
Mark-up / return / interest expensed	304,026	415,273	73,879	73,879	132,531	132,531
Net mark-up / interest income	502,443	523,121	165,440	165,440	170,664	170,664
Provision against non-performing loans and advances - net	8.2.1 35,503	53,925	5,292	5,292	32,754	32,754
Provision / (reversal) for diminution in the value of investments	7.3 28,164	(153,050)	24,919	24,919	(138,756)	(138,756)
Bad debts written-off directly	-	-	-	-	-	-
Net mark-up / interest income after provisions	438,776	622,246	135,229	135,229	276,666	276,666
NON MARK-UP / INTEREST INCOME						
Fee, commission and brokerage income	6,049	12,447	1,111	1,111	5,275	5,275
Dividend income	17,076	20,973	6,299	6,299	8,144	8,144
Income from dealing in foreign currencies	(880)	423	(160)	(160)	-	-
Gain on sale / redemption of securities - net	75,949	100,871	7,185	7,185	21,708	21,708
Gain on sale of fixed assets	-	5	-	-	5	5
Unrealised gain on revaluation of investments classified as held for trading securities	(7,050)	(1,333)	(7,890)	(7,890)	(1,337)	(1,337)
Other income	-	-	-	-	-	-
Total non mark-up / interest income	91,144	133,386	6,545	6,545	33,795	33,795
NON MARK-UP / INTEREST EXPENSES						
Administrative expenses	277,968	250,867	101,905	101,905	81,137	81,137
Other charges	-	-	-	-	-	-
Total non mark-up / interest expenses	277,968	250,867	101,905	101,905	81,137	81,137
Extra-ordinary / unusual items	-	-	-	-	-	-
PROFIT BEFORE TAXATION	251,952	504,765	39,869	39,869	229,324	229,324
Taxation - Current	99,113	150,596	26,000	26,000	57,000	57,000
- Prior year	-	15,858	-	-	15,858	15,858
- Deferred	2,122	3,578	8,831	8,831	633	633
PROFIT AFTER TAXATION	150,717	334,733	5,038	5,038	155,833	155,833
	(Rupees)		(Rupees)			
Basic and diluted earnings per share	<u>0.25</u>	<u>0.56</u>	<u>0.01</u>	<u>0.01</u>	<u>0.26</u>	<u>0.26</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive Officer /
Managing Director


Chairman


Chief Executive and
Managing Director


Director


Director

PAIR Investment Company Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the nine month period ended 30 September 2017

	Nine month period ended		Quarter ended	
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	(Rupees in '000)			
Profit after taxation	150,717	334,733	5,038	155,833
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss account	-	-	-	-
Comprehensive income transferred to equity	150,717	334,733	5,038	155,833
Component of comprehensive income not transferred to equity				
(Deficit) / surplus on revaluation of investments - available for sale	(172,474)	252,883	(63,309)	49,726
Deferred tax on revaluation of investments - available for sale	40,286 (132,188)	(58,698) 194,185	9,497 (53,812)	(8,524) 41,202
Total Comprehensive Income	18,529	528,918	(48,774)	197,035

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


 Chief Financial Officer


 Chief Executive Officer /
 Managing Director


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

PAIR Investment Company Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the nine month period ended 30 September 2017

	30 Sep 2017	30 Sep 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	251,952	504,765
Less: Dividend income	(17,076)	(20,973)
	<u>234,876</u>	<u>483,792</u>
Adjustments for:		
Depreciation	6,913	11,357
Amortisation of intangible assets	284	215
Provision against non-performing loans and advances	35,503	53,925
Provision / (reversal) against diminution in the value of investments	28,164	(153,050)
Gain on sale of fixed assets	-	(5)
Charge for defined benefit plan	6,350	7,400
Unrealised (gain) on revaluation of investments classified as 'held for trading' securities	7,050	1,333
	<u>84,264</u>	<u>(78,825)</u>
	319,140	404,967
Decrease / (increase) in operating assets		
Lendings to financial institutions	(700,000)	-
Advances - net	906,128	(879,994)
Others assets	(18,227)	82,217
	<u>187,901</u>	<u>(797,777)</u>
Increase / (decrease) in operating liabilities		
Borrowings	(3,512,437)	(4,422,608)
Deposits and other accounts	(414,530)	(281,103)
Other liabilities (excluding provision for taxation)	98,797	(76,270)
	<u>(3,828,170)</u>	<u>(4,779,981)</u>
	(3,321,129)	(5,172,791)
Income tax paid	(231,769)	(167,266)
Defined benefits paid	(7,830)	(5,800)
Net cash (used in) operating activities	<u>(3,560,728)</u>	<u>(5,345,857)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from available-for-sale securities	3,807,467	5,654,181
Dividend income received	14,990	17,925
Investments in operating fixed assets	(41,219)	(719)
Sale proceeds on sale of fixed assets disposed off	12,011	47
Net cash flows from investing activities	<u>3,793,249</u>	<u>5,671,434</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(600,000)	(150,000)
Net cash outflows from financing activities	<u>(600,000)</u>	<u>(150,000)</u>
(Decrease) / increase in cash and cash equivalents	(367,479)	175,577
Cash and cash equivalents at beginning of the period	496,988	261,540
Cash and cash equivalents at end of the period	<u>129,509</u>	<u>437,117</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer /
Managing Director



Chairman



Chief Executive and
Managing Director



Director



Director

PAIR Investment Company Limited

Condensed Interim Statement of Changes in Equity (Un-audited)


For the nine month period ended 30 September 2017


	Share capital	Statutory reserves	Unappropriated profit	Total
	------(Rupees in '000)-----			
Balance as at 1 January 2016	6,000,000	673,449	2,390,166	9,063,615
Total comprehensive income				
Net profit after tax for the nine month period ended 30 September 2016	-	-	334,733	334,733
Other comprehensive income	-	-	-	-
			334,733	334,733
Transfer to statutory reserve	-	66,946	(66,946)	-
<i>Transactions with owners recognised directly in equity</i>				
Dividend for the year ended 31 December 2015 (Rs. 0.50 per share)	-	-	(300,000)	(300,000)
Balance as at 30 September 2016	6,000,000	740,395	2,357,953	9,098,348
Total comprehensive income				
Net profit after tax for the three month period ended 31 December 2016	-	-	268,558	268,558
Other comprehensive income	-	-	(25)	(25)
			268,533	268,533
Transfer to statutory reserve	-	53,712	(53,712)	-
<i>Transactions with owners recognised directly in equity</i>				
Dividend for the year ended 31 December 2016 (Rs. 0.50 per share)	-	-	-	-
Balance as at 31 December 2016	6,000,000	794,107	2,572,774	9,366,881
Total comprehensive income for the period				
Net profit after tax for the nine month period ended 30 September 2017	-	-	150,717	150,717
Other comprehensive income	-	-	-	-
			150,717	150,717
Transfer to statutory reserve	-	30,143	(30,143)	-
<i>Transactions with owners recognised directly in equity</i>				
Dividend for the year ended 31 December 2016 (Rs. 0.50 per share)	-	-	(300,000)	(300,000)
Balance as at 30 September 2017	6,000,000	824,250	2,393,348	9,217,598

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chairman


Chief Executive and
Managing Director


Chief Executive Officer /
Managing Director


Director


Director

PAIR Investment Company Limited

Notes to the Condensed Interim Financial Information (Un-Audited)

For the nine month period ended 30 September 2017

1. STATUS AND NATURE OF BUSINESS

PAIR Investment Company Limited, "the Company" is an unlisted Public Limited Company incorporated in Pakistan on 15 January 2007 under the 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 50 : 50 Joint Venture between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company obtained Certificate of Commencement of Business on 29 May 2007. It is engaged in financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered office and principal office is situated at Islamic Chamber of Commerce Building, Clifton, Karachi.

2. BASIS OF PREPARATION

These condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004, IAS 34, 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 of 2017 dated 04 October 2017, these condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3. STATEMENT OF COMPLIANCE

These condensed interim financial information of the Company have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – Interim Financial Reporting, provisions of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where the provisions of the Companies Ordinance, 1984 and the said directives differ, the later shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular Letter No. 10 dated 26 August 2002. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for financial institutions. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

These condensed interim financial information has been prepared under the historical cost convention except that certain investments had been marked to market and are carried at fair value.

This condensed interim financial information is presented in Pakistani Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the purpose of this condensed interim financial information are the same as those applied in preparation of financial statements for the year ended 31 December 2016.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim financial information is the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2016.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with that disclosed in the financial statements of the Company for the year ended 31 December 2016.

7. INVESTMENTS - net	30 Sep 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total
7.1 Investments by types	------(Rupees in '000)-----					
Held-for-trading securities						
Pakistan investment bonds	-	-	-	322,815	-	322,815
Listed ordinary shares	178,476	-	178,476	4,215	-	4,215
	178,476	-	178,476	327,030	-	327,030
Available-for-sale securities						
Market treasury bills (T-Bills)	1,175,285	1,759,000	2,934,285	1,744,779	3,696,579	5,441,358
Pakistan investment bonds	842,162	-	842,162	463,663	1,568,555	2,032,218
Units of mutual funds	260,000	-	260,000	800,000	-	800,000
Listed ordinary shares	358,370	10,877	369,247	250,022	10,822	260,844
Sukuk bonds	287,564	-	287,564	255,468	-	255,468
Term finance certificates - listed	499,560	499,400	998,960	339,371	659,869	999,240
Term finance certificates - unlisted	1,793,243	160,292	1,953,535	1,626,609	-	1,626,609
	5,216,184	2,429,569	7,645,753	5,479,912	5,935,825	11,415,737
Held to maturity						
Commercial Paper	149,437	-	149,437	-	-	-
	149,437	-	149,437	-	-	-
Investments at cost	5,544,097	2,429,569	7,973,666	5,806,942	5,935,825	11,742,767
Provision for diminution in the value of investments	(40,735)	-	(40,735)	(12,571)	-	(12,571)
Investments - net of provision	5,503,362	2,429,569	7,932,931	5,794,371	5,935,825	11,730,196
Deficit on revaluation of held for trading securities	(7,050)	-	(7,050)	(1,920)	-	(1,920)
(Deficit) / Surplus on revaluation of available for sale securities	(62,076)	4,299	(57,777)	48,191	66,506	114,697
	<u>5,434,236</u>	<u>2,433,868</u>	<u>7,868,104</u>	<u>5,840,642</u>	<u>6,002,331</u>	<u>11,842,973</u>

7.2 Investments by segments	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
Federal Government securities		
- Market treasury bills	2,934,285	5,441,358
- Pakistan investment bonds	842,162	2,355,033
	3,776,447	7,796,391
Units of mutual funds		
- Listed	260,000	800,000
Fully paid up ordinary shares		
- Listed	547,723	265,059
Term finance certificates		
- Listed	998,960	999,240
- Unlisted	1,953,535	1,626,609
	2,952,495	2,625,849
Sukuk bonds		
- Unlisted	287,564	255,468
Commercial Paper		
- Unlisted	149,437	-
Total investments at cost	7,973,666	11,742,767
Provision for diminution in the value of investments	(40,735)	(12,571)
Investments - net of provisions	7,932,931	11,730,196
Surplus / (deficit) on revaluation of held for trading securities	(7,050)	(1,920)
Surplus on revaluation of available for sale securities	(57,777)	114,697
Total investments at market value	7,868,104	11,842,973
7.3 Particulars of provision for diminution in value of investments		
Opening balance	12,571	378,780
Charge / (reversals) during the period / year - net	28,164	(366,209)
Closing balance	40,735	12,571
8. ADVANCES - net		
In Pakistan		
Loans, cash credits, running finances, etc.	4,996,639	6,127,766
Net investment in finance lease	344,648	129,748
	5,341,287	6,257,514
Bills discounted and purchased (excluding treasury bills)	34,817	24,718
Advances - Gross	5,376,104	6,282,232
Provision against non-performing loans and advances	(893,384)	(857,881)
Advances - net of provision	4,482,720	5,424,351

8.1 Advances include Rs. 1,157.148 million (31 December 2016: Rs. 1,168.338 million) which have been placed under non-performing status as detailed below:

8.2 Category of classification

Category of classification	As at 30 Sep 2017 (Un-audited)				
	Non-performing advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	198,898	-	198,898	39,135	39,135
Doubtful	-	-	-	-	-
Loss	958,250	-	958,250	854,249	854,249
	<u>1,157,148</u>	<u>-</u>	<u>1,157,148</u>	<u>893,384</u>	<u>893,384</u>

Category of classification	As at 31 December 2016 (Audited)				
	Non-performing advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	204,672	-	204,672	35,289	35,289
Doubtful	-	-	-	-	-
Loss	963,666	-	963,666	822,592	822,592
	<u>1,168,338</u>	<u>-</u>	<u>1,168,338</u>	<u>857,881</u>	<u>857,881</u>

8.2.1 Particulars of provision against non-performing advances in local currency:

	30 Sep 2017 (Un-audited)			31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	857,881	-	857,881	907,528	-	907,528
Charge for the period	42,363	-	42,363	58,235	-	58,235
Reversals for the period	(6,860)	-	(6,860)	(107,882)	-	(107,882)
	35,503	-	35,503	(49,647)	-	(49,647)
Amounts written off	-	-	-	-	-	-
Closing balance	<u>893,384</u>	<u>-</u>	<u>893,384</u>	<u>857,881</u>	<u>-</u>	<u>857,881</u>

8.3 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP the Company has availed the benefit of Forced Sales Values (FSVs) 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. 114.5 million (31 December 2016: Rs. 156.95 million). Further, this amount arising from availing the benefit of FSV's is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

9. OPERATING FIXED ASSETS

	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
	----- (Rupees in '000) -----	
Capital work-in-progress	9.1	154,343
Property and equipment	183,093	22,365
Intangible assets	459	274
	<u>198,993</u>	<u>176,982</u>

9.1 This represents office building at the Ocean Mall, Clifton, Karachi purchased by the Company to transfer its registered and principal office.

9.2 Following additions and disposals were made to operating fixed assets during the period:

	30 Sep 2017 (Un-audited)	30 Sep 2016 (Un-audited)
Additions	41,219	719
Disposals	<u>12,011</u>	<u>47</u>

10. OTHER ASSETS

	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
------(Rupees in '000)-----		
Income / mark-up accrued in local currency	231,040	281,187
Advances, deposits, advance rent and other prepayments	81,491	23,141
Dividend receivable	3,140	1,054
Security deposits	7,231	7,231
Receivable from defined benefit plan	11,010	986
Non-banking asset acquired in satisfaction of claims	105,450	105,450
	<u>439,362</u>	<u>419,049</u>

11. BORROWINGS

Secured

Borrowings from State Bank of Pakistan:

- Financing Facility for Storage of Agricultural Produce (FFSAP)	11.1	3,294	9,870
- Imported & Locally Manufactured Plant & Machinery (LTFF)	11.2	676,062	273,150
Repurchase agreement borrowings	11.3	1,758,188	5,187,461
Term borrowing	11.4	250,000	562,500
		<u>2,687,544</u>	<u>6,032,981</u>

Unsecured

Clean borrowings	11.5	350,000	517,000
		<u>3,037,544</u>	<u>6,549,981</u>

11.1 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 2% per annum (31 December 2016: 4.5% per annum). The borrowing will mature in November 2019 (31 December 2016: November 2019).

11.2 The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. The borrowing carries mark-up rate of 2.0% per annum (31 December 2016: 2.0% per annum). The borrowing will mature in May 2024 (31 December 2016: May 2024).

11.3 These carry mark-up at the rates ranging from 5.87% to 5.95% per annum (31, December 2016: 5.9% to 6.2% per annum). These borrowings will mature up to November 2017 (31 December 2016: January 2017).

11.4 This represent finance obtained from Allied Bank Limited to finance the regular business operations of the Company. The finance is secured by pledge of listed TFCs. It carries mark up at the rate of 6 months KIBOR + 0.5% per annum. It is repayable in semi annual installments and shall be repaid by May 2019 (31 December 2016: May 2019).

11.5 These carry mark-up at the rates ranging from 6.00% to 6.25% per annum (31 December 2016: 5.9% to 6.25% per annum). These borrowings will mature up to October 2017 (31 December 2016: March 2017).

12. DEPOSITS AND OTHER ACCOUNTS

		30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
Customers			
Term Deposits - Remunerative	12.1	1,227,478	1,254,468
Term Deposits - Non - Remunerative	12.2	220	260
Financial Institutions			
Term Deposits - Remunerative	12.3	437,500	825,000
		<u>1,665,198</u>	<u>2,079,728</u>

- 12.1 The mark-up rates on these certificate of investments (COI) range between 6.25% to 6.60% per annum (31 December 2016: 6.2% to 7% per annum). These COIs will mature up to April 2018 (31 December 2016: December 2017).
- 12.2 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to July 2018 (31 December 2016: December 2017).
- 12.3 The mark-up rate on these certificate of investments (COI) ranges between 6.3% to 6.70% per annum (31 December 2016: 6.25% to 6.4% per annum). These COIs will mature up to December 2017 (31 December 2016: December 2017).

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

13.1 Authorised capital

30 Sep 2017 (Un-audited) (Number of shares)	31 December 2016 (Audited)		30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

13.2 Issued, subscribed and paid-up capital (Number of shares)

<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>6,000,000</u>	<u>6,000,000</u>
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13.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	30 Sep 2017 (Un-audited)		31 December 2016 (Audited)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan *	<u>300,000,000</u>	<u>50%</u>	300,000,000	50%
Iran Foreign Investment Company *	<u>300,000,000</u>	<u>50%</u>	300,000,000	50%
	<u>600,000,000</u>	<u>100%</u>	<u>600,000,000</u>	<u>100%</u>

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

14. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax

	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
Federal Government Securities		
- Pakistan investment bonds	26,523	76,127
- Treasury bills (T-Bills)	(449)	(2,355)
Shares - listed	(73,692)	18,232
Units of mutual funds	(35,351)	3,048
Term finance certificates - listed	25,192	19,645
	<u>(57,777)</u>	<u>114,697</u>
Related deferred tax liability	8,667	(31,619)
	<u>(49,110)</u>	<u>83,078</u>

15. CONTINGENCIES AND COMMITMENTS

The income tax department has amended the assessments for the tax years 2009 to 2015, which resulted in additional liability of Rs. 178.846 million in respect of Workers' Welfare Fund (WWF), allocation of Interest expenses against capital gains which are exempt and dividend income which is subject to tax at reduced rate etc. Whereas, WWF is disputed on constitutional grounds.

For tax years 2009 to 2013, the Company has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) against the orders passed by Commissioner Inland Revenue and confirmed by Commissioner (Appeals), except for tax year 2010 the remaining appeals are pending for hearing. The management of the Company is confident that outcome of the appeals will be in favor of the Company.

The ATIR has passed the orders for Tax Year 2014 and 2015 in which it has deleted the demand raised on account 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 the Supreme Court's order. Further ATIR has also remanded back certain issues for re-adjudication. However, the income tax department may file reference before High Court on the orders passed by ATIR.

	30 Sep 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited)
15.1 Direct credit substitutes	<u>170,047</u>	<u>222,392</u>
15.2 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.

16. FAIR VALUE OF 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 rates (Reuters page)
Term finance certificates & Mutual fund units (other than government)	MUFAP rates
Listed securities	Market 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.

16.1 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.

On-balance sheet financial instruments:

	30 Sep 2017 (Un-audited)									
	Carrying value					Fair value				
	Held for trading	Available for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
Market treasury bills	-	2,933,836	-	-	-	2,933,836	-	2,933,836	-	2,933,836
Pakistan investment bonds	-	868,685	-	-	-	868,685	-	868,685	-	868,685
Units of mutual funds	-	224,649	-	-	-	224,649	224,649	-	-	224,649
Shares in listed companies	171,426	266,920	-	-	-	438,345	438,345	-	-	438,345
Term finance certificates - listed	-	1,024,152	-	-	-	1,024,152	-	1,024,152	-	1,024,152
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	37,470	-	37,470	-	-	-	-
Balances with other banks	-	-	-	92,039	-	92,039	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Shares in unlisted companies	-	-	-	-	-	-	-	-	-	-
Sukuk bonds	-	286,709	-	-	-	286,709	-	-	-	-
Commercial Paper	-	-	149,437	-	-	149,437	-	-	-	-
Term finance certificates - unlisted	-	1,942,290	-	-	-	1,942,290	-	-	-	-
Lendings to financial institutions	-	-	-	700,000	-	700,000	-	-	-	-
Advances	-	-	-	4,482,720	-	4,482,720	-	-	-	-
Other assets	-	-	-	333,912	-	333,912	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(3,037,544)	(3,037,544)	-	-	-	-
Deposits and other accounts	-	-	-	-	(1,665,198)	(1,665,198)	-	-	-	-
Other liabilities	-	-	-	-	(223,750)	(223,750)	-	-	-	-
	171,426	7,547,241	149,437	5,646,141	(4,926,492)	8,587,752	662,994	4,826,673	-	5,489,667
31 December 2016 (Audited)										
	Carrying value					Fair value				
	Held for trading	Available for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
Market treasury bills	-	5,439,003	-	-	-	5,439,003	-	5,439,003	-	5,439,003
Pakistan investment bonds	320,897	2,108,345	-	-	-	2,429,242	-	2,429,242	-	2,429,242
Units of mutual funds	-	803,048	-	-	-	803,048	803,048	-	-	803,048
Shares in listed companies	4,213	279,076	-	-	-	283,289	283,289	-	-	283,289
Term finance certificates - listed	-	1,018,885	-	-	-	1,018,885	-	1,018,885	-	1,018,885
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	64,205	-	64,205	-	-	-	-
Balances with other banks	-	-	-	432,783	-	432,783	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Shares in unlisted companies	-	-	-	-	-	-	-	-	-	-
Sukuk bonds	-	254,142	-	-	-	254,142	-	-	-	-
Term finance certificates - unlisted	-	1,615,364	-	-	-	1,615,364	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Advances	-	-	-	5,424,351	-	5,424,351	-	-	-	-
Other assets	-	-	-	313,599	-	313,599	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(6,549,981)	(6,549,981)	-	-	-	-
Deposits and other accounts	-	-	-	-	(2,079,728)	(2,079,728)	-	-	-	-
Other liabilities	-	-	-	-	(518,803)	(518,803)	-	-	-	-
	325,110	11,517,863	-	6,234,938	(9,148,512)	8,929,399	1,086,337	8,887,130	-	9,973,467

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

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

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

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

17. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

30 Sep 2017 (Un-audited)					
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
------(Rupees in '000)-----					
Total income - Gross	407,763	433,780	37,420	18,650	897,613
Total markup / return / interest expense	61,494	242,532	-	-	304,026
Segment provision / (reversal) / impairment	39,300	-	24,367	-	63,667
	100,794	242,532	24,367	-	367,693
Net operating income	306,969	191,248	13,053	18,650	529,920
Administrative expenses and other charges					277,968
Profit before taxation					251,952
Segment assets	7,177,429	6,019,091	363,150	535,310	14,094,980
Segment impaired assets / non performing loans	1,223,535	-	60,905	-	1,284,440
Segment provision required and held	(909,750)	-	(24,369)	-	(934,119)
Segment liabilities	1,874,695	2,952,082	-	99,715	4,926,492
Segment return on assets - % *	7.45%	7.12%	15.98%		6.76%
Segment cost of funds - % *	5.15%	6.08%			4.87%
30 Sep 2016 (Un-audited)					
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
------(Rupees in '000)-----					
Total income - Gross	217,952	775,460	72,200	6,168	1,071,780
Total markup / return / interest expense	57,544	357,729	-	-	415,273
Segment provision / (reversal) / impairment	(87,074)	-	(12,051)	-	(99,125)
	(29,530)	357,729	(12,051)	-	316,148
Net operating income	247,482	417,731	84,251	6,168	755,632
Administrative expenses and other charges					250,867
Profit before taxation					504,765
31 December 2016 (Audited)					
Segment assets	7,373,918	9,870,133	261,401	1,093,019	18,598,471
Segment impaired assets / non performing loans	1,222,674	-	-	-	1,222,674
Segment provision required and held	870,452	-	-	-	870,452
Segment liabilities	1,534,734	7,094,975	-	518,803	9,148,512
Segment return on assets - % *	5.63%	8.79%	18.59%		7.72%
Segment cost of funds - % *	5.90%	6.42%			5.93%

* These are based on daily average balances of assets and liabilities during the period ended 30 Sep 2017 and 30 Sep 2016.

17.1 Under the Company's policy capital market department assets are financed through equity funds.

18. RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel as per the terms of employment and transactions with other related parties are executed substantially on the same terms, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

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

	30 Sep 2017 (Un-audited)	31 December 2016 (Audited)
	------(Rupees in '000)-----	
18.1 Loans and advances to key management personnel		
Balance at beginning of the period / year	26,626	29,818
Loans granted during the period / year	1,000	1,369
Repayments during the period / year	(5,015)	(4,561)
Balance at end of the period / year	<u>22,611</u>	<u>26,626</u>
18.2 Deposits from the key management personnel		
Balance at beginning of the period / year	120	60
Deposits received during the period / year	-	360
Deposits redeemed during the period / year	(20)	(300)
Balance at end of the period / year	<u>100</u>	<u>120</u>
18.3 Receivable from Iran Foreign Investment Company (net)	<u>1,787</u>	<u>2,664</u>
18.4 Dividend payable to Iran Foreign Investment Company	<u>-</u>	<u>300,000</u>
18.5 Deposit from PAIR Investment Co. Ltd. Employees Gratuity Fund	<u>5,900</u>	<u>3,400</u>
18.6 Deposit from Pak Iran Joint Inv. Co. Ltd. Staff Provident Fund	<u>16,200</u>	<u>12,500</u>
18.7 Deposit from Iran Foreign Investment Company	<u>427,500</u>	<u>-</u>
18.8 Receivable from PAIR Investment Employee Gratuity Funds	<u>2,203</u>	<u>986</u>
18.9 Receivable from PAIR Investment Staff Provident Funds	<u>8,808</u>	<u>-</u>
18.10 The Key Management Personnel / Directors' compensation are as follows:		
	30 Sep 2017 (Un-audited)	30 Sep 2016 (Un-audited)
	------(Rupees in '000)-----	
Disposal of Fixed Assets to Key Management Personnel **	<u>12,011</u>	<u>-</u>
Mark-up earned on loans and advances	<u>894</u>	<u>1,015</u>
Salaries & Benefits	<u>108,932</u>	<u>116,353</u>
Contribution to defined contribution plan	<u>4,027</u>	<u>4,750</u>
Non-executive directors' remuneration *	<u>1,897</u>	<u>1,723</u>
18.11 Amount transferred to provident fund	<u>5,800</u>	<u>13,373</u>
18.12 Amount transferred to gratuity fund	<u>7,200</u>	<u>5,800</u>
18.13 Dividend paid to Ministry of Finance - Govt. of Pakistan	<u>150,000</u>	<u>150,000</u>
18.14 Dividend paid to IFIC	<u>450,000</u>	<u>-</u>

*Directors are also given travelling allowance of Euro 5,000/- per meeting for attending the board meetings held during the period.

** The amount represents sale of fixed assets to ex Managing Director of the Company as per employment contract.

19. 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) of the Company.

20. GENERAL

20.1 Certain corresponding figures have been re-arranged / reclassified to reflect more appropriate presentation that are not material in nature.

20.2 Figures have been rounded off to the nearest thousand rupees.

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 22nd Oct 2017 by the Board of Directors.



Chief Financial Officer



Chief Executive Officer /
Managing Director



Chairman



Chief Executive and
Managing Director



Director



Director