



**PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED**

**CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## **Independent Auditors' Review Report to the Members of Pakistan Kuwait Investment Company (Private) Limited**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Kuwait Investment Company (Private) Limited ("the Company") as at June 30, 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 "interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on the 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 accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting.

### **Other Matters**

The figures for the quarter ended June 30, 2018 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.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditor's review report is Syed Iftikhar Anjum.

**Date: September, 5 2018**

**Karachi**

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

# Pakistan Kuwait Investment Company (Private) Limited

## Condensed Interim Statement of Financial Position

As at June 30, 2018

	Note	June 30, 2018 (Un -Audited) (Rupees in '000)	December 31, 2017 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		59,957	61,148
Balances with other banks		5,984	18,730
Lendings to financial institutions	6	71,944	2,476,726
Investments	7	25,959,169	22,922,841
Advances	8	2,519,690	3,166,570
Operating fixed assets		217,556	196,533
Deferred tax assets		-	-
Other assets		232,626	286,616
		<b>29,066,926</b>	<b>29,129,164</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	9	1,471,785	2,562,007
Deposits and other accounts	10	2,500	2,500
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,395,314	1,283,926
Other liabilities		625,110	473,321
		<b>3,494,709</b>	<b>4,321,754</b>
<b>NET ASSETS</b>		<b>25,572,217</b>	<b>24,807,410</b>
<b>REPRESENTED BY</b>			
Share capital		6,000,000	6,000,000
Reserves		7,431,389	7,431,389
Unappropriated profit		11,673,852	10,696,759
		<b>25,105,241</b>	<b>24,128,148</b>
Surplus on revaluation of 'available-for-sale' securities - net of tax	11	466,976	679,262
		<b>25,572,217</b>	<b>24,807,410</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

  
 Chief Financial Officer

  
 Chief Executive

  
 Director

  
 Director

  
 Director

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

	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2018		June 30, 2017	
	------(Rupees in '000)-----			
Mark-up / return / interest earned	294,084	484,817	183,373	373,174
Mark-up / return / interest expensed	24,697	49,946	26,047	52,103
Net mark-up / interest income	<u>269,387</u>	<u>434,871</u>	<u>157,326</u>	<u>321,071</u>
Reversal of provision against non-performing loans and advances - net	-	(12,618)	(110,970)	(265,934)
Provision for diminution / impairment in the value of investments	19,912	29,762	22,842	44,326
Bad debts written off directly	-	-	-	-
	<u>19,912</u>	<u>17,144</u>	<u>(88,128)</u>	<u>(221,608)</u>
Net mark-up / interest income after provisions	<u>249,475</u>	<u>417,727</u>	<u>245,454</u>	<u>542,679</u>
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	150	2,300	477	627
Dividend income	46,712	81,197	73,903	117,532
Income from dealing in foreign currencies	-	-	-	-
(Loss) / gain on sale of securities	(12,176)	127,257	20,583	88,786
Unrealised (loss) / gain on revaluation of 'held-for-trading' securities	(3,296)	440	757	(1,460)
Share in results of associates - net	613,001	1,466,437	436,040	1,142,959
Other income	118,785	119,283	7,504	13,523
Total non mark-up / interest income	<u>763,176</u>	<u>1,796,914</u>	<u>539,264</u>	<u>1,361,967</u>
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	173,631	307,027	137,815	229,735
Provision on other assets	-	25,488	-	-
Other charges	-	-	-	-
Total non mark-up / interest expenses	<u>173,631</u>	<u>332,515</u>	<u>137,815</u>	<u>229,735</u>
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>839,020</u>	<u>1,882,126</u>	<u>646,903</u>	<u>1,674,911</u>
Taxation				
- Current	152,328	255,715	87,073	191,778
- Prior years	-	-	-	-
- Deferred	61,363	132,678	287,295	377,002
	<u>213,691</u>	<u>388,393</u>	<u>374,368</u>	<u>568,780</u>
<b>PROFIT AFTER TAXATION</b>	<u>625,329</u>	<u>1,493,733</u>	<u>272,535</u>	<u>1,106,131</u>
	-----Rupees-----			
<b>Basic and diluted earning per share (On share of Rs. 25,000 each)</b>	<u>2,606</u>	<u>6,224</u>	<u>1,136</u>	<u>4,609</u>

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.



Chief Financial Officer



Chief Executive



Director



Director



Director

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

Note	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2018		June 30, 2017	
	----- (Rupees in '000) -----			
Profit for the period	625,329	1,493,733	272,535	1,106,131
<b>Other comprehensive income</b>				
<b>Not to be reclassified to profit and loss account in subsequent periods</b>				
Share of remeasurement of defined benefit plans of associates	(19,925)	(19,925)	(11,822)	(11,909)
Deferred tax on remeasurement of defined benefit plans of associates	3,285	3,285	-	-
<b>Comprehensive income transferred to equity</b>	<b>608,689</b>	<b>1,477,093</b>	<b>260,713</b>	<b>1,094,222</b>
<b>Component of comprehensive income not transferred to equity</b>				
Share of (deficit) on revaluation of 'available for sale' securities of associates	7.2 (68,246)	(118,748)	(54,299)	(217,855)
Deferred tax on revaluation of 'available for sale' securities of associates	10,069	17,798	13,626	34,046
(Deficit) on revaluation of 'available for sale' securities	(330,825)	(111,543)	(213,715)	(519,555)
Deferred tax on revaluation of 'available-for-sale' securities	31,404	207	33,556	71,793
<b>Total comprehensive income for the period</b>	<b>251,091</b>	<b>1,264,807</b>	<b>39,881</b>	<b>462,651</b>

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

  
 Chief Financial Officer

  
 Chief Executive

  
 Director

  
 Director

  
 Director

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

	Share Capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
------(Rupees in '000)-----						
Balance as at January 01, 2017	6,000,000	5,145,183	935,264	795,873	9,946,000	22,822,320
Profit for the half year ended June 30, 2017	-	-	-	-	1,106,131	1,106,131
Other comprehensive income	-	-	-	-	(11,909)	(11,909)
Total comprehensive income	-	-	-	-	1,094,222	1,094,222
<b>Transactions with the owners of the Company</b>						
Final dividend for the year ended December 31, 2016 @ 2,083.3 per share approved subsequently to year end	-	-	-	-	(500,000)	(500,000)
<b>Balance as at June 30, 2017</b>	<b>6,000,000</b>	<b>5,145,183</b>	<b>935,264</b>	<b>795,873</b>	<b>10,540,222</b>	<b>23,416,542</b>
Profit for the half year ended December 31, 2017	-	-	-	-	744,098	744,098
Other comprehensive income	-	-	-	-	(32,492)	(32,492)
Total comprehensive income	-	-	-	-	711,606	711,606
Transfer to statutory reserve		370,046			(370,046)	-
Transfer to capital market equalization reserve				185,023	(185,023)	-
<b>Balance as at December 31, 2017</b>	<b>6,000,000</b>	<b>5,515,229</b>	<b>935,264</b>	<b>980,896</b>	<b>10,696,759</b>	<b>24,128,148</b>
Profit for the half year ended June 30, 2018	-	-	-	-	1,493,733	1,493,733
Other comprehensive income	-	-	-	-	(16,640)	(16,640)
Total comprehensive income	-	-	-	-	1,477,093	1,477,093
<b>Transactions with the owners of the Company</b>						
Dividend for the year ended December 31, 2017 @ 2,083.3 per share approved subsequently to year end	-	-	-	-	(500,000)	(500,000)
<b>Balance as at June 30, 2018</b>	<b>6,000,000</b>	<b>5,515,229</b>	<b>935,264</b>	<b>980,896</b>	<b>11,673,852</b>	<b>25,105,241</b>

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

Transfers to statutory reserve and capital market equalization reserve are made for the year in the annual financial statements.

  
Chief Financial Officer

  
Chief Executive

  
Director

  
Director

  
Director

# Pakistan Kuwait Investment Company (Private) Limited

## Condensed Interim Cash Flow Statement - (Un-audited)

For the half year ended June 30, 2018

	2018	2017
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,882,126	1,674,911
Less: Dividend income	(81,197)	(117,532)
	<u>1,800,929</u>	<u>1,557,379</u>
Adjustments for:		
Depreciation	5,474	4,743
Amortization	2,497	4,730
Reversal of provision against non-performing loans and advances - net	(12,618)	(265,934)
Provision for diminution / impairment in the value of investments	29,762	44,326
Provision for impairment in other assets	25,488	-
Unrealised (gain) / loss on revaluation of 'held for trading' securities	(440)	1,460
Share in results of associates - net	(1,466,437)	(1,142,959)
Gain on disposal of operating fixed assets	-	(1,130)
	<u>(1,416,274)</u>	<u>(1,354,764)</u>
	384,655	202,615
Decrease in operating assets		
Lendings to financial institutions	2,404,782	241,282
'Held-for-trading' securities	113,007	21,158
Advances	659,498	1,501,127
Others assets (excluding advance taxation)	14,921	94,480
	3,192,208	1,858,047
(Decrease) in operating liabilities		
Borrowings from financial institutions	(1,090,222)	(48,117)
Deposits and other accounts	-	(50)
Other liabilities (excluding current taxation)	94,119	(33,926)
	<u>(996,103)</u>	<u>(82,093)</u>
	2,580,760	1,978,569
	<u>(99,257)</u>	<u>(85,464)</u>
Income tax paid	2,481,503	1,893,105
<i>Net cash inflow from operating activities</i>	2,481,503	1,893,105
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in 'available-for-sale' securities	(2,481,024)	(1,905,059)
Dividend received	514,578	517,711
Investments in operating fixed assets	(28,994)	(4,095)
Sale proceeds of operating fixed assets	-	1,130
<i>Net cash (outflow) from investing activities</i>	<u>(1,995,440)</u>	<u>(1,390,313)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(500,000)	(500,000)
<i>Net cash used in financing activities</i>	<u>(500,000)</u>	<u>(500,000)</u>
<b>(Decrease) / Increase in cash and cash equivalents</b>	<u>(13,937)</u>	2,792
Cash and cash equivalents at beginning of the period	79,878	78,686
Cash and cash equivalents at end of the period	<u>65,941</u>	<u>81,478</u>

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

  
Chief Financial Officer

  
Chief Executive

  
Director

  
Director

  
Director



**Pakistan Kuwait Investment Company (Private) Limited**  
**Notes to the Condensed Interim Financial Information (Un-audited)**  
*For the half year ended June 30, 2018*

**1. STATUS AND NATURE OF BUSINESS**

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has one representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

**2. BASIS OF PRESENTATION**

The condensed interim financial information has been prepared based on the format prescribed by the State Bank of Pakistan (SBP) vide BSD Circular Letter No. 2, dated 12 May 2004, BSD Circular letter No. 07, dated 20 April 2010 and IAS 34 "Interim Financial Reporting" 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 December 31, 2017.

**3. STATEMENT OF COMPLIANCE**

**3.1** The condensed interim financial information has 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 comprises of International Accounting Standard – 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 Companies Act, 2017 and the directives issued by the State Bank of Pakistan (SBP). Where the provisions of and directives issued under the Companies Act, 2017 and the directives issued by SBP differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and directives issued by SBP have been followed.

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

**3.3 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 for the financial year commencing January 1, 2019.

**IFRS 9 'Financial Instruments'**

The Company is currently awaiting instructions from the SBP, as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks and development financial institutions to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Company is required to submit its impact assessment to the SBP in due course of time.

**IFRS 15 'Revenue from contracts with customers'**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Company does not expect any significant impact on revenue recognition from adoption of the standard.

## IFRS 16 'Leases'

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting for lessors will not significantly change.

As at the reporting date, the Company has non-cancellable operating lease commitments. However, the Company is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these condensed interim financial statements.

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 December 31, 2018.

## 4. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended December 31, 2017.

## 5. FINANCIAL RISK MANAGEMENT / JUDGEMENTS AND ESTIMATES

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, 2017.

In preparing this interim financial information, management has made judgements, 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 judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statements as at and for the year ended December 31, 2017.

	<b>June 30, 2018</b>	December 31, 2017
	<b>(Rupees in '000)</b>	
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Repurchase agreement lendings (Reverse Repo)	<u>71,944</u>	<u>2,476,726</u>
	<u>71,944</u>	<u>2,476,726</u>

	<i>Note</i>			December 31, 2017		
	<b>June 30, 2018</b>					
<b>6.1 Securities held as collateral against lendings to financial institutions</b>	<b>Held by the Company</b>	<b>Further given as collateral</b>	<b>Total</b>	Held by the Company	Further given as collateral	Total
	-----Rupees in '000-----					
Market Treasury Bills	<u>71,944</u>	-	<u>71,944</u>	<u>2,476,726</u>	-	<u>2,476,726</u>

- 6.1.1** This represents lending to financial institutions against purchase and resale of government securities. Market value of these securities as at June 30, 2018 amounted to Rs. 71.862 (December 31, 2017: 2,458.403) million. The markup rate on this lendings is 6.50 (December 31, 2017: 5.85 and 5.90) percent per annum with maturity in three days (December 31, 2017: two days).

## 7. INVESTMENTS

### 7.1 Investments by type

	June 30, 2018			December 31, 2017			
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total	
------(Rupees in '000)-----							
<b>Held for trading securities</b>							
Shares of listed companies	6,720	-	6,720	119,727	-	119,727	
<b>Available for sale securities</b>							
Market treasury bills	5,483,315	-	5,483,315	3,548,276	-	3,548,276	
Pakistan investment bonds	898,391	-	898,391	897,119	-	897,119	
Shares of listed companies	3,172,772	-	3,172,772	3,371,254	-	3,371,254	
Shares of unlisted companies	110,226	-	110,226	110,226	-	110,226	
Listed preference shares	55,029	-	55,029	55,029	-	55,029	
Listed sukuk / term finance certificates	1,520,863	-	1,520,863	839,120	-	839,120	
Unlisted term finance certificates	298,426	-	298,426	298,479	-	298,479	
	11,539,022	-	11,539,022	9,119,503	-	9,119,503	
<b>Associates</b>	7.2	14,469,576	-	14,469,576	13,660,400	-	13,660,400
		26,015,318	-	26,015,318	22,899,630	-	22,899,630
Provision for diminution / impairment in the value of investments		(418,969)	-	(418,969)	(455,168)	-	(455,168)
Total investments - net of provisions		25,596,349	-	25,596,349	22,444,462	-	22,444,462
Surplus on revaluation of 'held for trading' securities		440	-	440	4,455	-	4,455
Surplus on revaluation of 'available for sale' securities		362,380	-	362,380	473,924	-	473,924
<b>Total investments</b>		25,959,169	-	25,959,169	22,922,841	-	22,922,841

Half year ended  
**June 30, 2018**  
Half year ended  
June 30, 2017  
**(Rupees in '000)**

### 7.2 Movement in investments in associates

Investments at beginning of the period	13,660,400	12,807,290
Share in (deficit) on revaluation / reserves of associates	(118,748)	(217,855)
Share in remeasurement of defined benefits plans of associates	(19,925)	(11,909)
Share of profit from associates recognized in profit and loss account	1,466,437	1,142,959
Dividends received from associates	(518,588)	(512,921)
Investments at end of the period	<u>14,469,576</u>	<u>13,207,564</u>

7.3 The cost of investment in associates as at June 30, 2018 amounted to Rs. 2,895 million (December 31, 2017: Rs. 2,895 million). Share in results of associates recorded under equity method of accounting net of dividend and income taxes amounted to Rs. 812 million (June 30, 2017: Rs. 324 million).

7.4 The Company's associates and its holding in associates are the same as provided in the Financial Statements for the year ended December 31, 2017, except for Al-Meezan Mutual Fund's holding, where holding percentage varies due to change in total units in issue.

8. ADVANCES	Note	June 30, 2018 (Rupees in '000)	December 31, 2017
<b>In Pakistan</b>			
Advances		3,092,440	3,676,709
Net investment in finance leases		<u>567,335</u>	<u>642,564</u>
		<u>3,659,775</u>	4,319,273
Provision for non-performing advances	8.2	<u>(1,140,085)</u>	(1,152,703)
Advances - net of provision		<u><u>2,519,690</u></u>	<u><u>3,166,570</u></u>

**8.1** Advances include Rs. 1,140.085 million (December 31, 2017: Rs. 1,153.527 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2018			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	1,140,085	-	1,140,085	1,140,085	1,140,085
	<u>1,140,085</u>	<u>-</u>	<u>1,140,085</u>	<u>1,140,085</u>	<u>1,140,085</u>

Category of classification	December 31, 2017			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Substandard	-	-	-	-	-
Doubtful	1,647	-	1,647	823	823
Loss	1,151,880	-	1,151,880	1,151,880	1,151,880
	<u>1,153,527</u>	<u>-</u>	<u>1,153,527</u>	<u>1,152,703</u>	<u>1,152,703</u>

8.2 Particulars of provision for non-performing advances - specific	Half year ended June 30, 2018 (Rupees in '000)	Year ended December 31, 2017
Opening balance	1,152,703	1,437,645
Reversals for the period / year	(12,618)	(284,942)
Closing balance	<u>1,140,085</u>	<u>1,152,703</u>

9. BORROWINGS	Note	June 30, 2018 (Rupees in '000)	December 31, 2017
<b>Secured</b>			
Borrowing from SBP			
Under Long Term Finance Facility - (LTFF)	9.1	1,471,785	1,560,360
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	9.2	-	1,647
Term Finance Facility		-	1,000,000
		<u>1,471,785</u>	<u>2,562,007</u>

**9.1** This represents Long Term Finance Facility (LTFF) on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the company from July 1, 2017 to June 30, 2018 is Rs. 1,000 million out of which no disbursement was made.

**9.2** This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 6.50 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanctioned limit for the company was Rs. 300 million.

10. DEPOSITS AND OTHER ACCOUNTS	Note	June 30, 2018	December 31, 2017
(Rupees in '000)			
Certificates of investment (COI)	10.1	<u>2,500</u>	<u>2,500</u>

**10.1** The profit rate on this COI is 5.80 (December 31, 2017: 5.80) percent per annum. The COI is due for maturity on September 21, 2018 (December 31, 2017: September 21, 2018).

11. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES - NET OF TAX	June 30, 2018	December 31, 2017
(Rupees in '000)		
Federal government securities	23,258	54,831
Shares of listed companies	323,762	408,693
Listed / unlisted / TFCs / sukuk	15,360	10,399
Share of surplus on revaluation of investments of associates	<u>90,311</u>	<u>209,059</u>
	452,691	682,982
Deferred Tax	<u>14,285</u>	<u>(3,720)</u>
	<u>466,976</u>	<u>679,262</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Taxation

The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2017, raising a tax demand of Rs. 3,430 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2017 under this head amount to Rs 7,741 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer of refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001 (Ordinance). The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011, November 30, 2012, June 15, 2015, September 8, 2017, March 6, 2018 and March 7, 2018 for tax years 2004 to 2007, tax year 2010, tax years 2011 to 2013, tax year 2015, tax years 2014 and 2017 and tax year 2016 respectively, directed for the application of provision of section 124A of the Ordinance. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2017 which are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided. However, in the tax order for the year 2003, the Officer has not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the Company has preferred an appeal which has been heard. The order of the said appeal is pending.

Further, the Company had made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same is still pending.

The Company has made provision of Rs. 1,358 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

### 12.2 Other commitments

	June 30, 2018	December 31, 2017
(Rupees in '000)		
Undisbursed sanctions for financial assistance in the form of		
- TFCs and Sukuks	-	400,000
- loans and advances	<u>650,000</u>	<u>450,000</u>
	<u>650,000</u>	<u>850,000</u>

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 13.1 On balance sheet financial instruments

June 30, 2018									
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>									
Investments									
- Market treasury bills	-	5,480,793	-	-	5,480,793		5,480,793		5,480,793
- Pakistan investment bonds	-	924,170	-	-	924,170		924,170		924,170
- Shares of listed companies	7,160	3,235,768	-	-	3,242,928	3,242,928			3,242,928
- Listed preference shares		40,150	-	-	40,150	40,150			40,150
- Listed sukuk / term finance certificates	-	1,534,227	-	-	1,534,227		1,534,227		1,534,227
- Unlisted term finance certificates	-	266,785	-	-	266,785		266,785		266,785
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks	-	-	59,957	-	59,957				
Balances with other banks	-	-	5,984	-	5,984				
Investments									
- Investments in associates - listed	-	13,379,310	-	-	13,379,310	29,336,659			29,336,659
- Shares in unlisted companies	-	540	-	-	540				
- Shares of unlisted associates	-	1,090,266	-	-	1,090,266				
Advances	-	-	2,519,690	-	2,519,690				
Other assets	-	-	215,406	-	215,406				
<b>Financial liabilities not measured at fair value</b>									
Borrowings	-	-	-	(1,471,785)	(1,471,785)				
Deposits and other accounts	-	-	-	(2,500)	(2,500)				
Other liabilities	-	-	-	(569,336)	(569,336)				
	<b>7,160</b>	<b>25,952,009</b>	<b>-</b>	<b>2,801,037</b>	<b>(2,043,621)</b>				<b>26,716,585</b>

December 31, 2017									
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>									
Investments									
- Market treasury bills	-	3,547,663	-	-	3,547,663		3,547,663		3,547,663
- Pakistan investment bonds	-	953,175	-	-	953,175		953,175		953,175
- Shares of listed companies	124,182	3,473,133	-	-	3,597,315	3,597,315			3,597,315
- Listed sukuk / term finance certificates	-	849,254	-	-	849,254		849,254		849,254
- Unlisted term finance certificates	-	265,106	-	-	265,106		265,106		265,106
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks	-	-	61,148	-	61,148				
Balances with other banks	-	-	18,730	-	18,730				
Investments									
- Investments in associates - listed	-	12,578,211	-	-	12,578,211	25,068,357			25,068,357
- Listed preference shares	-	50,000	-	-	50,000	40,150			40,150
- Shares in unlisted companies	-	540	-	-	540				
- Shares of unlisted associates	-	1,082,189	-	-	1,082,189				
Advances	-	-	3,166,570	-	3,166,570				
Other assets	-	-	88,931	-	88,931				
<b>Financial liabilities not measured at fair value</b>									
Borrowings	-	-	-	(2,562,007)	(2,562,007)				
Deposits and other accounts	-	-	-	(2,500)	(2,500)				
Other liabilities	-	-	-	(426,535)	(426,535)				
	<b>124,182</b>	<b>22,799,271</b>	<b>-</b>	<b>3,335,379</b>	<b>(2,991,042)</b>				<b>23,267,790</b>

The fair value of financial assets and liabilities not carried at fair value except for investments in listed associates are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the 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 asset or liability that are not based on observable market data (i.e. unobservable inputs).

#### 14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
----- (Rupees in '000) -----						
<b>Half year ended June 30, 2018</b>						
Total income - gross	489,038	246,078	-	1,542,444	3,731	2,281,291
Total mark-up / return / interest expense	(49,874)	(72)	-	-	-	(49,946)
Segment provision / impairment / unrealised gain / losses	12,618	-	-	(29,322)	-	(16,704)
	(37,256)	(72)	-	(29,322)	-	(66,650)
Net operating income	451,782	246,006	-	1,513,122	3,731	2,214,641
Administrative expenses and other charges						(332,515)
Profit before taxation						1,882,126

#### Half year ended June 30, 2018

Segment assets - net	5,487,525	6,580,665	-	16,671,050	327,686	29,066,926
Segment non-performing loans	1,140,085	-	-	-	-	1,140,085
Segment provision required and held	1,140,085	-	-	-	-	1,140,085
Segment liabilities	1,549,343	2,650	-	59,244	1,883,472	3,494,709
Segment return on net assets (ROA) % *	17.99%	6.69%	-	19.03%	2.28%	-
Segment cost of funds (%) *	3.88%	5.59%	-	-	-	-

\* Based on daily average assets and funds. Return / cost has been annualized for rates.

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
----- (Rupees in '000) -----						
<b>Half year ended June 30, 2017</b>						
Total income - gross	161,874	217,336	327	1,349,278	7,786	1,736,601
Total mark-up / return / interest expense	(52,005)	(98)	-	-	-	(52,103)
Segment provision / impairment / unrealised losses	249,028	-	-	(28,880)	-	220,148
	197,023	(98)	-	(28,880)	-	168,045
Net operating income	358,897	217,238	327	1,320,398	7,786	1,904,646
Administrative expenses and other charges						(229,735)
Profit before taxation						1,674,911

#### Half year ended June 30, 2017

Segment assets - net	5,788,579	7,475,764	-	15,428,851	399,941	29,093,135
Segment non-performing loans	1,173,358	-	-	-	-	1,173,358
Segment provision required and held	1,171,711	-	-	-	-	1,171,711
Segment liabilities	2,700,531	3,799	-	768	1,738,066	4,443,164
Segment return on net assets (ROA) %	5.08%	6.58%	-	17.44%	3.89%	-
Segment cost of funds (%)	3.81%	5.50%	-	-	-	-

Under the Company policy, capital market department assets are financed through equity funds.

## 15 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertaking, employee benefit plans, key management personnel and its directors.

The company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

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

	June 30, 2018				December 31, 2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
<b>Balances with other banks</b>								
In current accounts	-	-	4,201	-	-	-	12,476	-
In deposit accounts	-	-	-	-	-	-	-	-
	-	-	<b>4,201</b>	-	-	-	<b>12,476</b>	-
<b>Investments</b>								
Opening balance	-	-	13,660,400	500	-	-	12,807,290	500
Investment made during the period / year	-	-	-	-	-	-	902,464	-
Equity method accounting adjustments	-	-	809,176	-	-	-	(49,354)	-
<b>Closing balance</b>	-	-	<b>14,469,576</b>	<b>500</b>	-	-	<b>13,660,400</b>	<b>500</b>
<b>Advances</b>								
Opening balance	-	8,445	-	-	-	23,553	-	-
Addition during the period / year	-	15,700	-	-	-	600	-	-
Repaid during the period / year	-	(1,883)	-	-	-	(11,264)	-	-
Transfer in / (out) - net	-	13,787	-	-	-	(4,444)	-	-
<b>Closing balance</b>	-	<b>36,049</b>	-	-	-	<b>8,445</b>	-	-
<b>Other Assets</b>								
Interest / mark-up accrued	-	-	24	-	-	-	30	-
Dividend receivable from Associates	-	-	120,000	-	-	-	-	-
Receivable from Pak Kuwait Takaful Company	-	-	-	9,740	-	-	-	9,740
Non-current asset held for sale	-	-	-	135,000	-	-	-	135,000
Provision against other assets	-	-	-	(144,740)	-	-	-	(144,740)
	-	-	<b>120,024</b>	-	-	-	<b>30</b>	-
<b>Deposits and other accounts</b>								
Opening balance	-	-	-	2,500	-	-	-	2,500
Received during the period / year	-	-	-	-	-	-	-	2,500
Withdrawn during the period / year	-	-	-	-	-	-	-	(2,500)
<b>Closing balance</b>	-	-	-	<b>2,500</b>	-	-	-	<b>2,500</b>
<b>Other Liabilities</b>								
Interest / mark-up payable	-	-	-	112	-	-	-	41
Payable to NCCPL	-	-	221	-	-	-	216	-

	June 30, 2018				June 30, 2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
<b>Income</b>								
Mark-up / return / interest earned	-	493	144	-	-	459	136	-
Dividend income	-	-	518,588	-	-	-	512,921	-
<b>Other income</b>								
- Nominee Director Fee	-	-	4,190	70	-	-	4,854	60
<b>Expense</b>								
Mark-up / return / interest paid	-	-	-	72	-	-	-	71
<b>Operating expenses</b>								
- Directors Fee	9,269	-	-	-	8,325	-	-	-
- Remuneration to key management personnel (including retirement benefits)	-	54,417	-	-	-	48,962	-	-
- NCCPL Charges	-	-	221	-	-	-	216	-
- FMCL Office Maintenance Charges	-	-	-	12,171	-	-	-	12,173
- Contribution made to Staff Provident Fund	-	-	-	8,153	-	-	-	8,875
- Contribution made to Staff Gratuity Fund	-	-	-	8,988	-	-	-	9,099

### Key management personnel

Key management personnel include the Managing Director, Chief Financial Officer, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit, Head of Operations, Head of Human Resources and Head of Information Technology.



**16. LIQUIDITY RISK**

The Company calculates the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per SBP Basel III Liquidity Standards issued under BPRD circular no. 08 dated June 23, 2016. As of June 30, 2018, the company LCR stood at 778% (December 31, 2017: 375%) and NSFR stood at 134% (December 31, 2017: 133%) against the SBP's minimum requirement of 90% and 100% respectively.

**17. DATE OF AUTHORISATION FOR ISSUE**

The condensed interim financial information was authorised for issue in the Board of Directors meeting held on September 05, 2018.

**18. GENERAL**

**18.1.** The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of AAA (Triple A) and the short term rating at A1+ (A one plus), the highest level.

**18.2.** The figures have been rounded off to nearest thousand rupees, unless otherwise stated.



**Chief Financial Officer**




**Chief Executive**



**Director**



**Director**



**Director**