



**PAiR Investment Company Limited**  
**Condensed Interim Financial Statements (Un-audited)**  
**For the nine month period ended 30 September 2018**

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

	Note	30 September 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
<b>ASSETS</b>			
Cash and balances with treasury banks		50,438	37,870
Balances with other banks		33,543	91,727
Lendings to financial institutions	7	550,000	970,000
Investments	8	8,823,702	11,044,299
Advances	9	5,186,493	4,652,932
Fixed assets	10	195,187	198,003
Deferred tax assets		254,105	260,554
Other assets	11	416,719	430,280
		<b>15,510,187</b>	<b>17,685,665</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	12	5,022,639	6,370,738
Deposits and other accounts	13	1,130,762	1,814,001
Liabilities against assets subject to finance lease		-	-
Sub-ordinated loans		-	-
Deferred tax liabilities - net		-	-
Other liabilities		196,494	245,594
		<b>6,349,895</b>	<b>8,430,333</b>
<b>NET ASSETS</b>			
		<b>9,160,292</b>	<b>9,255,332</b>
<b>REPRESENTED BY</b>			
Share capital	14	6,000,000	6,000,000
Reserves		840,760	840,066
Unappropriated / Unremitted profit		2,355,327	2,452,552
		<b>9,196,087</b>	<b>9,292,618</b>
Surplus / (Deficit) on revaluation of assets	15	(35,795)	(37,286)
		<b>9,160,292</b>	<b>9,255,332</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16		

The annexed notes 1 to 23 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 2018**

	Nine month period ended		Quarter ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	606,349	806,469	278,282	239,319
Mark-up / return / interest expensed	328,970	304,026	121,563	73,879
<b>Net mark-up / interest income</b>	<b>277,379</b>	<b>502,443</b>	<b>156,719</b>	<b>165,440</b>
Provision against non-performing loans and advances - net	46,221	35,503	-	5,292
Provision for diminution in the value of investments	73,523	28,164	6,214	24,919
Bad debts written-off directly	-	-	-	-
<b>Net mark-up / interest income after provisions</b>	<b>157,635</b>	<b>438,776</b>	<b>150,505</b>	<b>135,229</b>
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	6,297	6,049	2,850	1,111
Dividend income	15,891	17,076	4,754	6,299
Income / (loss) from dealing in foreign currencies	273	(880)	(58)	(160)
Gain on sale / redemption of securities - net	68,944	75,949	7,059	7,185
Loss on sale of fixed assets	(4)	-	(4)	-
Unrealised loss on revaluation of investments classified as held for trading securities	(3,621)	(7,050)	(1,898)	(7,890)
Other income	-	-	-	-
<b>Total non mark-up / interest income</b>	<b>87,780</b>	<b>91,144</b>	<b>12,703</b>	<b>6,545</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	216,340	277,968	76,768	101,905
Other write offs / provisions	-	-	-	-
Other charges	-	-	-	-
<b>Total non mark-up / interest expenses</b>	<b>216,340</b>	<b>277,968</b>	<b>76,768</b>	<b>101,905</b>
Extra-ordinary / unusual items	-	-	-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>29,075</b>	<b>251,952</b>	<b>86,440</b>	<b>39,869</b>
Taxation - Current	15,783	99,113	-	26,000
- Prior year	-	-	-	-
- Deferred	9,823	2,122	-	8,831
<b>(LOSS) / PROFIT AFTER TAXATION</b>	<b>25,606</b>	<b>101,235</b>	<b>-</b>	<b>34,831</b>
	<b>3,469</b>	<b>150,717</b>	<b>86,440</b>	<b>5,038</b>
	(Rupees)		(Rupees)	
Basic and diluted earnings per share	<u>0.006</u>	<u>0.251</u>	<u>0.144</u>	<u>0.008</u>

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

*Kausar*

Chief Financial Officer

*H. F. Tekhari*

Chief Executive Officer /  
Managing Director

*Miyaban*

Chairman

*H. F. Tekhari*

Chief Executive and  
Managing Director

*[Signature]*

Director 1

*[Signature]*

Director

## PAIR Investment Company Limited

### Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine month period ended 30 September 2018

	Nine month period ended		Quarter ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- (Rupees in '000) -----			
Profit after taxation	3,469	150,717	86,440	5,038
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss account	-	-	-	-
Comprehensive income transferred to equity	<u>3,469</u>	<u>150,717</u>	<u>86,440</u>	<u>5,038</u>
Component of comprehensive income not transferred to equity				
Deficit on revaluation of investments - available for sale	(1,883)	(172,474)	(52,808)	(63,309)
Deferred tax on revaluation of investments - available for sale	3,374	40,286	6,600	9,497
	1,491	(132,188)	(46,208)	(53,812)
<b>Total Comprehensive Income</b>	<u><u>4,960</u></u>	<u><u>18,529</u></u>	<u><u>40,232</u></u>	<u><u>(48,774)</u></u>

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*J. Causel*

Chief Financial Officer

*H. Hekhari*

Chief Executive Officer /  
Managing Director

*R. Rishaban*

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 nine month period ended 30 September 2018**

	30 September 2018	30 September 2017
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	29,075	251,952
Less: Dividend income	<u>(15,891)</u>	<u>(17,076)</u>
	13,184	234,876
<b>Adjustments for:</b>		
Depreciation	7,323	6,913
Amortisation of intangible assets	150	284
Provision against non-performing loans and advances	46,221	35,503
Provision against diminution in the value of investments	73,523	28,164
Loss on sale of fixed assets	4	-
Charge for defined benefit plan	7,968	6,350
Unrealised loss on revaluation of investments classified as 'held for trading' securities	3,621	7,050
	<u>138,810</u>	<u>84,264</u>
	151,994	319,140
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	420,000	(700,000)
Advances - net	(579,782)	906,128
Others assets	10,122	(18,227)
	<u>(149,660)</u>	<u>187,901</u>
<b>(Decrease) / Increase in operating liabilities</b>		
Borrowings	(1,348,099)	(3,512,437)
Deposits and other accounts	(683,239)	(414,530)
Other liabilities (excluding provision for taxation)	(12,782)	98,797
	<u>(2,044,120)</u>	<u>(3,828,170)</u>
	(2,041,786)	(3,321,129)
Income tax paid	(55,475)	(231,769)
Defined benefits paid	<u>(7,968)</u>	<u>(7,830)</u>
<b>Net cash (used in) operating activities</b>	<u>(2,105,229)</u>	<u>(3,560,728)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net proceeds from available-for-sale securities	2,144,944	3,807,467
Dividend income received	15,376	14,990
Investments in operating fixed assets	(749)	(41,219)
Sale proceeds on sale of fixed assets disposed off	42	12,011
<b>Net cash flows from investing activities</b>	<u>2,159,613</u>	<u>3,793,249</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(100,000)	(600,000)
<b>Net cash outflows from financing activities</b>	<u>(100,000)</u>	<u>(600,000)</u>
Decrease in cash and cash equivalents	<u>(45,616)</u>	<u>(367,479)</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><u>83,981</u></u>	<u><u>129,509</u></u>

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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 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
<b>Total comprehensive income</b>				
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)	-
<b>Transactions with owners recognised directly in equity</b>				
Dividend for the year ended 31 December 2016 declared subsequent to the year end	-	-	(300,000)	(300,000)
<b>Balance as at 30 September 2017</b>	<b>6,000,000</b>	<b>824,250</b>	<b>2,393,348</b>	<b>9,217,598</b>
<b>Total comprehensive income</b>				
Net profit after tax for the half year ended 31 December 2017	-	-	79,078	79,078
Other comprehensive income	-	-	(4,058)	(4,058)
Transfer to statutory reserve	-	15,816	(15,816)	-
<b>Transactions with owners recognised directly in equity</b>				
<b>Balance as at 31 December 2017</b>	<b>6,000,000</b>	<b>840,066</b>	<b>2,452,552</b>	<b>9,292,618</b>
<b>Total comprehensive income for the period</b>				
Net profit after tax for the nine month period ended 30 September 2018	-	-	3,469	3,469
Other comprehensive income	-	-	-	-
Transfer to statutory reserve	-	694	(694)	-
<b>Transactions with owners recognised directly in equity</b>				
Dividend for the year ended 31 December 2017 declared subsequent to the year end	-	-	(100,000)	(100,000)
<b>Balance as at 30 September 2018</b>	<b>6,000,000</b>	<b>840,760</b>	<b>2,355,327</b>	<b>9,196,087</b>

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

*Kause*

Chief Financial Officer

*Rishabh*

Chairman

*H. H. H. H.*

Chief Executive and  
Managing Director

*H. H. H. H.*

Chief Executive Officer /  
Managing Director

*[Signature]*

Director

*[Signature]*

Director

## **PAIR Investment Company Limited**

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

#### **For the nine month period ended 30 September 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 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of;

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

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.

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 new 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.



## 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 September 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
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Call money lendings	-	170,000
Certificate of Investment	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 September 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)					
<b>Held-for-trading securities</b>							
Listed ordinary shares		106,944	-	106,944	155,754	-	155,754
		106,944	-	106,944	155,754	-	155,754
<b>Available-for-sale securities</b>							
Market treasury bills		1,312,871	1,176,086	2,488,957	1,489,208	3,445,717	4,934,925
Pakistan investment bonds		-	1,318,931	1,318,931	-	836,532	836,532
Units of mutual funds		274,120	-	274,120	274,119	-	274,119
Listed ordinary shares		470,183	-	470,183	645,047	-	645,047
Sukuk bonds		739,318	-	739,318	373,171	-	373,171
Term finance certificates - listed		994,961	499,200	1,494,161	1,334,272	160,369	1,494,641
Term finance certificates - unlisted		2,136,776	-	2,136,776	1,794,531	499,500	2,294,031
		5,928,229	2,994,217	8,922,446	5,910,348	4,942,118	10,852,466
<b>Held to maturity</b>							
Commercial Paper		-	-	-	153,060	-	153,060
		-	-	-	153,060	-	153,060
<b>Investments at cost</b>		<b>6,035,173</b>	<b>2,994,217</b>	<b>9,029,390</b>	<b>6,219,162</b>	<b>4,942,118</b>	<b>11,161,280</b>
Provision for diminution in the value of investments	8.3	(156,320)	-	(156,320)	(82,797)	-	(82,797)
<b>Investments - net of provision</b>		<b>5,878,853</b>	<b>2,994,217</b>	<b>8,873,070</b>	<b>6,136,365</b>	<b>4,942,118</b>	<b>11,078,483</b>
(Deficit) / surplus on revaluation of held for trading securities		(3,621)	-	(3,621)	9,680	-	9,680
(Deficit) / surplus on revaluation of available for sale securities		(39,089)	(6,658)	(45,747)	(73,087)	29,223	(43,864)
		<u>5,836,143</u>	<u>2,987,559</u>	<u>8,823,702</u>	<u>6,072,958</u>	<u>4,971,341</u>	<u>11,044,299</u>

8.2 Investments by segments	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
		(Rupees in '000)	
<b>Federal Government securities</b>			
- Market treasury bills		2,488,957	4,934,925
- Pakistan investment bonds		1,318,931	836,532
		3,807,888	5,771,457
<b>Units of mutual funds</b>			
- Listed		274,120	274,119
<b>Fully paid up ordinary shares</b>			
- Listed		577,127	800,801
<b>Term finance certificates</b>			
- Listed		1,494,161	1,494,641
- Unlisted		2,136,776	2,294,031
		3,630,937	3,788,672
<b>Sukuk bonds</b>			
- Unlisted		739,318	373,171
<b>Commercial Paper</b>			
- Unlisted		-	153,060
<b>Total investments at cost</b>		<u>9,029,390</u>	<u>11,161,280</u>
Provision for diminution in the value of investments		<u>(156,320)</u>	<u>(82,797)</u>
<b>Investments - net of provisions</b>		<u>8,873,070</u>	<u>11,078,483</u>
(Deficit) / surplus on revaluation of held for trading securities		(3,621)	9,680
(Deficit) / surplus on revaluation of available for sale securities		<u>(45,747)</u>	<u>(43,864)</u>
<b>Total investments at market value</b>		<u><u>8,823,702</u></u>	<u><u>11,044,299</u></u>
<b>8.3 Particulars of provision for diminution in value of investments</b>			
Opening balance		82,797	12,571
Charge during the period		97,716	70,697
Reversals during the period		(24,193)	(471)
		73,523	70,226
Closing balance		<u>156,320</u>	<u>82,797</u>
<b>9. ADVANCES - net</b>			
<b>In Pakistan</b>			
Loans, cash credits, running finances, etc.		5,540,422	5,057,393
Net investment in finance lease		511,538	414,785
		6,051,960	5,472,178
Bills discounted and purchased (excluding treasury bills)		35,000	35,000
<b>Advances - Gross</b>		<u>6,086,960</u>	<u>5,507,178</u>
Provision against non-performing loans and advances	9.2	<u>(900,467)</u>	<u>(854,246)</u>
<b>Advances - net of provision</b>		<u><u>5,186,493</u></u>	<u><u>4,652,932</u></u>

9.1 Advances include Rs. 1,579.86 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 September 2018 (Un-audited)				
	Non-performing advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	74,948	-	74,948	-	-
Doubtful	546,665	-	546,665	(43,303)	(43,303)
Loss	958,250	-	958,250	(857,164)	(857,164)
	<u>1,579,863</u>	<u>-</u>	<u>1,579,863</u>	<u>(900,467)</u>	<u>(900,467)</u>
	----- (Rupees in '000) -----				
	As at 31 December 2017 (Audited)				
	Non-performing advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	958,250	-	958,250	(854,246)	(854,246)
	<u>958,250</u>	<u>-</u>	<u>958,250</u>	<u>(854,246)</u>	<u>(854,246)</u>

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

	30 September 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	46,221	-	46,221	42,362	-	42,362
Reversals for the period	-	-	-	(45,997)	-	(45,997)
	46,221	-	46,221	(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. 349.8 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 September	31 December
		2018 (Un-audited)	2017 (Audited)
		----- (Rupees in '000) -----	
Capital work-in-progress	10.2	183,093	183,093
Property and equipment		11,839	14,505
Intangible assets		255	405
		<u>195,187</u>	<u>198,003</u>
		30 September	30 September
		2018	2017
		(Un-audited)	(Un-audited)

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		749	1,184
Software license		-	469
Furniture and fixtures		-	115
Vehicles		-	10,701
Capital work-in-progress	10.2	-	28,750
		<u>749</u>	<u>41,219</u>

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

Computer equipment		45	19
Software license		-	-
Furniture and fixtures		-	865
Vehicles		-	11,127
		<u>45</u>	<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.

11. OTHER ASSETS	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
(Rupees in '000)			
Income / mark-up accrued in local currency		117,392	254,543
Advances, deposits, advance rent and other prepayments		193,329	66,300
Dividend receivable		2,044	1,529
Security deposits		7,731	7,731
Non-banking asset acquired in satisfaction of claims		96,223	100,177
		<u>416,719</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	680,786	694,163
Repurchase agreement borrowings	12.2	2,466,853	4,235,781
Term borrowing	12.3	1,125,000	1,187,500
		<u>4,272,639</u>	<u>6,120,738</u>

### Unsecured

Clean borrowings		750,000	250,000
		<u>5,022,639</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 7.70% to 7.90% per annum (31 December 2017: 6.00% to 6.05%) and are secured against government securities having carrying amount of Rs. 2.495 billion (31 December 2017: Rs. 4.282 billion). These borrowings will mature up to 5 October 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 September 2018 (Un-audited)	31 December 2017 (Audited)
(Rupees in '000)			
<b>Customers</b>			
Term Deposits - Remunerative	13.1	629,511	1,079,932
Term Deposits - Non - Remunerative	13.2	180	260
<b>Financial Institutions</b>			
Term Deposits - Remunerative	13.3	501,071	733,809
		<u>1,130,762</u>	<u>1,814,001</u>

13.1 The mark-up rates on these certificate of investments (COI) range between 6.60% to 7.90% per annum (31 December 2017: 6.15% to 6.6% per annum). These COIs will mature up to 19 July 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 19 July 2019 (31 December 2017: 17 November 2018).

13.3 The mark-up rates on these certificate of investments (COI) is 7.85% per annum (31 December 2017: 6.2% per annum). These COIs will mature on 26 December 2018 (31 December 2017: 29 March 2018).

#### 14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

##### 14.1 Authorised capital

30 September 2018 (Un-audited) (Number of shares)	31 December 2017 (Audited) (Number of shares)		30 September 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)				
<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 September 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 September 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited) (Rupees in '000)
Federal Government Securities		
- Pakistan investment bonds	(8,171)	22,358
- Treasury bills	(2,156)	(695)
Shares - listed	(23,673)	(16,727)
Units of mutual funds	-	(57,836)
Term finance certificates - listed	(12,065)	7,672
Sukuks	318	1,364
	<u>(45,747)</u>	<u>(43,864)</u>
Related deferred tax liability	9,952	6,578
	<u>(35,795)</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.

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 for Tax Year 2016 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).

	<b>30 September 2018 (Un-audited) (Rupees in '000)</b>	<b>31 December 2017 (Audited)</b>
<b>16.1 Direct credit substitutes</b>	<u>80,000</u>	<u>148,810</u>
<b>16.2 Commitments in respect of forward exchange contracts</b>	<u>91,752</u>	<u>-</u>
<b>16.3 Commitments to extend credit</b>		

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.

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 September 2018 (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)									
<b>Financial assets measured at fair value</b>									
<b>Investments</b>									
Market treasury bills	-	2,488,957	-	-	2,488,957	-	2,486,801	-	2,486,801
Pakistan investment bonds	-	1,318,931	-	-	1,318,931	-	1,310,760	-	1,310,760
Units of mutual funds	-	274,120	-	-	274,120	-	274,120	-	274,120
Shares in listed companies	106,944	470,183	-	-	577,127	459,429	-	-	459,429
Term finance certificates - listed	-	1,494,161	-	-	1,494,161	-	1,482,096	-	1,482,096
Sukuk bonds - Listed	-	42,907	-	-	42,907	43,225	-	-	43,225
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks	-	-	-	50,438	50,438	-	-	-	-
Balances with other banks	-	-	-	33,543	33,543	-	-	-	-
Lendings to financial institutions	-	-	-	550,000	550,000	-	-	-	-
<b>Investments</b>									
Shares in unlisted companies	-	-	-	-	-	-	-	-	-
Term finance certificates - unlisted	-	2,136,776	-	-	2,136,776	-	-	-	-
Commercial Papers	-	-	-	-	-	-	-	-	-
Sukuk bonds - Unlisted	-	696,412	-	-	696,412	-	-	-	-
Advances	-	-	-	5,186,493	5,186,493	-	-	-	-
Other assets	-	-	-	314,683	314,683	-	-	-	-
	106,944	8,922,447	-	6,136,157	15,164,548	-	-	-	15,164,548
<b>Financial liabilities not measured at fair value</b>									
Borrowings	-	-	-	(5,022,639)	(5,022,639)	-	-	-	-
Deposits and other accounts	-	-	-	(1,130,762)	(1,130,762)	-	-	-	-
Other liabilities	-	-	-	(196,494)	(196,494)	-	-	-	-
	-	-	-	(6,349,895)	(6,349,895)	-	-	-	-
31 December 2017 (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)									
<b>Financial assets measured at fair value</b>									
<b>Investments</b>									
Market treasury bills	-	4,934,925	-	-	4,934,925	-	4,934,230	-	4,934,230
Pakistan investment bonds	-	836,532	-	-	836,532	-	858,890	-	858,890
Units of mutual funds	-	274,119	-	-	274,119	-	216,283	-	216,283
Shares in listed companies	155,754	575,206	-	-	730,960	723,912	-	-	723,912
Term finance certificates - listed	-	1,494,641	-	-	1,494,641	1,503,842	-	-	1,503,842
Term finance certificates - Unlisted	-	1,248,342	-	-	1,248,342	-	-	-	1,248,342
Sukuk Bonds	-	199,036	-	-	199,036	200,000	-	-	200,000
<b>Financial assets not measured at fair value</b>									
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	-	-	-	-
<b>Investments</b>									
Shares in unlisted companies	-	-	-	-	-	-	-	-	-
Sukuk bonds	-	172,424	-	-	172,424	-	-	-	-
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	-	-	-	-
	155,754	10,769,669	153,060	6,082,632	17,161,115	-	-	-	17,161,115
<b>Financial liabilities not measured at fair value</b>									
Borrowings	-	-	-	(6,370,738)	(6,370,738)	-	-	-	-
Deposits and other accounts	-	-	-	(1,814,001)	(1,814,001)	-	-	-	-
Other liabilities	-	-	-	(245,594)	(245,594)	-	-	-	-
	-	-	-	(8,430,333)	(8,430,333)	-	-	-	-

**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).

18. RISK MANAGEMENT	30 September 2018 (Un-audited)	31 December 2017 (Audited)
	(Rupees in '000)	
<b>18.1 Liquidity Coverage Ratio</b>		
High quality liquid assets	1,728,003	2,051,268
Net cash outflows	732,430	785,842
Liquidity Coverage ratio (%)	2.36	2.61
<b>18.2 Net Stable Funding Ratio</b>		
Available stable funding	11,320,862	11,859,065
Required stable funding	8,872,526	8,581,747
Net Stable Funding Ratio (%)	128%	138%

## 19. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	30 September 2018 (Un-audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Total income - Gross	213,057	396,253	81,213	3,606	694,129
Total markup / return / interest expense	86,654	242,316	-	-	328,970
Segment provision / (reversal) / (impairment)	52,679	52,981	14,104	-	119,744
	139,333	295,277	14,104	-	448,714
<b>Net operating income</b>	<b>73,724</b>	<b>100,976</b>	<b>67,109</b>	<b>3,606</b>	<b>246,415</b>
Administrative expenses and other charges					216,340
Profit before taxation					<u>29,075</u>
Segment assets	8,246,632	6,314,999	389,984	558,572	15,510,187,000
Segment impaired assets / non performing loans	1,672,598	274,120	220,596	-	2,167,314
Segment provision required and held	(928,427)	(52,961)	(75,399)	-	(1,056,787)
Segment liabilities	2,325,146	3,863,854	-	160,895	6,349,895
Segment return on assets - % *	3.51%	6.57%	23.92%		5.59%
Segment cost of funds - % *	5.51%	6.38%			6.03%
	30 September 2017 (Un-audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(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
<b>Net operating income</b>	<b>306,969</b>	<b>191,248</b>	<b>13,053</b>	<b>18,650</b>	<b>529,920</b>
Administrative expenses and other charges					277,968
Profit before taxation					<u>251,952</u>
	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 September 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.



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

	<b>30 September 2018 (Un-audited)</b>	<b>31 December 2017 (Audited)</b>
	<b>(Rupees in '000)</b>	
<b>20.1 Loans and advances to key management personnel</b>		
Balance at beginning of the period / year	22,559	26,626
Loans granted during the period / year	27,856	1,939
Repayments during the period / year	(4,052)	(6,006)
Balance at end of the period / year	<u>46,363</u>	<u>22,559</u>
<b>20.2 Deposits from the key management personal</b>		
Balance at beginning of the period / year	80	120
Deposits received during the period / year	-	-
Deposits redeemed during the period / year	(20)	(40)
Balance at end of the period / year	<u>60</u>	<u>80</u>
<b>20.3 Receivable from Iran Foreign Investment Company (net)</b>	<u>2,201</u>	<u>1,865</u>
<b>20.4 Deposit from PAIR Investment Co. Ltd. Employees Gratuity Fund</b>	<u>16,724</u>	<u>6,020</u>
<b>20.5 Deposit from Pak Iran Joint Inv. Co. Ltd. Staff Provident Fund</b>	<u>53,435</u>	<u>16,855</u>
<b>20.6 Certificate of Investment issued to Iran Foreign Investment Company **</b>	<u>501,071</u>	<u>433,809</u>
<b>20.7 Interest Accrued on Certificate of Investment issued to Iran Foreign Investment Company</b>	<u>970</u>	<u>221</u>
<b>20.8 The Key Management Personnel / Directors' compensation are as follows:</b>	<b>30 September 2018 (Un-audited)</b>	<b>30 September 2017 (Un-audited)</b>
	<b>(Rupees in '000)</b>	
Disposal of Fixed Assets to Key Management Personnel	-	12,011
Mark-up earned on loans and advances	867	894
Salaries & Benefits	79,633	108,932
Contribution to defined contribution plan	4,100	4,027
Non-executive directors' remuneration *	2,091	1,897
<b>20.9 Amount transferred to provident fund</b>	<u>13,560</u>	<u>5,800</u>
<b>20.10 Amount transferred to gratuity fund</b>	<u>7,968</u>	<u>7,200</u>
<b>20.11 Dividend paid to Ministry of Finance - Govt. of Pakistan</b>	<u>50,000</u>	<u>150,000</u>
<b>20.12 Dividend paid to Iran Foreign Investment Company</b>	<u>50,000</u>	<u>450,000</u>
<b>20.13 Markup expensed on deposit from Iran Foreign Investment Company **</b>	<u>22,707</u>	<u>466</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 7.85% (31 December 2017: 6.2% ) and will mature on 26 December 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).

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 21<sup>st</sup> October 2018 by the Board of Directors.



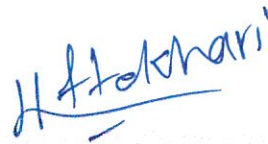
Chief Financial Officer



Chief Executive Officer /  
Managing Director



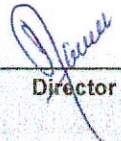
Chairman



Chief Executive and  
Managing Director



Director



Director