



PAIR Investment Company Limited
Condensed Interim Financial Statements (Un-audited)
For the Period ended 31 March 2016

PAİR INVESTMENT COMPANY LIMITED
DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2016

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the period ended March 31, 2016. These Financial Statements have been prepared in compliance with the requirements of BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

Economic Review

Positive macroeconomic indicators have enabled the State Bank of Pakistan ("SBP") to keep the interest rate at multi decade low. Since November 2014 the policy rate is reduced by 400 bps the trend is reflective of a pickup in aggregate demand in the wake of an improved security situation and real incomes.

According to SBP, with the positive consumer sentiments and lending rates at considerably lower levels, the uptake in credit to the private sector is expected to be higher in 2015-16. Other positive developments during the period includes, stable Rupee Dollar parity, contained budget deficit, increased tax collection, favorable balance of payment. However exports are declining and are a cause of concern. General weakness in global trade further accentuates this risk. The current improved domestic environment provides for the necessary conditions to inculcate better value addition and diversify products and markets for sustainable growth of exports.

After a volatile 2015 capital market maintained the trend in 2016 which only improved at the end of the quarter. The market is further gearing up due to its reclassification into MSCI Emerging Market Index. Efforts are underway to improve market depth through changes in leverage mechanisms, development of futures market, and introduction of options counter. In addition, the exchange is further considering widening of circuit breakers and introduction of index based halt mechanisms, which will further increase market's appeal to foreign investors.

Financial Overview

	March 31, 2016	March 31, 2015
	-----PKR in 000-----	
Net revenue from funds	211,065	225,033
Other Income	27,340	62,305
Total Income	238,405	287,338
Admin expenses	(74,490)	(73,356)
Profit before provisions	163,915	213,982
Reversal/(Provision)	17,112	(1,164)
Profit before tax	181,027	212,818
Taxation	(52,507)	(55,230)
Profit after Tax	128,520	157,588
EPS - (Rupees)	0.21	0.26

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The falling interest rates have impacted the revenues of the company which has reduced slightly than the same period last year. Investments were consolidated keeping the interest rate regime in view hence the total asset at the close of the quarter were lesser than the year ended December 31, 2015. Advances were maintained at same levels as that of the year ended December 31, 2015. There were no new provisions against non-performing portfolio however recoveries of PKR 2.82 million were received during the quarter. Other income was PKR 27.34 million against PKR 63.21 million in the same period last year as the gain on the sale of securities was lower. Control was maintained on the administrative expenses which were PKR 74.49 million versus PKR 73.36 million in the same period last year.

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).

Future Outlook

PAİR Investment prime focus will remain in providing services and financing to projects which provide sustainable long term economic growth and infrastructure. PAİR Investment is committed to excel by increasing operational efficiencies and quality of services by focusing on clients' needs.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us and assure them that we remain committed to maintain high service standards and a strong culture of good corporate governance and compliance in all our endeavors. 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 us. Finally, we are also thankful to our associates, staff and colleagues for all their continued dedication, enthusiasm and loyalty towards the growth of PAİR.

On Behalf of the Board of Director

Tehran: April 22nd, 2016

Chairman

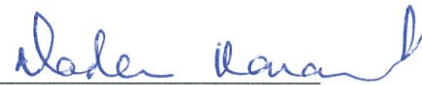
PAİR Investment Company Limited
Condensed Interim Statement of Financial Position
As at March 31, 2016

	Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		29,610	46,114
Balances with other banks		190,040	215,426
Lendings to financial institutions		-	-
Investments	7	12,748,747	18,807,372
Advances	8	3,508,704	3,502,948
Operating fixed assets	9	187,887	191,311
Deferred tax assets		244,313	259,691
Other assets	10	220,993	198,415
		17,130,294	23,221,277
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	11	6,727,803	11,652,435
Deposits and other accounts	12	838,761	1,890,502
Sub-ordinate loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		518,613	484,862
		8,085,177	14,027,799
NET ASSETS		9,045,117	9,193,478
REPRESENTED BY			
Share capital	13	6,000,000	6,000,000
Reserves		699,153	673,449
Unappropriated profit		2,192,982	2,390,166
		8,892,135	9,063,615
Surplus on revaluation of assets - net of deferred tax	14	152,982	129,863
		9,045,117	9,193,478
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



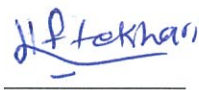
Chief Executive Officer /
Managing Director



Chairman



Chief Executive and
Managing Director



Director



Director

PAiR Investment Company Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the Quarter ended March 31, 2016

	March 31, 2016	March 31, 2015
	(Rupees in '000)	
Mark-up / return / interest earned	365,746	367,913
Mark-up / return / interest expensed	<u>154,681</u>	<u>142,880</u>
Net mark-up / interest income	211,065	225,033
(Reversal)/Provision for non-performing loans and advances	<u>(2,819)</u>	<u>-</u>
(Reversal) / Provision for diminution in value of investments	<u>(14,293)</u>	<u>1,164</u>
Bad debts written-off directly	<u>-</u>	<u>-</u>
	<u>(17,112)</u>	<u>1,164</u>
Net mark-up / interest income after provisions	228,177	223,869
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	<u>5,000</u>	<u>2,615</u>
Dividend income	<u>6,814</u>	<u>12,900</u>
Income from dealing in foreign currencies	<u>240</u>	<u>-</u>
Gain on sale of securities - net	<u>15,350</u>	<u>46,237</u>
Gain on sale of fixed assets	<u>-</u>	<u>650</u>
Unrealised (loss) / gain on revaluation of 'held for trading' securities	<u>(64)</u>	<u>(97)</u>
Other income	<u>-</u>	<u>-</u>
Total non mark-up / interest income	27,340	62,305
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	<u>74,490</u>	<u>73,356</u>
Other charges	<u>-</u>	<u>-</u>
Total non mark-up / interest expenses	74,490	73,356
Extraordinary / unusual items	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION	181,027	212,818
Taxation		
- Current	<u>45,000</u>	<u>56,500</u>
- Prior year	<u>-</u>	<u>-</u>
- Deferred	<u>7,507</u>	<u>(1,270)</u>
	<u>52,507</u>	<u>55,230</u>
PROFIT AFTER TAXATION	128,520	157,588
	(Rupees)	
Basic and diluted earnings per share	<u>0.21</u>	<u>0.26</u>

The annexed notes 1 to 20 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

PAİR Investment Company Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the Quarter ended March 31, 2016

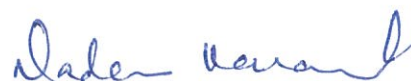
	March 31, 2016	March 31, 2015
	(Rupees in '000)	
Profit after taxation for the period	128,520	157,588
Other comprehensive income	-	-
Total comprehensive income for the period	128,520	157,588

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate account below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984 and the directive of State Bank of Pakistan vide its BSD Circular Letter No. 07, dated April 20, 2010.

The annexed notes 1 to 20 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 Quarter ended March 31, 2016

	March 31, 2016	March 31, 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	181,027	212,818
Dividend income	(6,814)	(12,900)
	<u>174,213</u>	<u>199,918</u>
Adjustments for:		
Depreciation	3,876	5,397
Amortisation	70	899
Reversal against non-performing loans and advances	(2,819)	-
Reversal against diminution in the value of investments	(14,293)	(1,164)
Gain on sale of fixed assets	-	(650)
Unrealised loss on revaluation of 'held for trading' securities	64	97
	<u>(13,102)</u>	<u>4,579</u>
	<u>161,112</u>	<u>204,497</u>
(Increase) / decrease in operating assets		
Loans and advances	(2,937)	(507,807)
Others assets	(15,774)	(98,544)
	<u>(18,711)</u>	<u>(606,351)</u>
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	(4,924,632)	(103,645)
Deposits and other accounts	(1,051,741)	441,195
Other liabilities (excluding current taxation)	(108,894)	(9,560)
	<u>(6,085,267)</u>	<u>327,990</u>
	<u>(5,942,867)</u>	<u>(73,864)</u>
Income tax paid	(44,484)	(79,219)
Net cash flows from operating activities	<u>(5,987,351)</u>	<u>(153,083)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	6,095,973	(11,820)
Dividend income received	10	41,935
Sale proceeds from sale of operating fixed assets	-	2,957
Investments in operating fixed assets	(523)	(3,021)
Net cash flows used in investing activities	<u>6,095,460</u>	<u>30,051</u>
CASH FLOW FROM FINANCING ACTIVITIES - Dividend Paid	<u>(150,000)</u>	<u>-</u>
Decrease in cash and cash equivalents	(41,890)	(123,031)
Cash and cash equivalents at beginning of the period	<u>261,540</u>	<u>294,362</u>
Cash and cash equivalents at end of the period	<u><u>219,650</u></u>	<u><u>171,331</u></u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



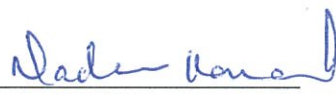
Chief Financial Officer



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 Quarter ended March 31, 2016

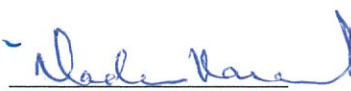
	Share capital	Statutory reserves	Unappropriated profit	Total
	------(Rupees in '000)-----			
Balance as at January 1, 2015	6,000,000	553,966	2,063,575	8,617,541
Total comprehensive income for the period ended March 31, 2015	-	-	157,588	157,588
Transfer to statutory reserve	-	31,518	(31,518)	-
Transactions with owners recognised directly in equity				
Final cash dividend - December 31, 2014 declared subsequent to the year end			(150,000)	(150,000)
Balance as at March 31, 2015	6,000,000	585,484	2,039,645	8,625,129
Total comprehensive income for the period ended December 31, 2015	-	-	438,486	438,486
Transfer to statutory reserve	-	87,965	(87,965)	-
Transactions with owners recognised directly in equity				
	-	-	-	-
Balance as at December 31, 2015	6,000,000	673,449	2,390,166	9,063,615
Total comprehensive income for the period ended March 31, 2016	-	-	128,520	128,520
Transfer to statutory reserve	-	25,704	(25,704)	-
Transactions with owners recognised directly in equity				
Final cash dividend - December 31, 2015 declared subsequent to the year end	-	-	(300,000)	(300,000)
Balance as at March 31, 2016	6,000,000	699,153	2,192,982	8,892,135

The annexed notes 1 to 20 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

PAİR Investment Company Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended March 31, 2016

1. STATUS AND NATURE OF BUSINESS

PAİR Investment Company Limited is a Public Limited Company incorporated in Pakistan on January 15, 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 Government of Iran. The Company obtained Certificate of Commencement of Business on May 29, 2007. It is engaged in 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 MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan.

3. STATEMENT OF COMPLIANCE

These financial statements are unaudited and are presented in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the purpose of these financial statements are the same as those applied in preparation of annual financial statements for the year ended December 31, 2015.

5. ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2015.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company for the year ended December 31, 2015.

7. INVESTMENTS	March 31, 2016 (Un-audited)			December 31, 2015 (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						
Market treasury bills	-	-	-	638,631	4,322,407	4,961,038
Pakistan Investment Bonds	-	-	-	483,493	805,822	1,289,315
Listed ordinary shares	846	-	846	50,461	-	50,461
	846	-	846	1,172,585	5,128,229	6,300,814
Available for sale						
Market treasury bills	2,688,824	1,222,193	3,911,017	1,924,043	1,924,044	3,848,087
Pakistan investment bonds	797,797	4,520,850	5,318,647	1,086,729	3,749,214	4,835,943
Mutual funds units	400,000	-	400,000	300,000	-	300,000
Listed ordinary shares	511,074	-	511,074	635,595	-	635,595
Unlisted ordinary shares	296,860	-	296,860	296,860	-	296,860
Sukuk certificates	237,862	-	237,862	240,003	-	240,003
Term finance certificates - listed	1,459,967	-	1,459,967	1,630,340	-	1,630,340
Term finance certificates - unlisted	773,868	-	773,868	782,274	-	782,274
	7,166,252	5,743,043	12,909,295	6,895,844	5,673,258	12,569,102
Held to maturity						
Preference shares	-	-	-	143,333	-	143,333
	-	-	-	143,333	-	143,333
Investments at cost	7,167,098	5,743,043	12,910,141	8,211,762	10,801,487	19,013,249
Provision for diminution in value of investments	7.3 (364,486)	-	(364,486)	(378,780)	-	(378,780)
Investments - net of provision	6,802,612	5,743,043	12,545,655	7,832,982	10,801,487	18,634,469
Deficit on revaluation of 'held for trading' securities	(64)	-	(64)	(126)	864	738
Surplus on revaluation of 'available for sale' securities	62,298	140,859	203,157	118,606	53,560	172,166
	<u>6,864,846</u>	<u>5,883,902</u>	<u>12,748,747</u>	<u>7,951,462</u>	<u>10,855,911</u>	<u>18,807,372</u>
7.2 Investments by segments	March 31, 2016 (Unaudited) / December 31, 2015 (Audited) (Rupees in '000)					
Federal Government securities						
- Market treasury bills				3,911,017	8,809,125	
- Pakistan investment bonds				5,318,647	6,125,258	
				9,229,664	14,934,383	
Mutual funds Units - Listed						
Fully paid up ordinary shares				400,000	300,000	
- Listed				511,920	686,056	
- Unlisted				296,860	296,860	
				808,780	982,916	
Term finance certificates						
- Listed				1,459,967	1,630,340	
- Unlisted				773,868	782,274	
				2,233,835	2,412,614	
Sukuk certificates - unlisted						
				237,862	240,003	
Preference shares						
- Listed				-	143,333	
Total investments at cost				12,910,141	19,013,249	
Provision for diminution in value of investments				(364,486)	(378,780)	
Investments - net of provisions				12,545,655	18,634,469	
(Deficit) on revaluation of 'held for trading' securities				(64)	738	
Surplus on revaluation of 'available for sale' securities				203,157	172,166	
Total investments at market value				12,748,748	18,807,372	
7.3 Particulars of provision for diminution in value of investments						
Opening balance				378,780	398,078	
Reversal during the period / year - net				(14,294)	(19,298)	
Closing balance				364,486	378,780	

	Note	March 31, 2016 (Un-audited) -----{Rupees in '000}-----	December 31, 2015 (Audited)
8. ADVANCES			
Loans, cash credits, running finances, etc. in Pakistan		4,256,330	4,302,503
Net investment in finance lease		114,503	64,069
Staff Loans		42,580	43,904
Advances - Gross		<u>4,413,413</u>	<u>4,410,476</u>
Provision for non performing loans and advances	8.1.1	(904,709)	(907,528)
Advances - Net of Provision		<u>3,508,704</u>	<u>3,502,948</u>

8.1 Advances include 1,293.510 million (December 2015: 1300.078 million) which have been placed under non-performing status as detailed below:

Category of classification	As at 31 March 2016			Provision required	Provision held
	Non-performing advances				
	Domestic	Overseas	Total		
	-----{Rupees in '000}-----				
Substandard	231,481	-	231,481	31,749	31,749
Doubtful	7,335	-	7,335	7,335	7,335
Loss	1,054,693	-	1,054,693	865,625	865,625
	<u>1,293,510</u>	<u>-</u>	<u>1,293,510</u>	<u>904,709</u>	<u>904,709</u>

Category of classification	As at 31 December 2015			Provision required	Provision held
	Non-performing advances				
	Domestic	Overseas	Total		
	-----{Rupees in '000}-----				
Substandard	236,481	-	236,481	32,999	32,999
Doubtful	8,904	-	8,904	8,904	8,904
Loss	1,054,693	-	1,054,693	865,625	865,625
	<u>1,300,078</u>	<u>-</u>	<u>1,300,078</u>	<u>907,528</u>	<u>907,528</u>

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

	March 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
	-----{Rupees in '000}-----					
Opening balance	907,528	-	907,528	871,281	-	871,281
(Reversal)/Charge for the period	(2,819)	-	(2,819)	36,247	-	36,247
Amounts written off	-	-	-	-	-	-
	(2,819)	-	(2,819)	36,247	-	36,247
Amounts written off	-	-	-	-	-	-
Closing balance	<u>904,709</u>	<u>-</u>	<u>904,709</u>	<u>907,528</u>	<u>-</u>	<u>907,528</u>

	March 31, 2016 (Un-audited) -----{Rupees in '000}-----	December 31, 2015 (Audited)
9. OPERATING FIXED ASSETS		
Capital Work In- Progress	154,343	154,343
Property and equipment	33,053	36,457
Intangible Assets	492	511
Operating fixed assets - Book value	<u>187,888</u>	<u>191,311</u>
Following additions have been made to operating fixed assets during the period:		
Additions - Cost	<u>523</u>	<u>2,743</u>

10. OTHER ASSETS

Income / mark-up accrued in local currency	187,374	171,404
Dividend receivable	7,239	435
Security deposits	7,231	7,231
Advances, deposits, advance rent and other prepayments	19,149	19,345
	<u>220,993</u>	<u>198,415</u>

	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
11. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from State Bank of Pakistan:		
- Financing Facility for Storage of Agricultural Produce (FFSAP)	11.1 13,158	16,446
- Imported & Locally Manufactured Plant & Machinery (LTFF)	11.2 274,512	273,150
Repurchase agreement borrowings	11.3 5,472,633	10,425,339
Term borrowing	11.4 812,500	937,500
	<u>6,572,803</u>	<u>11,652,435</u>
Unsecured		
Clean borrowings	155,000	-
	<u>6,727,803</u>	<u>11,652,435</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 6.5% (2015: 6.5%). The borrowing will mature in 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 3.5% per annum (2015: 3.5%). The borrowing will mature in November 2023.
- 11.3 These carry mark-up at the rates ranging from 7.80% to 9% per annum (2015: 6.40% to 6.55%). These borrowings will mature up to April 2016 (2015: February 2016).
- 11.4 This represent finance obtained from a Commercial Bank to finance the regular business operations of the Company. The finance is secured by pledge of 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 2017.

	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Term Deposits - Remunerative	338,761	240,502
Financial Institutions		
Term Deposits - Remunerative	500,000	1,650,000
	<u>838,761</u>	<u>1,890,502</u>

- 12.1 The mark-up rates on these Term Deposits range between 0% to 10.3% per annum (2015: 0% to 10.3% per annum) maturing on January 2017 (2015: November 2016)

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary Shares of Rs.10 each			March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
			(Rupees in '000)	
	(Number of shares)			
	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital				
Ordinary Shares of Rs.10 each				
(Number of shares)				
	<u>600,000,000</u>	Ordinary shares of Rs. 10 each issued for cash	<u>6,000,000</u>	<u>6,000,000</u>

14. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Deficit arising on revaluation of quoted equity shares	(42,363)	(13,148)
Surplus arising on revaluation of mutual funds	15,779	10,150
Surplus arising on revaluation of T-Bills	3,362	3,849
Deficit arising on revaluation of TFCs	(758)	(5,538)
Surplus arising on revaluation of PIBs	227,136	176,853
	<u>203,156</u>	<u>172,166</u>
Related deferred tax liability	(50,174)	(42,303)
	<u>152,982</u>	<u>129,863</u>

15. CONTINGENCIES AND COMMITMENTS

15.1 The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 84.3 million in respect of allocation of capital gain, expenses against exempt capital gains and dividend income subject to tax at reduced rate and Workers' Welfare Fund (WWF), against which the Company has made adequate provision.

The Company has filed appeals with the Commissioner Appeal against the aforementioned orders and the management is confident that the outcome of the appeals will be in favour of the Company.

15.2 Ocean Tower management has raised an invoices against service charges and maintenance charges. However the Company has not recorded the expense in the books of accounts as the Company through its legal advisor is confident that no such charges are required to be paid by the Company as clause 41 relating to service charges of the agreement only applies to the period and in case the sub-lessee (the Company) fails to take possession of the premises within 15 days of intimation by the lessor (Ocean Tower Management) and the Company took over the possession within 15 days. Furthermore, clause 46 relating to maintenance charges of the agreement requires the sub-lessee to pay the building maintenance charges as determined /decided by the building management from time to time. Since the Company has not moved into the new office there is no requirement for the services. Also no service agreement has been signed. Had the expense been provided in the books of accounts, unappropriated profits would have been lower by Rs. 4 million. (2015: 3 million).

	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
15.3 Commitments in respect of repo transactions	<u>5,508,913</u>	<u>10,495,442</u>
15.4 Commitments to extend credit	<u>925,295</u>	<u>411,204</u>

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For three months ended March 31, 2016 - (Unaudited)			
	Corporate finance	Trading and sales	Commercial banking	Total
	------(Rupees in '000)-----			
Total income - gross	5,000	293,524	94,562	393,086
Total markup / return / interest expense	-	135,964	18,717	154,681
Segment provision / (reversal) / impairment/ unrealised losses	-	(12,050)	(5,062)	(17,112)
	-	123,914	13,654	137,569
Net operating income	5,000	169,610	80,908	255,517
Administrative expenses and other charges				74,490
Profit before taxation				181,027

As at March 31, 2015 (Unaudited)				
Segment assets	-	11,859,975	5,270,319	17,130,294
Segment impaired assets / non performing loan	-	232,827	1,623,787	1,856,614
Segment provision required and held	-	(10,777)	(1,258,418)	(1,269,195)
Segment liabilities	-	6,901,169	1,184,008	8,085,177
Segment return on assets (ROA)(%)	-	5.72%	6.14%	5.97%
Segment cost of funds(%)	-	7.88%	6.32%	7.65%

	For three months ended March 31, 2015 - (Unaudited)			
	Corporate finance	Trading and sales	Commercial banking	Total
	------(Rupees in '000)-----			
Total income - gross	2,615	277,445	150,158	430,218
Total markup / return / interest expense	-	43,739	99,141	142,880
Segment provision / (reversal) / impairment/ unrealised losses	-	(1,455)	2,619	1,164
	-	42,284	101,760	144,044
Net operating income	2,615	235,161	48,398	286,174
Administrative expenses and other charges				73,356
Profit before taxation				212,818

December 31, 2015 (Audited)				
Segment assets	-	17,877,609	5,343,668	23,221,277
Segment non performing loans	-	289,261	1,627,182	1,916,443
Segment provision required and held	-	(22,827)	(1,263,481)	(1,286,308)
Segment liabilities	-	12,797,040	1,230,759	14,027,799
Segment return on assets (ROA)(%)	-	1.32%	0.91%	1.23%
Segment cost of funds(%)	-	0.34%	8.06%	1.02%

17. 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 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:

