



KPMG Taseer Hadi & Co.

PAIR Investment Company Limited

**Condensed Interim Financial
Information (Un-Audited)**

**For the half year ended
30 June 2018**



KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of PAIR Investment Company Limited

Report on review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of PAIR Investment Company Limited ("the Company") as at 30 June 2018, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting.



KPMG Taseer Hadi & Co.

Other Matters

The figures for the quarter ended 30 June 2018 and 30 June 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

Date: 19 August 2018

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

PAIR Investment Company Limited
Condensed Interim Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		31,921	37,870
Balances with other banks		42,498	91,727
Lendings to financial institutions	7	550,000	970,000
Investments	8	10,684,446	11,044,299
Advances	9	4,699,013	4,652,932
Fixed assets	10	195,971	198,003
Deferred tax assets		239,162	260,554
Other assets	11	382,592	430,280
		16,825,603	17,685,665
LIABILITIES			
Bills payable		-	-
Borrowings	12	6,586,121	6,370,738
Deposits and other accounts	13	924,814	1,814,001
Liabilities against assets subject to finance lease		-	-
Sub-ordinated loans		-	-
Deferred tax liabilities - net		-	-
Other liabilities		185,256	245,594
		7,696,191	8,430,333
NET ASSETS			
		9,129,412	9,255,332
REPRESENTED BY			
Share capital	14	6,000,000	6,000,000
Reserves		840,066	840,066
Unappropriated / Unremitted profit		2,269,581	2,452,552
		9,109,647	9,292,618
Surplus / (Deficit) on revaluation of assets	15	19,765	(37,286)
		9,129,412	9,255,332
CONTINGENCIES AND COMMITMENTS			
	16		

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

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J. Cawser

Chief Financial Officer

H. H. Hekhari

Chief Executive Officer /
Managing Director

R. R. R. R.

Chairman

H. H. Hekhari

Chief Executive and
Managing Director

J. J. J.

Director

J. J. J.

Director

PAIR Investment Company Limited
 Condensed Interim Profit and Loss Account (Un-audited)
 For the half year ended 30 June 2018

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
(Rupees in '000)				
Mark-up / return / interest earned	328,067	567,150	185,463	291,841
Mark-up / return / interest expensed	207,407	230,147	102,423	120,611
Net mark-up / interest income	120,660	337,003	83,040	171,230
Provision against non-performing loans and advances - net	46,221	30,211	24,569	30,588
Provision / (reversal) for diminution in the value of investments	67,309	3,245	66,819	3,716
Bad debts written-off directly	-	-	-	-
	(113,530)	(33,456)	(91,388)	(34,304)
Net mark-up / interest income after provisions	7,130	303,547	(8,348)	136,926
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	3,447	4,938	1,123	2,027
Dividend income	11,137	10,777	6,854	6,983
Income from dealing in foreign currencies	331	(720)	325	(415)
Gain on sale / redemption of securities - net	61,885	68,764	7,663	24,858
Gain on sale of fixed assets	-	-	-	-
Unrealised (loss) / gain on revaluation of investments classified as held for trading securities	(1,723)	840	(328)	613
Other income	-	-	-	-
Total non mark-up / interest income	75,077	84,599	15,437	34,066
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	139,572	176,063	76,046	88,102
Other write offs / provisions	-	-	-	-
Other charges	-	-	-	-
Total non mark-up / interest expenses	139,572	176,063	76,046	88,102
Extra-ordinary / unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	(57,365)	212,083	(68,957)	82,890
Taxation - Current	15,783	73,113	13,552	31,792
- Prior year	-	-	-	-
- Deferred	9,823	(6,709)	14,661	4,083
	25,606	66,404	28,213	35,875
(LOSS) / PROFIT AFTER TAXATION	(82,971)	145,679	(97,170)	47,015
	(Rupees)		(Rupees)	
Basic and diluted earnings per share	(0.14)	0.24	(0.16)	0.08

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

K. M. V.

 Chief Financial Officer


 Chief Executive Officer /
 Managing Director


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

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PAIR Investment Company Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the half year ended 30 June 2018

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
(Rupees in '000)				
(Loss) / profit after taxation	(82,971)	145,679	(97,170)	47,015
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss account	-	-	-	-
Comprehensive income transferred to equity	(82,971)	145,679	(97,170)	47,015
Component of comprehensive income not transferred to equity				
(Deficit) / surplus on revaluation of investments - available for sale	68,620	(109,165)	17,695	(52,320)
Deferred tax on revaluation of investments - available for sale	(11,569)	30,789	(8,343)	18,724
	57,051	(78,376)	9,352	(33,596)
Total Comprehensive Income	(25,920)	67,303	(87,818)	13,419

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

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Kausar

Chief Financial Officer

H. Hekhari

Chief Executive Officer /
Managing Director

Aiyaban

Chairman

H. Hekhari

Chief Executive and
Managing Director

[Signature]

Director

[Signature]

Director

PAIR Investment Company Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(57,365)	212,083
Less: Dividend income	(11,137)	(10,777)
	<u>(68,502)</u>	<u>201,306</u>
Adjustments for:		
Depreciation	4,907	5,487
Amortisation of intangible assets	107	183
Provision against non-performing loans and advances	46,221	30,211
Provision / (reversal) against diminution in the value of investments	67,309	3,245
Gain on sale of fixed assets	-	-
Charge for defined benefit plan	4,768	4,045
Unrealised loss / (gain) on revaluation of investments classified as 'held for trading' securities	1,723	(840)
	<u>125,035</u>	<u>42,331</u>
	<u>56,533</u>	<u>243,637</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	420,000	(750,000)
Advances - net	(92,302)	234,911
Other assets	44,748	(67,144)
	<u>372,446</u>	<u>(602,233)</u>
(Decrease) / increase in operating liabilities		
Borrowings	215,383	464,924
Deposits and other accounts	(899,187)	(1,093,276)
Other liabilities (excluding provision for taxation)	48,855	66,096
	<u>(624,949)</u>	<u>(562,258)</u>
	<u>(195,970)</u>	<u>(920,854)</u>
Income tax paid	(112,607)	(135,567)
Defined benefits paid	(5,568)	(5,430)
Net cash (used in) operating activities	<u>(314,145)</u>	<u>(1,061,851)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from available-for-sale securities	347,872	855,738
Dividend income received	11,482	11,202
Investments in operating fixed assets	(387)	(710)
Sale proceeds on sale of fixed assets disposed off	-	12,011
Net cash flows from investing activities	<u>358,967</u>	<u>878,241</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(100,000)	(150,000)
Net cash outflows from financing activities	<u>(100,000)</u>	<u>(150,000)</u>
(Decrease) / increase in cash and cash equivalents	<u>(55,178)</u>	<u>(333,610)</u>
Cash and cash equivalents at beginning of the period	<u>129,597</u>	<u>496,988</u>
Cash and cash equivalents at end of the period	<u>74,419</u>	<u>163,378</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

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Kausep
Chief Financial Officer

Rizaban
Chairman

H. H. Tekhari
Chief Executive and
Managing Director

Q. J. Khan
Director

G. J. Khan
Director

H. H. Tekhari
Chief Executive Officer /
Managing Director

PAIR Investment Company Limited
 Condensed Interim Statement of Changes in Equity (Un-audited)
 For the half year ended 30 June 2018

	Share capital	Statutory reserves	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at 1 January 2017	6,000,000	794,107	2,572,774	9,366,881
Total comprehensive income				
Net profit after tax for the half year ended 30 June 2017	-	-	145,679	145,679
Other comprehensive income	-	-	-	-
	-	-	145,679	145,679
Transfer to statutory reserve	-	29,136	(29,136)	-
Transactions with owners recognised directly in equity				
Dividend for the year ended 31 December 2016 declared subsequent to the year end	-	-	(300,000)	(300,000)
Balance as at 30 June 2017	6,000,000	823,243	2,389,317	9,212,560
Total comprehensive income				
Net profit after tax for the half year ended 31 December 2017	-	-	84,116	84,116
Other comprehensive income	-	-	(4,058)	(4,058)
	-	-	80,058	80,058
Transfer to statutory reserve	-	16,823	(16,823)	-
Transactions with owners recognised directly in equity				
	-	-	-	-
Balance as at 31 December 2017	6,000,000	840,066	2,452,552	9,292,618
Total comprehensive income for the period				
Net loss after tax for the half year ended 30 June 2018	-	-	(82,971)	(82,971)
Other comprehensive income	-	-	-	-
	-	-	(82,971)	(82,971)
Transfer to statutory reserve	-	-	-	-
Transactions with owners recognised directly in equity				
Dividend for the year ended 31 December 2017 declared subsequent to the year end	-	-	(100,000)	(100,000)
Balance as at 30 June 2018	6,000,000	840,066	2,269,581	9,109,647

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

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J. Counsel
 Chief Financial Officer

H. Hekhar
 Chief Executive Officer /
 Managing Director

Airaban
 Chairman

H. Hekhar
 Chief Executive and
 Managing Director

[Signature]
 Director

[Signature]
 Director

PAIR Investment Company Limited
Notes to the Condensed Interim Financial Information (Un-Audited)
For the half year ended 30 June 2018

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 Act, 2017 (Formerly 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 Act, 2017, 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 2017.

3. STATEMENT OF COMPLIANCE

These condensed interim financial information of the Company has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – "Interim Financial Reporting" as applicable in Pakistan, the requirements of the Companies Act, 2017 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the provisions of the Companies Act, 2017 and the directives issued by the SECP and SBP have been followed. Moreover, SBP has notified a new format of financial statements vide BPRD circular No. 2 of 2018 which would be effective from accounting year ended 31 December 2018.

The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks/DFI. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.

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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.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- IFRS 9 'Financial Instruments'

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 now general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 15 'Revenue from contracts with customers'

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 Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- 'IFRS 16 'Leases'

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.

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 2017.

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 2017.

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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 2017.

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 2017.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
Call money lendings		-	170,000
Certificate of Investment	7.2	550,000	800,000
		<u>550,000</u>	<u>970,000</u>

7.1 Particulars of lendings

In local currency		<u>550,000</u>	<u>970,000</u>
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7.2 These carry mark-up rates ranging 7.50% to 8.50% (31 December 2017: 7.50%) per annum, with maturity upto 12 December 2018 (31 December 2017: 23 May 2018).

8. INVESTMENTS - net	Note	30 June 2018 (Un-audited)			31 December 2017 (Audited)		
		Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total
8.1 investments by types		(Rupees in '000)					
Held-for-trading securities							
Market treasury bills		-	-	-	-	-	-
Pakistan investment bonds		-	-	-	-	-	-
Listed ordinary shares		63,558	-	63,558	155,754	-	155,754
		<u>63,558</u>	<u>-</u>	<u>63,558</u>	<u>155,754</u>	<u>-</u>	<u>155,754</u>
Available-for-sale securities							
Market treasury bills (T-Bills)		480,760	3,981,008	4,461,768	1,489,208	3,445,717	4,934,925
Pakistan investment bonds		499,528	825,284	1,324,812	-	836,532	836,532
Units of mutual funds		274,120	-	274,120	274,119	-	274,119
Listed ordinary shares		428,099	-	428,099	645,047	-	645,047
Sukuk bonds		469,296	-	469,296	373,171	-	373,171
Term finance certificates - listed		995,141	499,200	1,494,341	1,334,272	160,369	1,494,641
Term finance certificates - unlisted		2,136,806	-	2,136,806	1,794,531	499,500	2,294,031
		<u>5,283,750</u>	<u>5,305,492</u>	<u>10,589,242</u>	<u>5,910,348</u>	<u>4,942,118</u>	<u>10,852,466</u>
Held to maturity							
Commercial Paper		158,618	-	158,618	153,060	-	153,060
		<u>158,618</u>	<u>-</u>	<u>158,618</u>	<u>153,060</u>	<u>-</u>	<u>153,060</u>
Investments at cost		<u>5,505,926</u>	<u>5,305,492</u>	<u>10,811,418</u>	<u>6,219,162</u>	<u>4,942,118</u>	<u>11,161,280</u>
Provision for diminution in the value of investments	8.3	(150,106)	-	(150,106)	(82,797)	-	(82,797)
Investments - net of provision		<u>5,355,820</u>	<u>5,305,492</u>	<u>10,661,312</u>	<u>6,136,365</u>	<u>4,942,118</u>	<u>11,078,483</u>
Surplus / (deficit) on revaluation of held for trading securities		(1,622)	-	(1,622)	9,680	-	9,680
Surplus on revaluation of available for sale securities		16,446	8,310	24,756	(73,087)	29,223	(43,864)
		<u>5,370,644</u>	<u>5,313,802</u>	<u>10,684,446</u>	<u>6,072,958</u>	<u>4,971,341</u>	<u>11,044,299</u>

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8.2 Investments by segments

Note

30 June **31 December**
2018 **2017**
(Un-audited) **(Audited)**
(Rupees in '000)

Federal Government securities

- Market treasury bills
- Pakistan investment bonds

4,461,768	4,934,925
1,324,812	836,532
5,786,580	5,771,457

Units of mutual funds

- Listed

274,120	274,119
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Fully paid up ordinary shares

- Listed

491,657	800,801
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Term finance certificates

- Listed
- Unlisted

1,494,341	1,494,641
2,136,806	2,294,031
3,631,147	3,788,672

Sukuk bonds

- Unlisted

469,296	373,171
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Commercial Paper

- Unlisted

158,618	153,060
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Total investments at cost

10,811,418	11,161,280
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Provision for diminution in the value of investments

(150,106)	(82,797)
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Investments - net of provisions

10,661,312	11,078,483
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Surplus / (deficit) on revaluation of held for trading securities

(1,622)	9,680
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Surplus on revaluation of available for sale securities

24,756	(43,864)
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Total investments at market value

10,684,446	11,044,299
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8.3 Particulars of provision for diminution in value of investments

- Opening balance
- Charge during the period
- Reversals during the period

82,797	12,571
76,198	70,697
(8,889)	(471)
67,309	70,226

Closing balance

150,106	82,797
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9. ADVANCES - net**In Pakistan**

- Loans, cash credits, running finances, etc.
- Net investment in finance lease

5,082,353	5,057,393
482,127	414,785
5,564,480	5,472,178

Bills discounted and purchased (excluding treasury bills)

35,000	35,000
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Advances - Gross

5,599,480	5,507,178
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Provision against non-performing loans and advances

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(900,467)	(854,246)
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Advances - net of provision

4,699,013	4,652,932
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9.1 Advances include Rs. 1,546.43 million (31 December 2017: Rs. 958.25 million) which have been placed under non-performing status as detailed below:

9.2 Category of classification

	As at 30 June 2018 (Un-audited)			Provision required	Provision held
	Non-performing advances				
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other assets especially mentioned	-	-	-	-	-
Substandard	235,803	-	235,803	(58,951)	-
Doubtful	352,377	-	352,377	(178,189)	(43,303)
Loss	958,250	-	958,250	(958,250)	(857,164)
	<u>1,546,430</u>	<u>-</u>	<u>1,546,430</u>	<u>(1,193,390)</u>	<u>(900,467)</u>

	As at 31 December 2017 (Audited)			Provision required	Provision held
	Non-performing advances				
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other assets especially mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	958,250	-	958,250	(958,250)	(854,246)
	<u>958,250</u>	<u>-</u>	<u>958,250</u>	<u>(958,250)</u>	<u>(854,246)</u>

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

	30 June 2018 (Un-audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	854,246	-	854,246	857,881	-	857,881
Charge for the period	48,221	-	48,221	42,362	-	42,362
Reversals for the period	-	-	-	(45,997)	-	(45,997)
	48,221	-	48,221	(3,635)	-	(3,635)
Amounts written off	-	-	-	-	-	-
Closing balance	<u>900,467</u>	<u>-</u>	<u>900,467</u>	<u>854,246</u>	<u>-</u>	<u>854,246</u>

9.3 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. 292.923 million (31 December 2017: Rs. 104 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.

10. OPERATING FIXED ASSETS

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
		(Rupees in '000)	
Capital work-in-progress	10.2	183,093	183,091
Property and equipment		12,579	14,507
Intangible assets		289	405
		<u>195,971</u>	<u>198,003</u>

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

During the period additions to operating fixed assets were as follows:

Computer equipment	387	441
Software license	-	270
Furniture and fixtures	-	-
	<u>387</u>	<u>711</u>

During the period WDV of disposals from operating fixed assets were as follows:

Vehicles	-	11,127
Office equipment	-	865
Computer equipment	-	19
	-	<u>12,011</u>

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

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11. OTHER ASSETS	Note	30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited)
Income / mark-up accrued in local currency		92,011	254,543
Advances, deposits, advance rent and other prepayments		184,125	66,300
Dividend receivable		1,184	1,529
Security deposits		7,731	7,731
Non-banking asset acquired in satisfaction of claims		97,541	100,177
		<u>382,592</u>	<u>430,280</u>

12. BORROWINGS

Secured

Borrowings from State Bank of Pakistan:

- Financing Facility for Storage of Agricultural Produce (FFSAP)		-	3,294
- Imported & Locally Manufactured Plant & Machinery (LTFF)	12.1	688,685	694,163
Repurchase agreement borrowings	12.2	4,772,436	4,235,781
Term borrowing	12.3	1,125,000	1,187,500
		<u>6,586,121</u>	<u>6,120,738</u>

Unsecured

Clean borrowings		-	250,000
		<u>6,586,121</u>	<u>6,370,738</u>

- 12.1** 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 (2017: 2.0%). The borrowing will mature in April 2027.
- 12.2** These carry mark-up at the rates ranging from 6.70% to 7.0% per annum (31 December 2017: 6.00% to 6.05%) and are secured against government securities having carrying amount of Rs. 4.806 billion (31 December 2017: Rs. 4.282 billion). These borrowings will mature up to 2 August 2018 (31 December 2017: 1 February 2018).
- 12.3** 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. These carry mark up at the rate of 6 months KIBOR + (0.25% to 0.5%) per annum. These are repayable in semi annual installments and shall be repaid by 2021.

13. DEPOSITS AND OTHER ACCOUNTS

		30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited)
Customers			
Term Deposits - Remunerative	13.1	431,021	1,079,932
Term Deposits - Non - Remunerative	13.2	180	260
Financial Institutions			
Term Deposits - Remunerative	13.3	493,613	733,809
		<u>924,814</u>	<u>1,814,001</u>

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- 13.1** The mark-up rates on these certificate of investments (COI) range between 6.35% to 6.85% per annum (31 December 2017: 6.15% to 6.6% per annum). These COIs will mature up to 19 April 2019 (31 December 2017: 7 December 2018).
- 13.2** These include non-interest bearing certificate of investments issued to employees of the Company maturing up to 17 May 2019 (31 December 2017: 17 November 2018).
- 13.3** The mark-up rates on these certificate of investments (COI) is 6.85% per annum (31 December 2017: 6.2% per annum). These COIs will mature in 27 September 2018 (31 December 2017: 29 March 2018).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

14.1 Authorised capital

30 June 2018 (Un-audited) (Number of shares)	31 December 2017 (Audited) (Number of shares)		30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
<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>

14.2 Issued, subscribed and paid-up capital

(Number of shares)			(Rupees in '000)	
<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>

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

Name of shareholder	30 June 2018 (Un-audited)		31 December 2017 (Audited)	
	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%
	<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.

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

	30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
Federal Government Securities	9,162	22,358
- Pakistan investment bonds	(834)	(695)
- Treasury bills (T-Bills)	126	(16,727)
Shares - listed	-	(57,836)
Units of mutual funds	15,604	7,672
Term finance certificates - listed	698	1,364
Sukuks	<u>24,758</u>	<u>(43,864)</u>
Related deferred tax liability	<u>(4,991)</u>	<u>6,578</u>
	<u>19,765</u>	<u>(37,286)</u>

16. CONTINGENCIES AND COMMITMENTS

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.

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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. The application for rectification of mistakes was filed by the company on 17 January 2018 also referring to the payments already made by the company in case if rectified the demand will be reduced to Rs.67,635,659.

The CIR(A) vide order dated 5 March 2018 has vacated the order passed under section 122 of the Ordinance. Appeal effect order on the relief allowed is awaited.

The ACIR has passed order under section 122(5A) dated 15 March 2018 creating the demand for income tax amounting to Rs.52,049,516. The Company has admitted tax imposed on commission income amounting to Rs. 1,031,821, which has also been paid. The CIR(A) vide order 11 May 2018 has decided the appeal and allowed partial relief. Order to the extent of apportionment of Finance Cost was confirmed by CIR(A).

An appeal effect order under section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). Any tax demand raised by the appeal effect order shall be payable within thirty days of the service of order. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) on the issue decided against it. 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 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited)
16.1 Direct credit substitutes	<u>86,092</u>	<u>148,810</u>
16.2 Commitments in respect of forward exchange contracts	<u>55,338</u>	<u>-</u>
16.3 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable willing parties at 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.

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17.1 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 June 2018 (Un-audited)						Fair value		
	Carrying value					Total	Level 1	Level 2	Level 3
	Held for trading	Available for sale	Held-to-maturity	Loans and receivables	Other financial liabilities				
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Market treasury bills	-	4,460,934	-	-	-	4,460,934	-	4,460,934	-
Pakistan investment bonds	-	1,333,974	-	-	-	1,333,974	-	1,333,974	-
Units of mutual funds	-	225,086	-	-	-	225,086	-	225,086	-
Shares in listed companies	61,937	340,108	-	-	-	402,045	402,045	-	-
Term finance certificates - listed	-	1,509,945	-	-	-	1,509,945	-	1,509,945	-
Sukuk bonds - Listed	-	43,606	-	-	-	43,606	43,606	-	-
Financial assets not measured at fair value									
Cash and balances with treasury banks	-	-	-	31,921	-	31,921	-	-	-
Balances with other banks	-	-	-	42,488	-	42,488	-	-	-
Lendings to financial institutions	-	-	-	550,000	-	550,000	-	-	-
Investments									
Shares in unlisted companies	-	-	-	-	-	-	-	-	-
Term finance certificates - unlisted	-	2,125,560	-	-	-	2,125,560	-	-	-
Commercial Papers	-	-	158,618	-	-	158,618	-	-	-
Sukuk bonds - Unlisted	-	424,679	-	-	-	424,679	-	-	-
Advances	-	-	-	4,689,913	-	4,689,913	-	-	-
Other assets	-	-	-	253,671	-	253,671	-	-	-
	61,937	10,489,861	158,618	6,077,245	-	16,897,741	-	-	-
Financial liabilities not measured at fair value									
Borrowings	-	-	-	-	(6,586,121)	(6,586,121)	-	-	-
Deposits and other accounts	-	-	-	-	(924,814)	(924,814)	-	-	-
Other liabilities	-	-	-	-	(188,256)	(188,256)	-	-	-
	-	-	-	-	(7,699,191)	(7,699,191)	-	-	-

	31 December 2017 (Audited)						Fair value		
	Carrying value					Total	Level 1	Level 2	Level 3
	Held for trading	Available for sale	Held-to-maturity	Loans and receivables	Other financial liabilities				
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Market treasury bills	-	4,934,230	-	-	-	4,934,230	-	4,934,230	-
Pakistan investment bonds	-	858,890	-	-	-	858,890	-	858,890	-
Units of mutual funds	-	216,283	-	-	-	216,283	-	216,283	-
Shares in listed companies	105,434	558,478	-	-	-	723,912	723,904	-	-
Term finance certificates - listed	-	1,503,842	-	-	-	1,503,842	1,503,842	-	-
Term finance certificates - Unlisted	-	1,248,814	-	-	-	1,248,814	-	1,248,814	-
Sukuk Bonds	-	50,400	-	-	-	50,400	-	50,400	-
Financial assets not measured at fair value									
Cash and balances with treasury banks	-	-	-	37,870	-	37,870	-	-	-
Balances with other banks	-	-	-	91,727	-	91,727	-	-	-
Lendings to financial institutions	-	-	-	970,000	-	970,000	-	-	-
Investments									
Shares in unlisted companies	-	-	-	-	-	-	-	-	-
Sukuk bonds	-	322,424	-	-	-	322,424	-	-	-
Term finance certificates - unlisted	-	1,034,444	-	-	-	1,034,444	-	-	-
Commercial Papers	-	-	153,060	-	-	153,060	-	-	-
Advances	-	-	-	4,652,932	-	4,652,932	-	-	-
Other assets	-	-	-	330,103	-	330,103	-	-	-
	165,434	10,725,805	153,060	6,082,632	-	17,126,931	-	-	-
Financial liabilities not measured at fair value									
Borrowings	-	-	-	-	(8,370,738)	(8,370,738)	-	-	-
Deposits and other accounts	-	-	-	-	(1,814,001)	(1,814,001)	-	-	-
Other liabilities	-	-	-	-	(245,594)	(245,594)	-	-	-
	-	-	-	-	(9,430,333)	(9,430,333)	-	-	-

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).

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18. RISK MANAGEMENT

18.1 Liquidity Coverage Ratio

High quality liquid assets
Net cash outflows
Liquidity Coverage ratio (%)

30 June 2018
(Un-audited)
31 December 2017
(Audited)
(Rupees in '000)

1,851,130
583,272
3.17

2,051,268
785,842
2.61

18.2 Net Stable Funding Ratio

Available stable funding
Required stable funding
Net Stable Funding Ratio (%)

11,709,232
8,513,294
138%

11,859,065
8,581,747
138%

19. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	30 June 2018 (Un-audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Total income - Gross	72,585	257,125	71,299	2,135	403,144
Total markup / return / interest expense	53,858	153,749	-	-	207,607
Segment provision / (reversal) / (impairment)	50,784	49,092	13,874	-	113,530
	104,432	202,841	13,874	-	320,937
Net operating income	(31,837)	34,284	57,935	2,135	62,267
Administrative expenses and other charges					139,572
Profit before taxation					(57,305)
Segment assets	7,838,988	8,337,333	334,179	516,103	16,826,603
Segment impaired assets / non performing loans	1,639,185	274,120	270,010	-	2,183,295
Segment provision required and held	(928,513)	(49,092)	(74,967)	-	(1,060,572)
Segment liabilities	1,885,469	5,755,101	101	55,520	7,696,191
Segment return on assets - % *	1.76%	6.36%	34.81%	-	4.87%
Segment cost of funds - % *	4.99%	6.28%	-	-	5.70%

	30 June 2017 (Un-audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Total income - Gross	279,985	326,244	35,215	11,305	651,749
Total markup / return / interest expense	43,248	186,899	-	-	230,147
Segment provision / (reversal) / (impairment)	29,740	-	3,716	-	33,456
	72,988	186,899	3,716	-	263,603
Net operating income	206,997	138,345	31,499	11,305	388,146
Administrative expenses and other charges					176,063
Profit before taxation					212,083

	31 December 2017 (Audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
Segment assets	7,796,323	8,742,530	649,347	497,465	17,685,665
Segment impaired assets / non performing loans	1,039,061	-	207,994	-	1,247,055
Segment provision required and held	(875,748)	-	(61,295)	-	(937,043)
Segment liabilities	1,875,966	6,428,528	-	125,839	8,430,333
Segment return on assets - % *	7.46%	7.04%	19.96%	-	7.07%
Segment cost of funds - % *	5.10%	8.41%	-	-	5.28%

* These are based on average balances of assets and liabilities during the period ended 30 June 2018 and 31 December 2017, respectively.

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

20. 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.

16/11/18

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

	30 June 2018 (Un-audited)	31 December 2017 (Audited)
	(Rupees in '000)	
20.1 Loans and advances to key management personnel		
Balance at beginning of the period / year	22,559	26,626
Loans granted during the period / year	6,392	1,939
Repayments during the period / year	<u>(3,068)</u>	<u>(6,006)</u>
Balance at end of the period / year	<u>25,883</u>	<u>22,559</u>
20.2 Deposits from the key management personnel		
Balance at beginning of the period / year	80	120
Deposits received during the period / year	-	-
Deposits redeemed during the period / year	<u>(20)</u>	<u>(40)</u>
Balance at end of the period / year	<u>60</u>	<u>80</u>
20.3 Receivable from Iran Foreign Investment Company (net)	<u>2,132</u>	<u>1,865</u>
20.4 Dividend payable to Iran Foreign Investment Company	<u>-</u>	<u>-</u>
20.5 Deposit from PAIR Investment Co. Ltd. Employees Gratuity Fund	<u>12,487</u>	<u>6,020</u>
20.6 Deposit from Pak Iran Joint Inv. Co. Ltd. Staff Provident Fund	<u>45,908</u>	<u>16,855</u>
20.7 Certificate of Investment issued to Iran Foreign Investment Company **	<u>493,612</u>	<u>433,809</u>
20.8 Interest Accrued on Certificate of Investment issued to Iran Foreign Investment Company	<u>621</u>	<u>221</u>
20.9 The Key Management Personnel / Directors' compensation are as follows:	30 June 2018 (Un-audited)	30 June 2017 (Un-audited)
	(Rupees in '000)	
Disposal of Fixed Assets to Key Management Personnel	<u>-</u>	<u>12,011</u>
Mark-up earned on loans and advances	<u>636</u>	<u>620</u>
Salaries & Benefits	<u>51,553</u>	<u>82,266</u>
Contribution to defined contribution plan	<u>2,732</u>	<u>2,363</u>
Non-executive directors' remuneration *	<u>1,390</u>	<u>1,240</u>
20.10 Amount transferred to provident fund	<u>7,578</u>	<u>7,695</u>
20.11 Amount transferred to gratuity fund	<u>4,768</u>	<u>4,800</u>
20.12 Dividend paid to Ministry of Finance - Govt. of Pakistan	<u>50,000</u>	<u>150,000</u>
20.13 Dividend paid to Iran Foreign Investment Company	<u>47,500</u>	<u>-</u>
20.14 Markup expensed on deposit from Iran Foreign Investment Company **	<u>14,072</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 deposit carries markup at the rate 6.35% (31 December 2017: 6.2%) and will mature on 27 September 2018 (31 December 2017: 29 March 2018).

21. 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).

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22. **GENERAL**

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

23. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on 19 Aug 2018 by the Board of Directors.

Kumar

K. Ansel
Chief Financial Officer

H. Hekhari
Chief Executive Officer /
Managing Director

Aiyaban
Chairman

H. Hekhari
Chief Executive and
Managing Director

[Signature]
Director

[Signature]
Director