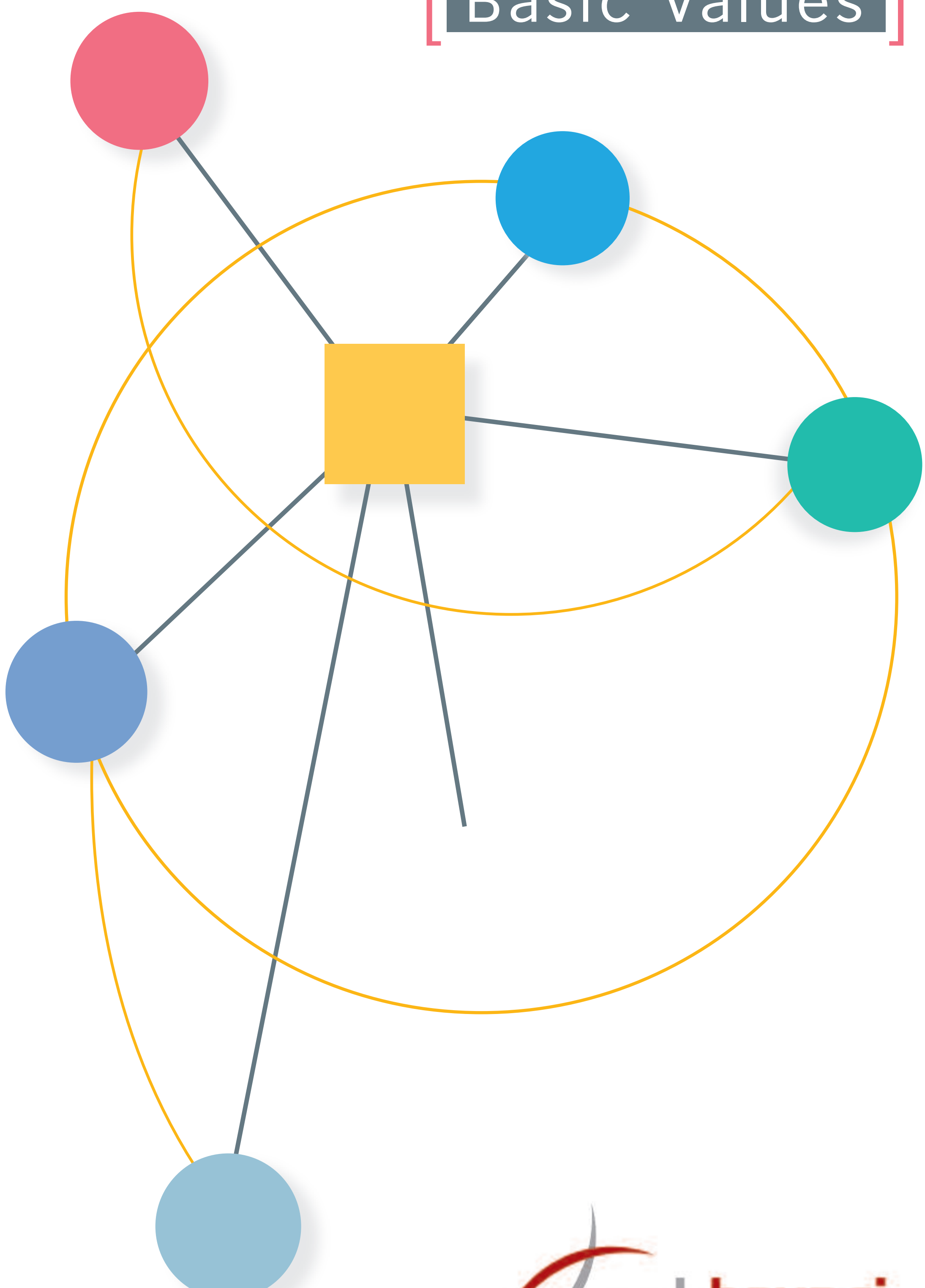
PAK BRUNEI INVESTMENT COMPANY

Basic Values



Annual Report 2018

pakbrunei
INVESTMENT COMPANY

PAK BRUNEI INVESTMENT COMPANY

Annual Report 2018

pakbrunei
INVESTMENT COMPANY

[Basic Values]

[Vision]

Pak Brunei will play a role in the economic progress and development of Pakistan by providing the entire range of advisory services as well as financial support to viable projects in high growth, capital-starved sectors of the economy.

[Mission]

Pak Brunei aims to be at the vanguard of innovation in investment banking services, offering the best solutions to our clients, value to our shareholders, and a challenging, equal-opportunity environment to our employees.

[Core Values]

Innovation

We will not be held hostage to conventional wisdom

Integrity

We will be honest, professional, and fair in all our dealings with all our stakeholders

Performance

We will be result-oriented and encourage a competitive culture

Teamwork

We will have shared goals and objectives

Customer Focus

We will understand our customers' needs and try to exceed customer expectations

Promoting Stability

Rehabilitation of Distressed Industrial Units:

Revival financing is the forte of Pak Brunei. We have developed expertise in financial restructuring of companies in distress. Such entities are often unable to access bank credit resulting in default and in some cases, closure.

Companies are selected on the basis of a number of factors including fundamental viability and future outlook. An independent project monitoring department ensures close monitoring of the company and covenants to be proactive in identifying problems/leakages.

Financing Green/ Brown-field Projects:

While distressed asset financing is an important business for Pak Brunei, the largest segment of the credit portfolio is lending to strong corporate borrowers marked by low risk profile.

A clear emphasis has also been on financing small to medium sized, new as well as brownfield projects often not on the radar of larger institutions. These require greater level of hand holding on an on-going basis.

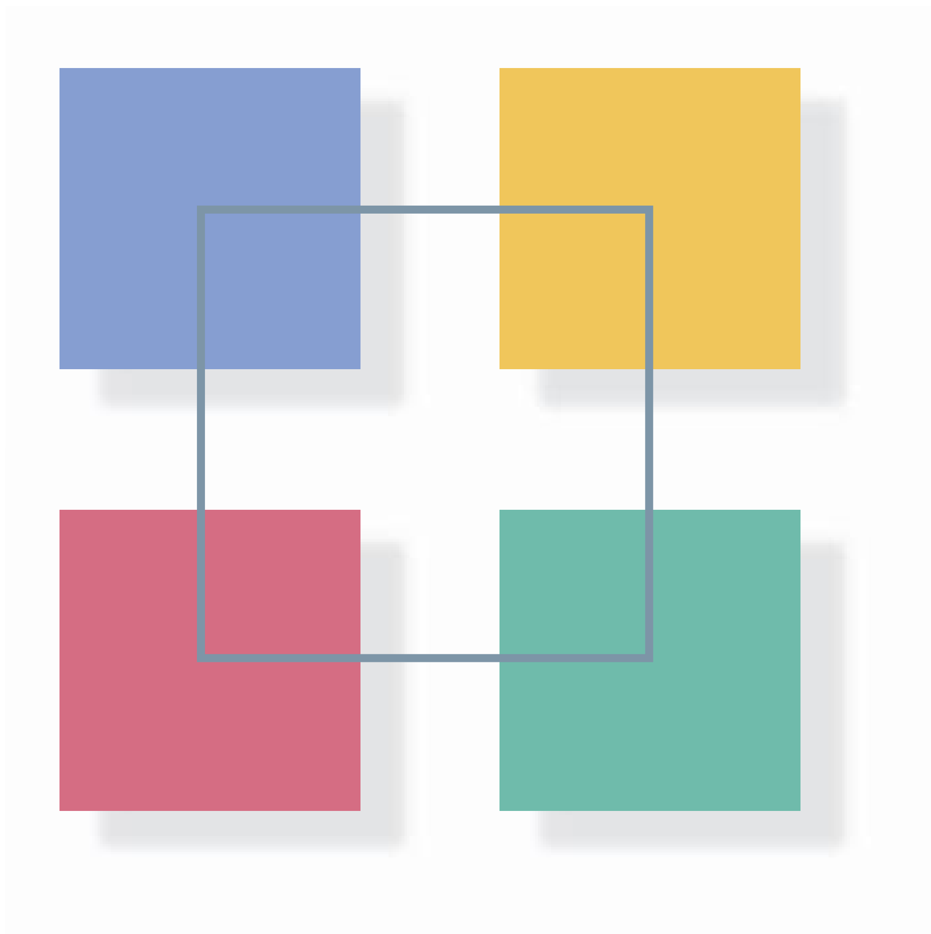
Supporting SMEs:

Apart from making small sized entities bankable by supporting them from the platform of Pak Brunei, a specialized leasing company also finances small and medium sized businesses by offering leasing solutions. A deep understanding of sector dynamics backed by strong systems and a specialised SME team have helped the Company meet its internal and regulatory targets in this area.

Opening Channels of Communication

As a development finance institution owned by two sovereign shareholders, Pak Brunei has an interest in serving untapped sectors of the economy. Whether it is revival of companies that are operating below capacity, facilitating resumption of operations where units have been closed down, provision of private equity or SME financing, these are activities that serve the developmemt objectives of the Company.

Active platforms manned by experienced human resource for Project and Lease Finance, Corporate Finance & Advisory services, Strategic Investments, SME Finance, Private Equity, Trust services, Capital Market Operations, and Fixed Income Trading & Distribution activities ensure sustainability and profitability of operations.



Reliable Services

Financial institutions generally focus on lower-risk customers, sectors and transaction structures. This leaves a considerable vacuum to work with low-mid tier companies such as smaller family owned or closely held businesses, those facing liquidity stress, marked by viable business dynamics but poor corporate discipline. Such exposures carry higher risk but also offer higher margins.

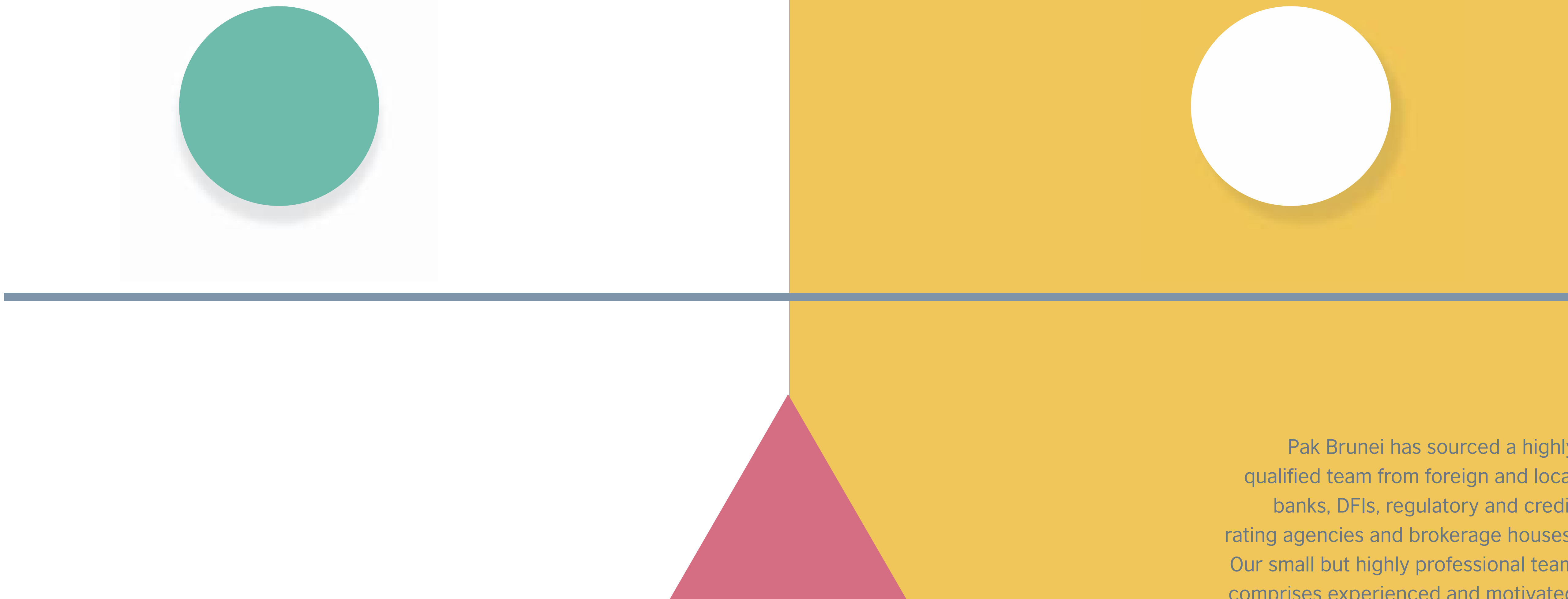
These are high yield transactions financed through a watertight structure supported with post financing monitoring mechanism to mitigate associated risks. They play a vital role in supporting the economy since liquidity is provided for reviving close/near-closure units and generating employment.

For an institution like Pak Brunei, carve-outs of special purpose businesses is a viable strategy for growth.

Committed to Growth

We established a wholly owned Asset Management subsidiary, Primus Investment Management in 2011. Keeping sector dynamics in mind, this was divested in 2017 and capital freed up was invested in setting up a leasing company to focus more on SME sector. Primus Leasing Ltd. was incorporated in July 2017 and within its first year of operations, has reached out to a diverse customer base spread over several cities and towns in Punjab with aggressive future plans.

Through establishment of Awwal Modaraba, we are better poised to scale up our revival financing and private equity portfolios. Modarabas are of great interest to Pak Brunei since these are efficiently capitalized vehicles capable of raising funds from multiple investors and offering greater liquidity.



Workplace Balance

Pak Brunei has sourced a highly qualified team from foreign and local banks, DFIs, regulatory and credit rating agencies and brokerage houses. Our small but highly professional team comprises experienced and motivated members including MBAs, qualified Chartered Accountants, CFAs, FRMs, and Engineers. Our aim is to be an employer of choice for the best resources in our line of business. We take pride in being an equal opportunity employer.

Valuing Relationships

Creating value out of every relationship is how Pak Brunei measures performance. Our relationships, based on mutual trust, confidence and credibility, are all about financing the changes needed for success.

Contents

Unconsolidated Financial Statements

Corporate Information

Board of Directors

Mr. Sofian Mohammad Jani	Chairman
Mr. Tariq Mahmood Pasha	Director
Mr. Edzwan Zukri Adanan	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Mr. Tariq Mahmood Pasha	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Edzwan Zukri Adanan	Member

Human Resource Committee

Mr. Edzwan Zukri Adanan	Chairman
Mr. Tariq Mahmood Pasha	Member
Ms. Ayesha Aziz	Member

Credit and Risk Management Committee

Mr. Tariq Mahmood Pasha	Chairman
Mr. Edzwan Zukri Adanan	Member
Ms. Ayesha Aziz	Member

Company Secretary

Ms. Iqra Sajjad

Statutory Auditors

A.F.Ferguson & Co. — Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil — Chartered Accountants (A member firm of Deloitte Touche Tohmatsu)

Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, Clifton, Karachi.
Tel: (+92-21) 35361215-19, (+92-21) 35839917
Fax: (+92-21) 35361213

Website

www.pakbrunei.com.pk

Code of Ethics and business practices

Pak Brunei seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Company's code of ethics and business practices.

Integrity

Employees shall:
Perform our work with honesty, diligence and responsibility;

Not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company;

Not participate in any activity or relationship that may impair or be presumed to impair our unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Company;

Not accept any gift or consideration that may impair or be presumed to impair our professional judgment;

Exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

Objectivity

Employees shall:
Ensure that all operational activities and decision making processes focus on achievements of the Company's objectives and are in line with the mission statement of the Company;

Disclose all material facts known to them if not disclosed, may distort the reporting of business proposal under review.

Confidential and Proprietary Information

Employees shall:
Protect against the disclosure of sensitive and confidential information about our customers and employees unless disclosure is authorized and within law;

Safeguard against the disclosure of sensitive and confidential information about our fellow employee and the Company as a whole unless authorized to do so.

Improper Influence

Employees shall:
Strictly prohibit from giving, soliciting or accepting business courtesies or gifts intended to influence business decision;

Make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

Unfair Business Practices

Employees shall:
Refrain from unfair and deceptive business practices e.g., unauthorized and counterproductive use of the Company's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

Insider Trading

Employees shall:
Prohibit from disclosing "Inside Information" to others or use for our own benefits;

Abide by the "Insider trading" laws that prohibit from buying and selling stock with advance knowledge of important Company information that is unavailable to the general public. Such Information may include proposed mergers or acquisitions, new equity or debt offering.

Recording and Reporting of the Company

Employees shall:
Ensure that all business related information/transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company records extends to financial statement, loan documents, regulatory bodies and other government agencies;

Ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Pak Brunei whether pertaining to receipts or disbursements.

Compliance with Laws, Rules and Regulations

Employees shall:
Comply with all applicable laws, rules and regulations.

Protection and Proper use of Company Assets

Employees shall:
Ensure that all the Company's assets are used for authorized and legitimate business purposes;

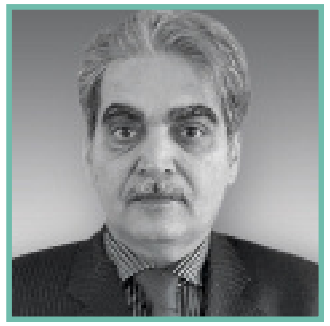
Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

Board of Directors' Profile

Sofian Mohammad Jani, CFA

Mr. Sofian Jani serves as the Acting Managing Director in Brunei Investment Agency. He oversees the Asset Allocation Strategy of BIA. He began his career with BIA in 1993 serving as Investment Officer in Brussels and London. More recently, he worked as the Director of the Internal Fund Management Department at BIA.

His other engagements include serving as a member of the Board for Employees' Trust Fund and Investment Committee of the Monetary Authority of Brunei Darussalam. Mr. Sofian Jani holds a Bachelor's degree (Hons) in Economics and Social Studies from the University of Manchester (UK). He is also a CFA charter-holder.



Tariq Mahmood Pasha

Mr. Tariq Mahmood Pasha is presently serving as the Secretary of Kashmir Affairs in the ministry of Kashmir Affairs, Gilgit Baltistan. Previously he has served as the Chairman of Federal Board of Revenue (FBR). Prior to that, he has served in Ministry of Finance, Government of Pakistan, as Secretary Economic Affairs Division. He began his government service in 1984 in the Income Tax Department/Inland Revenue Service. He has been Secretary of International Taxes at the Federal Board of Revenue (FBR) in Islamabad followed by a role as Special Assistant to Chairman, FBR.

During the course of his career, he has held several high profile Government appointments including Secretary Incharge of Statistical Division, Special Assistant to the Finance Minister, Joint Secretary at Prime Minister's Office, Secretary to Governor Punjab, Joint Secretary (Budget), Ministry of Finance, Finance Secretary to the Government of the Punjab, and Secretary, Auqaf and Religious Affairs Department to the Government of the Punjab. Mr. Pasha holds an LLB degree from Peshawar University. He has attended several professional courses including Advance Course in Security Studies at the Asia Pacific Centre for Security Studies (USA), Tax Policy and Administration course from the IMF Singapore Regional Training Institute, and International Economic Negotiation course from the Institute of Diplomacy and Foreign Relations in Kuala Lumpur.

Edzwan Zukri Adanan, CFA

Mr. Edzwan Adanan joined the Brunei Investment Agency in 2005 and is currently the Head of the Listed Asset Division in the Brunei Investment Agency. He has been a member of the Agency's Portfolio Advisory Committee since 2012 and is also involved in the Ministry of Finance's Strategic Goals Initiatives since 2016.

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he is a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Ministers Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program.

He currently serves as a Director of Patersons Securities Limited in Australia and Progresif Cellular Sdn. Berhad where he also sits as Chairman of the Audit Committee, Chairman of the HSSE Committee and is a member of the Human Resource Committee. He was appointed to serve as a director for Pak Brunei Investment Company Limited in 2017. He has also served as a Board member of Armada Properties Sdn Berhad from 2013 to 2017.

Ayesha Aziz, CFA

Ms. Ayesha Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Private Equity. She was associated with the ANZ Banking Group for ten years where she worked in various areas including Treasury, Portfolio Management, Planning and Financial Engineering. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. Ms. Aziz has been associated with Pak Brunei Investment Company since inception and has helped to position it as a leading Investment Bank in terms of scope and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management, Modaraba Management and Leasing over this period.

Ms. Aziz is an MBA from the Institute of Business Administration and a qualified Chartered Financial Analyst (CFA). She is a director on the Board of Awwal Modaraba Management Limited, KSB Pumps Company Limited and chairs the Board of Primus Leasing Limited. In the past, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

The cultural framework of any organization defines a company's vision and the guidelines it has established to achieve that vision. Our organizational culture revolves around diversity, equal opportunity, team work and competition.

Our Cultural Framework

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of gender and ethnicity. The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

Management Team
at Pak Brunei

Pak Brunei Investment Company Limited

Primus Leasing Limited

Awwal Modaraba Management Limited

Corporate Social Responsibility

At Pak Brunei, we believe that our success and the success of all our stakeholders go hand in hand and we aim to conduct business through shared values. Corporate Social Responsibility is an instrument of positive change and continues to be an important aspect of our business.

We work to improve the communities around us, and our CSR spend is therefore focused on projects such as those related to health and education sectors, poverty alleviation and environment sustainability so that they may provide long term sustainable value and benefits to the community at large.

Keeping in view the focus on the above sectors, the following activities were undertaken under CSR in 2018.

Internship Program for NOWPDP

NOWPDP was established in 2008 as a disability inclusion initiative in the social sector with focusing on inclusion through empowerment of persons with disabilities. The objective is for persons with disabilities to be equal stakeholders in the community, particularly with reference to education and employment. Pak Brunei in collaboration with NOWPDP developed a customized internship program that provides 3-6 months internships for hearing-impaired candidates. Types of jobs for which the internships are offered include office assistant work, data entry, use of MS Excel for record keeping etc. Close supervision and training ensures candidates are better equipped to join the work force. This collaboration yielded good result with one candidate eventually being hired by a large textile company and we hope to continue with our contribution.

Ambulance Finance – Aman Foundation

In 2018, the Board approved support for a foundation that has changed the landscape of emergency medical care in Pakistan and is the first state-of-the-art ambulatory vehicle network providing round-the-clock emergency care in the province of Sindh. Such initiatives offer critically needed health service in a sprawling metropolis where casualties are often caused by lack of initial stage assistance.

SBP Green Banking Guidelines mark the entry of Central Bank in introducing Green Banking in Pakistan and initiating the formal process of its incorporation in the banking sector. Pak Brunei fully realizes the importance of environment protection and the impact of depleting resources on the planet and particularly on Pakistan. Therefore, the Company is committed to contribute towards these efforts for preserving precious resources to protect the environment.

Green Banking at Pak Brunei

In order to implement the SBP guidelines, Pak Brunei has a Green Banking Policy in place that is divided in the following areas:

a) Environmental Risk Management: requiring banks / DFIs to integrate this factor in their credit approval process, adopt environmental risk management practices as well as ensure compliance with environmental laws by the borrowers in the banks' credit portfolio. Our borrowers will be informed of the importance of environment, the need for environmental due diligence, environmental laws, and the role of environmental protection agencies in each province.

b) Business Facilitation: entails providing finance to businesses willing to invest in operations / technologies that bring about improvement in environmental risk management and resource efficiency. Pak Brunei encourages technologies and processes that involve eco-friendly initiatives.

c) For its own impact reduction, the Company is continuously bringing about efficiency through optimal utilization of resources. In this regard, Pak Brunei has been implementing Save-Paper campaign for the last 5 years even before issuance of Green Banking Guidelines by State Bank of Pakistan. Under this campaign, the Company emphasizes limiting use of paper, printers, printer cartridge and electricity. Further, the Company actively strives to reduce usage of paper by printing on both sides when printing is absolutely necessary. Furthermore, rough and used papers are recycled by printing on plain/unused side. As another major effort to reduce consumption of electricity, the Company replaced all the regular Air Conditioners (ACs) with Invertor based ACs in 2015 and 2016. General care is exercised in water and electricity consumption by staff.

The cumulative effect of all steps taken so far shows that PBICL has begun to move towards achieving the objectives of Green Banking as laid down in the SBP Guidelines.

In addition, Pak Brunei has actively implemented the Green Banking Guidelines (GBG) issued by SBP. In this regard, 'Green Banking Policy' of the Company was approved by the Board in October 2018. The Board has designated Compliance Department as Green Banking Office of the Company. Besides, the Head of Compliance has been designated as Chief Green Banking Manager. In addition, one senior officer each from Corporate Banking Group, Credit Risk Management and Administration Departments have been designated as Green Business Manager, Environmental Risk Manager and Green Operations Manager, respectively. To effectively implement the Policy, an 'Action Plan for implementation' has also been developed by Chief Green Banking Officer in consultation with the above said green banking team. Under the plan, each area has provided a timeline for various steps to be taken by them. Pak Brunei has been submitting progress reports on implementation of GBG to State Bank on a prescribed format on semiannual basis.

I am pleased to announce the results of Pak Brunei Investment Company Limited for the year ended December 31, 2018. Amidst the slowdown in economic growth and increasing twin deficits, 2018 was a difficult year for Pakistan in general and the financial sector in particular.

Chairman's Review

Leading economic indicators continue to point towards emerging weaknesses. As per the latest available estimates, although current account deficit is down 17% YoY in the first seven months of Fiscal Year 2019, trade deficit is still looming around USD 17.6 billion. On the production front, large-scale manufacturing sector is showing a contraction during 6MFY19, leading experts to believe GDP growth will remain muted in FY19. Fiscal deficit is expected to cross 6.3% of GDP as against the target of 5.1%. Moreover, despite a relatively subdued CPI inflation due to continuously low single digit food inflation and lower crude oil prices, core inflation has been gaining momentum for the past twelve months.

Taking a cue from these developments and acting proactively, Pakistan's central bank increased the policy rate by a cumulative 450 basis points between January 2018 and February 2019. While this increase shows the central bank's effort to arrest the pace of demand-pull inflationary forces, the cost of higher interest rates will be borne by corporate sector through reduced profitability and potentially higher delinquincies.

2018 was also the year when the previous government completed its term in office. In the General Elections held in July 2018, Pakistan Tehreek-e-Insaf (PTI) emerged as the largest party at National level. The run-up to the Elections and the period after the new government assumed office coincided with the economic downturn, adding to a somewhat jittery environment. While profitability took a hit with depressed equity markets and need for extra vigilance in new credit exposures, Pak Brunei followed proactive risk-mitigation focusing on taking short term credit exposures at fine spreads, completely shifting to floating rate bonds and renewing its recovery efforts to further improve NPL ratios. We are very hopeful that the incumbent government will be able to steer the economy towards calmer waters in 2019.

On a positive note, country's exchange rate, which remained under severe pressure in 2018, seems to have found its equilibrium level. While mild depreciations may continue, any sharp jump in Rupee-Dollar parity is unlikely thanks to the sizeable balance of payment support from friendly countries.

The country seems to have warded off any danger of a recession-like situation, but economic slowdown is imminent. This may take its toll on the broader economy including the financial sector. Profitability may remain under pressure owing to a volatile stock market and limited opportunities of gains in secondary debt market. Furthermore, while increasing lending spreads are positive for our loan book, same would push up cost of financing for DFIs.

However, we take comfort in our robust capital base, strong credit risk controls, solid liquidity profile and dedicated human capital. These qualities mean that Pak Brunei can withstand the pressure emerging from fundamental shifts in the economic environment. We believe that our vision of growth is aligned with our business model that has the ability to withstand difficult times and make use of opportunities as they become available.

Sofian Mohammad Jani
Chairman

Directors' Report
on the Unconsolidated Financial Statements

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited (the Company) for the year ended December 31, 2018. With increased volatility across the economic and political landscape, the financial sector has also faced a challenging operating environment. Nonetheless, we believe that Company's prudence and strong risk controls significantly helped us weather difficult times.

Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2012	2013	2014	2015	2016	2017	2018
Total Assets	14,046	35,508	32,901	29,115	34,391	29,869	**48,793**
Net Assets	8,581	8,247	9,140	9,684	10,429	10,456	**9,961**
Net Advances	5,776	6,800	7,386	10,237	13,996	18,768	**20,330**
Net Investments	7,121	27,431	24,247	16,850	16,658	7,679	**26,117**
Net Mark-up Income	867	438	468	553	507	553	**719**
Non Mark-up Income	405	707	907	1,230	1,237	588	**222**
Profit before Tax	1,076	917	1,106	1,300	1,333	671	**503**
Profit after Tax	784	706	905	937	962	470	**276**
Earnings per Share (PKR)	1.31	1.18	1.51	1.56	1.60	0.78	**0.46**
Dividend Payout (%)	16.67%	3.33%	3.33%	3.33%	5.00%	5.00%	**5.00%**
Net Infection Ratio (%)	0.00%	0.00%	0.00%	1.52%	1.54%	3.54%	**1.39%**
Cumulative Disbursement	11,642	16,063	24,804	36,932	49,955	71,266	**89,696**

FY 2018 was a difficult year on multiple fronts. Amidst a host of internal and external shocks, the economy started to slow down from mid-2018. This slowdown was preceded by a run-up to General Elections, as there was uncertainty regarding continuation of policies. Taking a cue from the broader economy, the stock market remained highly volatile throughout the year and closed 8% down at the end of the year. Even as some of the uncertainties were fading at the start of 2019, fresh challenges have emerged in the form of cross-border tensions between Pakistan and India.

An important market development is the consistent growth in deposits and competition to grow the loan books that have resulted in lending spreads reducing sharply from 5.0% in 2011 to around 2.5% in 2015, remaining at these levels through 2018. The sharp decline in spreads is more than offset by monetary easing during the said period, which helped banks and DFIs record hefty gains on their PIB holdings. With interest rates going up and deposits growth declining since mid-2017, lending spreads have been showing a gradual reversal of late. This means increased pressure on net interest margins due to relatively higher borrowing cost for DFIs.

Offsetting these negatives, Company has worked hard to improve its Statement of Financial Position through proactive recovery of bad loans, reducing the stock of non-performing loans from PKR 954 million in 2017 to PKR 593 million in 2018, bringing down our gross loan infection ratio from 5.0% to 2.9% and net infection ratio from 3.5% to 1.4%. Given a difficult economic environment, and our focus on distress asset financing, this was an important achievement.

FY 2018 was a year in which, owing to central bank's aggressive monetary tightening, money supply growth came down to below 7.0% from 13.7% a year earlier. This had an impact on availability of liquid funds in money markets. Further squeeze in market liquidity came from over 20% growth in banking advances as a greater part of available market liquidity was channeled towards credit disbursements. Our Treasury's liquidity management was proactive and efficient in helping the Company meet its existing obligations as well as build-up credit and investment portfolios without significantly increasing our borrowing spreads.

Support from our subsidiaries in terms of transaction flow and dividends remained robust. With a dividend payout of PKR 132.9 million, Awwal Modaraba generated a return on investment of 13.2% for Pak Brunei. Although Primus Leasing Limited is a relatively new venture and it may take a while before its asset buildup translates into higher dividend payouts to Pak Brunei, we are positive that it will rapidly grow its footprint in the SME sector. During the year a dividend payout of PKR 20 million has been generated from Primus Leasing Limited.

In 2017, the Board of Directors of the Company had approved the divestment of the Company's residual 30% shareholding in Army Welfare Trust Investments Limited through the exercise of the put option contained in the shareholders' agreement reached between the Company and Army Welfare Trust (AWT). The transaction was subject to requisite regulatory approvals from the Securities and Exchange Commission of Pakistan which were duly obtained in March 2018. With the completion of certain formalities by the Company and AWT during the year, proceeds against the sale of investments were recovered and the shares were transferred by the Company in favour of AWT in August 2018.

Finally, Pak Brunei has the distinction of having one of the most active Trustee & Agency Services department in the market. At present, our Trustee & Agency Services department manages a portfolio of almost PKR 388.088 billion, comprising conventional & shariah compliant instruments and syndicated finance facilities. Going forward, the Company is also eyeing Mutual Funds' custodianship to supplement existing business activities.

The trend in economic variables indicate that 2019 is going to be a year of consolidation for Pakistan's economy. Economic think-tanks are predicting real GDP growth to come down from 5.8% in FY18 to less than 4.0% in FY19. Consequently, the business environment facing the Company requires extreme vigilance. We at Pak Brunei believe that our business model is capable of enduring intermittent economic shocks and the Company will continue to grow organically in the years to come.

Entity Rating

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned entity ratings to Pak Brunei Investment Company Limited (PBIC) at 'AA+/A-1+' (Double A Plus/A-One Plus). Outlook on the assigned ratings is 'Stable' in June 2018. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

Risk Management

During the course of the year, the Company continued to further strengthen its risk management framework which has been developed over the years and continues to be refined and improved.

Credit risk is managed through the policies approved by the Board. These encompass a well-defined credit approval mechanism, use of internal risk ratings, prescribed documentation requirements, post-disbursement administration, monitoring of credit facilities as well as continuing assessment of credit worthiness of borrowers through periodic reviews. Credit Risk Management also established a mechanism for back testing of the credit scoring model which will be refined going forward. Decisions regarding the credit portfolio are taken by the Credit Committee. Risk Management Committee of the Board provides overall guidance in managing the Company's credit risk. Significant risk issues are regularly reviewed to determine their impact on the Company's strategy as well as its subsidiaries given that Credit Risk Management is a shared function. In addition, the company also completed the quantitative and qualitative impact assessment of IFRS -9.

Market risk and Operational risks are managed through respective policies approved by the Board. In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Company, which is monitored on a daily basis. Credit and Risk Management Committee of the Board provides overall guidance in managing the Company's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management). Assessment of enterprise-wide integrated risk profile of the Company is carried out using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

Financial Reporting Framework and Corporate Governance

The board of directors is committed to adopt and adhere to the best practices of good corporate governance. The directors are pleased to declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements, and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control system is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- Outstanding statutory payments on account of taxes, duties, levies, and charges, (if any) have been fully disclosed in the financial statements;

- There has been no deviation from best practices highlighted in the Statement of Compliance with the best practices of Code of Corporate Governance;
- The total number of directors are four (4) as per the following:
  Male: 03
  Female: 01;
- As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
Independent Director	None	The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.
Non-Executive Directors	Mr. Sofian Mohammad Jani (Chairman)	Nominated by the Government of Brunei
	Mr. Tariq Mahmood Pasha	Nominated by the Government of Pakistan
	Mr. Edzwan Zukri Pehin Dato Haji Adanan	Nominated by the Government of Brunei
Executive Director	Ms. Ayesha Aziz	Nominated by the Government of Pakistan

Board Performance Evaluation

The Board has approved a formal process for the performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of overall Board, its committees and individual directors is also undertaken (facilitated) by an external independent evaluator at least every three years.

Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman and the Managing Director. Final results of the annual evaluation are compiled and presented to the Board of Directors which it accordingly reviews and identifies any issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

Meetings of the Board

The Board of Directors of the Company held three meetings during the year end December 31, 2018. The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani	3
Mr. Tariq Mahmood Pasha	3
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3
Ms. Ayesha Aziz	3

Meetings of the Board Comittees

Name	Audit Committee		Credit & Risk Management Committee		Human Resource and Remuneration Committee	
	Meeting held	Attendance	Meeting held	Attendance	Meeting held	Attendance
Mr. Sofian Mohammad Jani	3	3	N/A	N/A	N/A	N/A
Mr. Tariq Mahmood Pasha	3	3	2	2	1	1
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3	3	2	2	1	1
Ms. Ayesha Aziz	N/A	N/A	2	2	1	1

Change in Directors and Directors' Remuneration

There has been no change in the Board of Directors during the year. The Company's 'Articles of Association authorizes the Board to determine directors' remuneration. Accordingly, the Non-Executive Directors are eligible for fees and logistics expenses for attending meetings of the Board and Board Committees as per the limit approved by the Board of Directors. Moreover, the fee paid to these directors is made part of the agenda for the Annual General Meeting to obtain post facto approval from the shareholders.

Corporate Social Responsibility

In 2018, the Board approved a donation of Rs 1.50 million to Aman Health Care Foundation Centre. This foundation has changed the landscape of emergency medical care in Pakistan and is the first state-of-the-art ambulatory vehicle network providing round-the-clock emergency care in the province of Sindh. The Board fully supports causes that brings a positive change in the society and believes in a sustainability philosophy.

Internal Control over Financial Reporting (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

Statement of Investment of Provident Fund

Investments of provident fund as of June 30, 2018 according to audited financial statements amounted to PKR 84.78 million (2017: PKR 76.98 million).

Appointment of Auditors

The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F.Fergusons & Co., Chartered Accountants as statutory auditors for the year ending December 31, 2019.

Pattern of Shareholding

Shareholder	Shareholding (%)
Ministry of Finance – Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division - Govt. of Pakistan	0.00067%

Proposed Dividends and Transfers Between Reserves

The Board of Directors have proposed a final dividend for the year ended December 31, 2018 of Re 0.50 per share (2017: Re 0.50 per share), amounting to Rs. 300 million (2017: Rs.300 million) at their meeting held on March 18, 2019 for approval of the members at the annual general meeting. The Board has also approved a transfer of Rs 55.183 million from the unappropriated profits to the statutory reserves of the Company during the year ended December 31, 2018.

We are grateful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We appreciate the role which the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan continue to play in regulating the financial markets of Pakistan while providing us with an accommodating operating environment supportive of our unique business strategy.

Sofian Mohammad Jani
Chairman

Ayesha Aziz
Managing Director

March 18, 2019

کاروباری سماجی ذمہ داری

2018 میں، بورڈ نے ایک ایسی فاؤنڈیشن کے لیے خاطر خواہ رقم کے عطیے کی منظوری دی جس نے پاکستان میں ہنگامی طبی نگہداشت کا منظر نامہ تبدیل کر دیا ہے اور جو صوبہ سندھ میں چوبیس گھنٹے ہنگامی نگہداشت فراہم کرنے والا پہلا جدید ترین ایمبولینس نیٹ ورک ہے۔ بورڈ معاشرے میں مثبت تبدیلی لانے والے تمام مقاصد کے ساتھ مکمل تعاون کرتا ہے اور استحکام کے فلسفے پر یقین رکھتا ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR)

بورڈ آف ڈائریکٹرز، ICFR اور مجموعی اندرونی کنٹرول سے متعلقہ مینجمنٹ کے تجزیے کی توثیق کرتا ہے۔

پراویڈنٹ فنڈ کی سرمایہ کاری کا اعلامیہ

آڈٹ شدہ مالیاتی گوشواروں کے مطابق 30 جون 2018 کو پراویڈنٹ فنڈ کی سرمایہ کاری 84.78 ملین روپے (2017: 76.98 ملین روپے) تھی۔

آڈیٹرز کا تقرر

آڈٹ کمیٹی کی پیشکش پر بورڈ 31 دسمبر، 2019 کو اختتام پذیر ہونے والے سال کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور باضابطہ آڈیٹرز تقرری کی سفارش کرتا ہے۔

ملکیتِ حصص کی ساخت

حصص کا مالک	ملکیتِ حصص (فیصد)
وزارتِ خزانہ۔ حکومتِ پاکستان	49.99933 فیصد
برونائی سرمایہ کاری ایجنسی	50.00000 فیصد
سیکرٹری، ڈویژن برائے اقتصادی امور۔ حکومتِ پاکستان	0.00067 فیصد

ذخائر کے مابین تجویز کردہ ڈیویڈنڈز اور منتقلیاں

بورڈ آف ڈائریکٹرز نے سالانہ عمومی اجلاس میں ارکان کی منظوری کے لیے، 18 مارچ 2019 کو منعقدہ اپنے اجلاس میں برائے اختتامِ سال 31 دسمبر 2018، 50 پیسے فی حصص (2017: 50 پیسے فی حصص)، برقم 300 ملین روپے (2017: 300 ملین روپے) کے حتمی ڈیویڈنڈ کی تجویز دی ہے۔ بورڈ سالِ اختتام 31 دسمبر 2018 کے دوران غیر متناسب منافع جات سے کمپنی کے باضابطہ ذخائر میں 55.183 ملین روپے کی منتقلی کی بھی منظوری دے چکا ہے۔

ہم مسلسل رہنمائی اور تعاون پر اپنے حصص مالکان، حکومتِ پاکستان اور برونائی سرمایہ کاری ایجنسی کے ممنون ہیں۔ ہم، پاکستان کی مالیاتی مارکیٹس کے استحکام کے لیے اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مسلسل کردار اور ہماری منفرد کاروباری حکمتِ عملی کے لیے سازگار عملی ماحول کی فراہمی کو بھی سراہتے ہیں۔

سفیان محمد جانی
چیئرمین

عائشہ عزیز
مینیجنگ ڈائریکٹر

مارچ 18، 2019

کریڈٹ رسک کو بورڈ کی جانب سے منظور کردہ پالیسیوں کے ذریعے منظّم کیا جاتا ہے۔ان پالیسیوں میں کریڈٹ کی منظوری کے ایک عمدہ مرتب کردہ طریقۂ کار، اندرونی رسک کی درجہ بندیوں کے استعمال، تجویز کردہ دستاویزی لوازمات، تقسیم کے بعد انتظام و انصرام، کریڈٹ کی سہولیات کی نگرانی اور اس کے ساتھ ساتھ میعادی جائزوں کے ذریعے قرض خواہوں کی اعتباری ساکھ کی مسلسل جانچ کا احاطہ شامل ہوتا ہے۔کریڈٹ رسک مینجمنٹ نے کریڈٹ اسکورنگ ماڈل کی مؤثر پذیری کے تجزیے کے لیے ایک طریقۂ کار بھی تخلیق کیا ہے جسے آگے چل کر مزید بہتر بنایا جائے گا۔کریڈٹ پورٹ فولیو کے متعلقہ فیصلے کریڈٹ کمیٹی کرتی ہے۔بورڈ کی رسک مینجمنٹ کمیٹی کمپنی کے کریڈٹ رسک کو منظّم رکھنے میں مجموعی رہنمائی فراہم کرتی ہے۔رسک کے حوالے سے نمایاں مسائل کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ کمپنی کی حکمتِ عملی اور اس کے ساتھ ساتھ اس کی ذیلی کمپنیوں پر اس کے اثرات کا تعین کیا جا سکے بشرطیکہ کریڈٹ رسک مینجمنٹ ایک مشترکہ عمل ہو۔مزید برآں، کمپنی نے IFRS-9 کا مقداری و معیاری اثر پذیری کا تجزیہ بھی مکمل کیا۔

مارکیٹ رسک اور عملی رسک سے بورڈ کی منظور کردہ متعلقہ پالیسیوں کے ذریعے نمٹا جاتا ہے۔مزید برآں، سیال پذیری کے رسک کی پالیسی کمپنی کی سیال پذیری کی کیفیت کو منظّم رکھنے میں رہنمائی فراہم کرتی ہے جس کی یومیہ بنیاد پر نگرانی کی جاتی ہے۔بورڈ کی کریڈٹ اور رسک مینجمنٹ کمیٹی کمپنی کے مارکیٹ اور سیال پذیری کے رسک، سرمائے کی موزونیت، اور مربوط رسک مینجمنٹ (جسے انٹرپرائز رسک مینجمنٹ بھی کہا جاتا ہے) سے نمٹنے کے حوالے سے مجموعی رہنمائی فراہم کرتی ہے۔انٹرپرائز کی سطح پر کمپنی کی مربوط رسک پروفائل کی تعمیل بیسل فریم ورک، اندرونی سرمائے کی موزونیت کے تجزیاتی عمل، اور دباؤ کی جانچ کا استعمال کرتے ہوئے کی جاتی ہے۔

مالیاتی رپورٹنگ کا فریم ورک اور کاروباری ضابطہ

بورڈ آف ڈائریکٹرز عمدہ کاروباری ضابطے کو اختیار کرنے اور اس پر مکمل طور پر کاربند رہنے کے لیے پُرعزم ہے۔ڈائریکٹرز یہ اعلان کرتے ہوئے خوشی محسوس کر رہے ہیں کہ:

- مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلیوں کے گوشوارے کو منصفانہ انداز میں پیش کرتے ہیں؛
- موزوں بہی کھاتے برقرار رکھے گئے ہیں؛
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا باقاعدگی سے اطلاق کیا جاتا ہے اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں؛
- پاکستان میں حسبِ اطلاق، بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کو مالیاتی گوشواروں کی تیاری میں ملحوظ رکھا گیا ہے اور اس حوالے سے کسی بھی انحراف کو مناسب انداز میں منکشف اور واضح کردنا گیا ہے؛
- اندرونی کنٹرول کا سسٹم بناوٹ میں انتہائی مضبوط ہے اور اس کا مؤثر انداز میں نفاذ اور نگرانی کی گئی ہے؛
- آئندہ بھی ایک کامیاب کاروباری ادارے کی حیثیت سے اپنی سرگرمیاں جاری رکھنے کے حوالے سے کمپنی کی اہلیت پر کوئی شک نہیں ہے؛
- ٹیکسز، ڈیوٹیوں، محصولات، اور چارجز، اگر کوئی ہوں، کی مد میں واجب الادا باضابطہ ادائیگیوں کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے؛
- کاروباری ضابطۂ عمل کی بہترین عملداری کے ساتھ تعمیل کے گوشوارے میں نمایاں کردہ بہترین عملداریوں میں کوئی انحراف نہیں کیا گیا؛ اور
- کاروباری ضابطۂ عمل کی بہترین عملداری کے ساتھ تعمیل کے گوشوارے کے پیراگرافس 1 اور 2 میں بورڈ کا تشکیلی ڈھانچہ بھی دیا گیا ہے جو کہ درج ذیل ہے:
- درج ذیل کے مطابق ڈائریکٹرز کی مجموعی تعداد چار (4) ہے:

  مرد: 03

  خاتون: 01
- حکومتِ پاکستان (GoP) اور حکومتِ برونائی کے درمیان مشترکہ کاروباری اعلامیے کے مطابق، کمپنی کا بورڈ آف ڈائریکٹرز چار ڈائریکٹرز پر مشتمل ہے جن کی نامزدگی دونوں حکومتوں کی جانب سے کی جاتی ہے۔فی الحال، بورڈ کا تشکیلی ڈھانچہ اس طرح ہے:

کیٹیگری	نام	تفصیل
خودمختار ڈائریکٹر	کوئی نہیں	کمپنی نے BPRD مراسلہ نمبر 04 از 2007 کے تحت درکار بورڈ میں ایک خودمختار سے اسٹیٹ بینک آف پاکستان سے استثناء حاصل کرلیا ہے۔
نان ایگزیکٹیو ڈائریکٹرز	جناب سفیان محمد جانی (چیئرمین)	حکومتِ برونائی کی جانب سے نامزد
	جناب ایڈزون زوکری پہن داتو حاجی عدنان	حکومتِ برونائی کی جانب سے نامزد
	جناب طارق محمود پاشا	حکومتِ پاکستان کی جانب سے نامزد
ایگزیکٹیو ڈائریکٹر	محترمہ عائشہ عزیز	حکومتِ پاکستان کی جانب سے نامزد

بورڈ کی کارکردگی کا تجزیہ

بورڈ نے سالانہ بنیاد پر عمل میں لائے جانے والے کارکردگی کے تجزیے کے لیے ایک باضابطہ طریقۂ کار کی منظوری دے دی ہے۔اس حوالے سے، ایک اِن ہاؤس طرزِ عمل کو اختیار کیا گیا ہے اور مقداری تیکنیکس کا نفاذ کیا گیا ہے جبکہ بورڈ کے تجزیے کے لیے اسکور کے حامل سوالناموں کو استعمال کیا جاتا ہے۔بورڈ کی کارکردگی کی درجہ بندی کے لیے SBP کی ہدایات کے مطابق اسکورنگ کا ایک معیاری پیمانہ تخلیق کیا گیا ہے۔مزید برآں، مجموعی بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی کارکردگی کا ایک سالانہ جائزہ بھی کم از کم ہر تین سال میں ایک بیرونی خودمختار تجزیہ کار کی جانب سے عمل میں لایا جائے گا (تعاون کیا جائے گا)۔

بورڈ کے تجزیے کی وسعت پورے بورڈ، انفرادی ڈائریکٹرز، بورڈ کمیٹیوں، چیئرمین اور مینیجنگ ڈائریکٹر کے تجزیے کا احاطہ کرتی ہے۔سالانہ تجزیے کے حتمی نتائج کو جمع کر کے بورڈ آف ڈائریکٹرز کے سامنے پیش کیا جاتا ہے جو اس کا جائزہ لیتا ہے اور سامنے آنے والے کسی بھی نوعیت کے معاملات، کمزوریوں اور مسائل کی نشاندہی کرتا ہے اس کے ساتھ ساتھ ان سے مناسب انداز میں عہدہ برآ ہونے کے لیے ایک عملی منصوبے پر بات کرتا ہے۔تجزیے کے عمل سے سامنے آنے والی تجاویز عملی منصوبے کی بنیاد بنتی ہیں جن کے نفاذ کے لیے بورڈ کی جانب سے منظوری دی جاتی ہے۔تجزیے کے دوران شناخت کردہ کسی بھی قابلِ اصلاح پہلو کو مناسب اقدام کے لیے نوٹ کرلیا جاتا ہے۔

بورڈ کے اجلاس

کمپنی کے بورڈ آف ڈائریکٹرز نے اختتامِ سال 31 دسمبر، 2018 کے دوران تین اجلاس منعقد کیے۔درج ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

نام	اجلاس میں شرکت
جناب سفیان محمد جانی	3
جناب طارق محمود پاشا	3
جناب ایڈزون زوکری پہن داتو حاجی عدنان	3
محترمہ عائشہ عزیز	3

بورڈ کمیٹیوں کے اجلاس

نام	آڈٹ کمیٹی		کریڈٹ اینڈ رسک مینجمنٹ کمیٹی		ہیومن ریسورس اور مشاہرہ کمیٹی	
	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری
جناب سفیان محمد جانی	3	3	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں
جناب طارق محمود پاشا	3	3	2	2	1	1
جناب ایڈزون زوکری پہن داتو حاجی عدنان	3	3	2	2	1	1
محترمہ عائشہ عزیز	دستیاب نہیں	دستیاب نہیں	2	2	1	1

ڈائریکٹرز اور ڈائریکٹرز کے مشاہرے میں تبدیلی

دورانِ سال بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔نان ایگزیکٹیو ڈائریکٹرز بورڈ اور بورڈ کمیٹیوں کے اجلاس میں شرکت کے لیے فیسوں اور آمدورفت کے اخراجات کے اہل ہیں جس کی منظوری بورڈ آف ڈائریکٹرز کی جانب سے دی گئی ہے۔مزید برآں، ان ڈائریکٹرز کو ادا کردہ فیس کو حصص مالکان سے نام نہاد منظوری حاصل کرنے کے لیے سالانہ عمومی اجلاس کے لیے ایجنڈے کا حصہ بنایا جاتا ہے۔

آڈٹ شدہ مالی گوشواروں کی

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2018 کو ختم ہونے والے سال کے پاک برونائی انویسٹمنٹ کمپنی کے آڈٹ شدہ مالیاتی نتائج پیش کرتے ہوئے انتہائی خوشی محسوس ہو رہی ہے۔معاشی اور سیاسی منظرنامے میں بڑھتے ہوئے عدم استحکام کے باعث مالیاتی شعبے کو بھی ایک مشکل عملی فضا کا سامنا رہا۔ اس کے باوجود ، ہمارا اس بات پر پختہ یقین ہے کہ کمپنی کے محتاط اور مضبوط رسک کنٹرولز کی وجہ سے ہمیں اس مشکل وقت کا سامنا کرنے میں مدد ملی ۔

منتخب مالیاتی علامات

رقوم ملین پاکستانی روپوں میں تا فتیکہ اس کے برخلاف بیان کیا جائے

	2018	2017	2016	2015	2014	2013	2012
مجموعی اثاثے	**48,793**	29,869	34,391	29,115	32,901	35,508	14,046
حتمی اثاثے	**9,961**	10,456	10,429	9,684	9,139	8,246	8,581
حتمی پیشگی ادائیگیاں	**20,330**	18,768	13,996	10,237	7,386	6,800	5,776
حتمی سرمایہ کاریاں	**26,117**	7,679	16,658	16,850	24,247	27,431	7,121
حتمی مارک اپ آمدنی	**719**	553	507	553	468	438	867
نان مارک اپ آمدنی	**222**	588	1,237	1,230	907	706	406
قبل از ٹیکس منافع	**503**	671	1,333	1,300	1,106	917	1,076
بعد از ٹیکس منافع	**276**	470	962	937	905	706	784
آمدنی فی شیئر (پاکستانی روپے)	**0.46**	0.78	1.60	1.56	1.51	1.18	1.31
ڈیویڈنڈ کی ادائیگیاں (فیصد)	**5.00%**	5.00%	5.00%	3.33%	3.33%	3.33%	16.67%
حتمی انفیکشن کا تناسب (فیصد)	**1.39%**	3.54%	1.54%	1.52%	0.00%	0.00%	0.00%
رقوم کی مجموعی تقسیم	**89,696**	71,266	49,955	36,932	24,804	16,063	11,642

2018 کئی پہلوؤں سے ایک مشکل سال رہا۔اندرونی اور بیرونی دباؤ کی حامل کیفیات کے پیش نظر،معیشت 2018 کے وسط سے تیزی سے زوال پذیر ہونے لگی۔ پالیسیوں کے تسلسل کے بارے میں بے یقینی کے باعث معیشت کے گرنے کا عمل عام انتخابات ہونے سے قبل ہی شروع ہو چکا تھا۔وسیع تر معیشت سے اشارہ پا کر،سال بھر میں اسٹاک مارکیٹ انتہائی غیر مستحکم رہی اور سال کے اختتام پر 8 فیصد خسارے کے ساتھ بند ہوئی۔ اگرچہ 2019 کے آغاز میں بعض غیر یقینیوں میں کمی آئی،تاہم پاکستان اور بھارت کے درمیان جاری سرحد پار کشیدگی کی صورت میں نئے چیلنجز سامنے آ گئے۔

مارکیٹ میں ایک اہم پیش رفت ڈپازٹس میں ہونے والی مسلسل ترقی اور قرضہ جاتی بہی کھاتوں میں اضافے کی مسابقت ہے جس کا نتیجہ قرض دہندہ اسپریڈز میں تیزی سے کمی کی صورت میں برآمد ہوا جو کہ 2011 میں 5.0 فیصد تھے جبکہ 2015 میں گھٹ کر تقریباً 2.5 فیصد رہ گئے،اور 2018 تک یہ کمی اسی سطح پر برقرار رہی۔ اسپریڈز میں تیز رفتار کمی کی تلافی مذکورہ مدت کے دوران مالی فراوانی کے باعث ہو گئی، جس سے بینکوں اور ڈی ایف آئیز کو اپنی پی آئی بی ہولڈنگز پر بے پناہ منافع کے حصول میں مدد ملی ۔ 2017 کے وسط سے شرحِ سود میں اضافے اور ڈپازٹس کے اضافے میں کمی کے باعث،قرضہ جاتی اسپریڈز کافی عرصے سے بتدریج مخالف رجحان ظاہر کر رہے ہیں۔اس کا مطلب ڈی ایف آئیز کے لیے نسبتاً بلند تر قرض خواہی کی لاگت کے باعث حتمی سودی مارجنز پر دباؤ میں اضافہ ہے۔

ان منفی عوامل کے اثرات کو ختم کرنے کے لیے، کمپنی نے ناقابلِ وصول قرضوں کی اقدامی وصولی،عدمِ کارکردگی کے حامل قرضوں کے اسٹاک کو 2017 کے 954 ملین قرضوں کے مقابلے میں 2018 میں 593 ملین روپے پر لاتے ہوئے ،ہمارے قرض انفیکشن کے مجموعی تناسب کو 5.0 فیصد سے کم کر کے 2.9 فیصد اور حتمی انفیکشن تناسب کو 3.5 فیصد سے 1.4 فیصد پر لاتے ہوئے اپنی بیلنس شیٹ کی صورتحال بہتر بنانے کی بھرپور کوشش کی ہے۔ایک مشکل معاشی فضا،اور اثاثوں پر دباؤ کی حامل سرمایہ کاری پر ہماری توجہ کے سبب، یہ ایک اہم کامیابی تھی۔

2018 ایک ایسا سال تھا جس میں مرکزی بینک کی جارحانہ مالیاتی پالیسی کے باعث،رقم کی فراہمی گزشتہ سال کے 13.7 فیصد سے کم ہو کر 7.0 فیصد سے بھی کم ہو گئی۔اس سے منی مارکیٹس میں نقد فنڈز کی دستیابی پر بھی اثرات مرتب ہوئے۔ مارکیٹ کی سیال پذیری میں مزید کمی بینک کی پیشگی رقوم کی فراہمی میں 20 فیصد اضافے کے باعث پیدا ہو گئی کیونکہ مارکیٹ میں دستیاب نقد رقوم کا ایک بڑا حصہ ادھار رقوم کی تقسیم پر لگ گیا تھا۔ ہمارے خزانے کی نقد رقوم کی مینجمنٹ نے ہمارے قرض خواہی اسپریڈز میں نمایاں اضافے کے بغیر کمپنی کو اپنی موجودہ ذمہ داریوں سے عہدہ برآ ہونے اور اس کے ساتھ ساتھ کریڈٹ اور سرمایہ کاری کے پورٹ فولیوز میں اضافے کے لیے اقدامی اور مؤثر انداز میں مدد دی۔

ٹرانزیکشن کے لین دین اور ڈیویڈنڈز کے حوالے سے ہماری ذیلی کمپنیوں کی جانب سے معاونت بہترین رہی۔ 132.9 ملین روپے کے ڈیویڈنڈز کی ادائیگی کے ساتھ،اول مضاربہ نے پاک برونائی کے لیے سرمایہ کاری پر 13.2 فیصد کا منافع حاصل کیا۔ اگرچہ پرائمس لیزنگ لمیٹڈ ابھی کاروبار میں نسبتاً نئی ہے،اور اس کے اثاثوں کو بڑھ کر پاک برونائی کے لیے ڈیویڈنڈز کی مد میں زیادہ ادائیگی کے حصول میں کچھ وقت لگے گا، ہم پُرامید ہیں کہ یہ SME سیکٹر میں تیزی کے ساتھ اپنے قدم جما لے گی۔

2017 میں، کمپنی کے بورڈ آف ڈائریکٹرز نے آرمی ویلفیئر ٹرسٹ انویسٹمنٹس لمیٹڈ میں کمپنی کی باقی ماندہ 30 فیصد ملکیتِ حصص کی فروخت کو کمپنی اور آرمی ویلفیئر ٹرسٹ (AWT) کے درمیان ہونے والے حصص مالکان کے معاہدے میں شامل رکھنے کا اختیار استعمال کرتے ہوئے منظور کیا تھا۔اس ٹرانزیکشن پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مطلوبہ انضباطی منظوریوں کا اطلاق ہوتا تھا جنہیں مارچ 2018 میں حاصل کیا گیا تھا۔ دورانِ سال کمپنی اور AWT کی جانب سے مخصوص رسمی کارروائیوں کی تکمیل کے ساتھ، سرمایہ کاریوں کی فروخت پر حاصل ہونے والے منافعوں کو حاصل کر لیا گیا اور اگست 2018 میں کمپنی کی جانب سے AWT کے نام پر حصص منتقل کر دیے گئے تھے۔

بالآخر، پاک برونائی کو مارکیٹ میں فعال ترین ٹرسٹی اینڈ ایجنسی سروسز ڈپارٹمنٹ کے حصول کا امتیاز حاصل ہو چکا ہے۔ فی الحال، ہمارا ٹرسٹی اینڈ ایجنسی سروسز ڈپارٹمنٹ تقریباً 500 بلین روپے کا پورٹ فولیو سنبھالتا ہے، جو کہ روایتی اور شرعی اثاثہ جات اور لگاتار مالیاتی سہولیات پر مشتمل ہے۔ مستقبل میں، کمپنی موجودہ کاروباری سرگرمیوں میں اضافے کے لیے میوچوئل فنڈز کی تحویل کاری پر نظریں جمائے ہوئے ہے۔

معاشی متغیر عوامل اشارہ دیتے ہیں کہ 2019 پاکستانی معیشت کی تعمیر کا سال ہوگا۔ معاشی ماہرین پیش گوئی کر رہے ہیں کہ حقیقی جی ڈی پی آمدنی مالی سال 2018 کی 5.8 فیصد کے مقابلے میں کم ہو کر مالی سال 2019 میں 4.0 فیصد سے کم ہو جائے گی۔ نتیجتاً، اس وقت کمپنی کو جس کاروباری فضا کا سامنا ہے، اس کے لیے انتہائی مستعدی کی ضرورت ہے۔ پاک برونائی میں ہم اس بات پر یقین رکھتے ہیں کہ ہمارا کاروباری ڈھانچہ وقفے وقفے سے لگنے والے معاشی دھچکوں کو سہارنے کی اہلیت رکھتا ہے اور کمپنی آئندہ سالوں میں اپنی بنیادی ترقی کو جاری رکھے گی۔

ادارہ جاتی درجہ بندی

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ (PBIC) کو 'AA+/A-1+' (ڈبل اے پلس / اے ون پلس) کی ادارہ جاتی درجہ بندی سے نوازا ہے۔ جون 2018 میں دی گئی درجہ بندی کا پیش منظر 'مستحکم' ہے۔ یہ درجہ بندیاں کریڈٹ رسک کی انتہائی کم توقع پر دلالت کرتی ہیں اور واجب الادا مالی رقوم کی بروقت ادائیگی کے لیے بہت مضبوط صلاحیت کو ظاہر کرتی ہیں۔

رسک مینجمنٹ

سال بھر کے دوران، کمپنی نے اپنے رسک مینجمنٹ کے فریم ورک کو مزید مضبوط بنانے پر کام جاری رکھا جسے گزشتہ چند سالوں میں مرتب کیا گیا ہے اور اس میں اصلاح و بہتری کا عمل جاری ہے۔

12 Years Performance at a Glance

PKR in Million

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet												
Investments	**26,117**	7,679	16,658	16,850	24,247	27,431	7,121	25,741	9,868	8,416	2,688	1,956
Advances	**20,330**	18,768	13,996	10,237	7,386	6,800	5,776	4,647	2,468	1,732	1,063	254
Borrowings	**36,890**	13,976	20,493	14,544	18,090	26,392	2,417	23,360	5,943	5,297	186	1,150
Deposits and other accounts	**725**	4,751	2,913	4,218	5,164	567	2,825	979	844	395	–	–
Total Assets	**48,793**	29,869	34,391	29,115	32,901	35,508	14,046	32,544	14,369	12,131	5,529	4,362
Net Assets	**9,960**	10,456	10,429	9,684	9,139	8,246	8,581	7,928	7,343	6,306	5,281	3,136
Paid up Capital	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	5,000	5,000	3,000
Profit & Loss												
Mark up income	**2,507**	1,462	1,591	1,832	2,503	1,407	2,912	2,395	1,698	971	672	177
Mark up expense	**1,788**	908	1,084	1,279	2,036	969	2,045	1,469	778	207	132	1
Non mark up income	**222**	588	1,237	1,230	907	706	406	284	212	254	86	67
Non mark up expense	**341**	293	314	304	272	219	201	203	165	133	119	58
Gross income	**2,729**	2,050	2,828	3,062	3,410	2,113	3,318	2,679	1,910	1,225	758	245
Profit before provision and tax	**599**	849	1,430	1,479	1,102	925	1,072	1,007	963	885	507	187
Provisions	**96**	178	97	179	(4)	8	(4)	87	81	218	134	–
Profit before tax	**503**	671	1,333	1,300	1,106	917	1,076	920	882	667	373	187
Profit after tax	**276**	470	962	937	905	706	784	604	581	447	222	141
Dividend paid	**300**	300	300	200	200	200	1,000	200	–	–	–	–
Investors information												
Profit before tax ratio %	**18.43%**	32.73%	47.14%	42.46%	32.43%	43.40%	32.43%	34.34%	46.18%	54.45%	49.21%	76.33%
Gross spread ratio %	**28.68%**	37.82%	31.87%	30.19%	18.70%	31.13%	29.77%	38.62%	54.18%	78.68%	80.36%	99.44%
Return on assets %	**0.70%**	1.46%	3.03%	3.02%	2.65%	2.85%	3.37%	2.57%	4.38%	5.06%	4.49%	3.23%
Return on equity %	**2.70%**	4.50%	9.57%	9.96%	10.41%	8.39%	9.50%	7.91%	8.51%	7.72%	5.28%	4.50%
Earning asset to total asset ratio %	**95.29%**	96.90%	96.21%	94.67%	96.38%	97.06%	94.06%	97.03%	95.27%	97.67%	95.59%	90.33%
EPS (Earning per share) PKR	**0.46**	0.78	1.60	1.56	1.51	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Infection Ratio %	**2.87%**	5.00%	3.17%	3.00%	0.03%	0.04%	0.04%	0.06%	0.27%	16.04%	0.00%	0.00%
Capital Adequacy Ratio (CAR) %	**24.50%**	30.62%	25.59%	26.44%	33.80%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout %	**5.00%**	5.00%	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

* four months of operations

Independent Auditor’s Review Report

To the Members of Pak Brunei Investment Company Limited

Review Report on the Statement of Compliance with the Best Practices of Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Pak Brunei Investment Company Limited** (‘the Company’) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations. The Code is not applicable on Development Finance Institutions (DFIs) as per BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFIs are expected to continue to follow the best practices on corporate governance.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

Further, we highlight below an instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Paragraph Reference	Description
14	The Audit Committee meeting of the Company was not held in the third quarter of the financial year ended December 31, 2018.

Chartered Accountants
Dated: March 25, 2019
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI ▪ LAHORE ▪ ISLAMABAD

Statement of Compliance with the Best Practices of Listed Companies (Code of Corporate Governance) Regulations, 2017

Pak Brunei Investment Company Limited

Year Ended December 31, 2018

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan shall not be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices on corporate governance. Accordingly, this Statement is being presented to comply with the best practices of Corporate Governance i.e. Code of Corporate Governance.

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are four (4) as per the following:
   Male: 03
   Female: 01

2. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company’s board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
Non-Executive Directors	Mr. Sofian Mohammad Jani (Chairman)	Nominated by the Government of Brunei
	Mr. Tariq Mahmood Pasha	Nominated by the Government of Pakistan
	Mr. Edzwan Zukri Pehin Dato Haji Adanan	Nominated by the Government of Brunei
Executive Director	Ms. Ayesha Aziz*	Nominated by the Government of Pakistan

* On January 15, 2019, Ms Ayesha Aziz was re-nominated / re-appointed as a director / managing director of the Company by the Government of Pakistan for a tenure of three years with immediate effect. The fit and proper clearance in this regard is awaited from the State Bank of Pakistan.

The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board. The State Bank of Pakistan provided specific permission to the Company to hold a single Board of Directors’ meeting for the second and third quarters of the financial year.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As required under CCG, at least half of the directors on Board of the Company are required to obtain certification under any Directors’ Training Program (DTP) by June 30, 2019. One of the directors has already obtained training in prior years while another director has been granted exemption from the DTP certification requirement by the Securities and Exchange Commission of Pakistan.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. The financial statements of the Company were duly endorsed by the CFO and CEO before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) Audit Committee of the Board

Name of Director	Category
Mr. Tariq Mahmood Pasha	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Edzwan Zukri Pehin Dato Haji Adanan	Member

b) Credit and Risk Management Committee

Name of Director	Category
Mr. Tariq Mahmood Pasha	Chairman
Mr. Edzwan Zukri Pehin Dato Haji Adanan	Member
Ms. Ayesha Aziz	Member

c) Human Resource & Remuneration Committee

Name of Director	Category
Mr. Edzwan Zukri Pehin Dato Haji Adanan	Chairman
Mr. Tariq Mahmood Pasha	Member
Ms. Ayesha Aziz	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per the following:

S.No.	Name of the Committee	Frequency of the meetings held during the year
a)	Audit Committee	Three times during the year prior to the approval of the quarterly, half-yearly and annual financial statements of the Company by the Board; the half-yearly and third quarterly financial statements of the Company were recommended to the Board of Directors for approval in a single meeting held in the fourth quarter. No meeting was held in the third quarter of the financial year.
b)	Credit and Risk Management Committee	Twice during the year
c)	Human Resource & Remuneration Committee	Once during the year

15. The Board has set up an effective Internal Audit Function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Sofian Mohammad Jani
Chairman

Karachi: March 18, 2019

Statement of Internal Control

The Board of Directors is ultimately responsible for the internal control system. It is the responsibility of the Company's management to establish and maintain an effective internal control system for an efficient working environment and to evaluate its efficacy by identifying control objectives, reviewing significant policies and procedures and monitoring its operating effectiveness.

The Company's internal control system has been designed to provide reasonable assurance regarding the effectiveness and efficiency of the Company's operations, reliability of financial information and compliance with applicable laws and regulations. All internal control systems have inherent limitations that they may not be able to prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing processes that include identification, evaluation and management of significant risks faced by the Company.

The control activities are being closely monitored across the Company by Internal Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. Internal Audit Department covers all activities in general and key risks areas in particular. The Audit Committee of the Board regularly reviews all significant and material findings of the internal and external auditors. Regular follow up reporting upon the audit finding is done by Compliance Department to the Audit Committee which ensures timely implementations to mitigate identified risks and to safeguard the interest of the Company.

An Annual Assessment on internal controls over financial reporting was conducted by the Internal Audit Department of the company, which was duly endorsed by Audit Committee of the Board. The observations identified and controls recommended in the report will be taken care of and necessary steps are being taken for their timely resolution.

The Company endeavours to follow the State Bank of Pakistan's guidelines on Internal Controls. The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and implemented. Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System, including Internal Controls over Financial Reporting, is adequate and has been effectively implemented and monitored. The Board also endorses the above evaluation.

Mobin Siddiqui
Head – Internal Audit

Abdul Hafeez
Chief Financial Officer

Ayesha Aziz
Managing Director

March March 18, 2019

Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Pak Brunei Investment Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

▪ KARACHI ▪ LAHORE ▪ ISLAMABAD

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investment made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 25, 2019

Unconsolidated

Statement of Financial Position

As at December 31, 2018

2018	2017 (Restated)	2016 (Restated)		Note	2018	2017 (Restated)	2016 (Restated)
	(US $ in '000)					(Rupees in '000)	
			ASSETS				
1,162	991	2,319	Cash and balances with treasury banks	5	**161,339**	137,609	322,004
334	537	13,949	Balances with other banks	6	**46,355**	74,549	1,936,970
–	17,434	3,587	Lendings to financial institutions	7	**–**	2,420,909	498,065
188,078	55,297	119,958	Investments	8	**26,116,936**	7,678,634	16,657,665
146,403	135,155	100,790	Advances	9	**20,329,737**	18,767,825	13,995,942
84	122	160	Fixed assets	10	**11,711**	16,951	22,218
34	20	21	Intangible assets	11	**4,739**	2,781	2,942
2,288	1,351	780	Deferred tax assets	12	**317,742**	187,551	108,371
12,995	4,195	6,095	Other assets	13	**1,804,568**	582,464	846,420
351,378	215,102	247,659			**48,793,127**	29,869,273	34,390,597
			LIABILITIES				
–	–	–	Bills payable		**–**	–	–
265,662	100,649	147,578	Borrowings	14	**36,890,373**	13,976,083	20,492,898
5,224	34,215	20,981	Deposits and other accounts	15	**725,403**	4,751,164	2,913,487
–	–	–	Liabilities against assets subject to finance lease		**–**	–	–
–	–	–	Subordinated debt		**–**	–	–
–	–	–	Deferred tax liabilities		**–**	–	–
8,763	4,939	4,001	Other liabilities	16	**1,216,866**	685,802	555,655
279,649	139,803	172,560			**38,832,642**	19,413,049	23,962,040
71,729	75,299	75,099	**NET ASSETS**		**9,960,485**	10,456,224	10,428,557
			REPRESENTED BY				
43,208	43,208	43,208	Share capital	17	**6,000,000**	6,000,000	6,000,000
10,132	9,735	9,057	Reserves		**1,406,995**	1,351,812	1,257,721
(4,848)	(1,453)	(447)	Deficit on revaluation of assets	18	**(673,212)**	(201,744)	(62,060)
23,237	23,809	23,281	Unappropriated profit		**3,226,702**	3,306,156	3,232,896
71,729	75,299	75,099			**9,960,485**	10,456,224	10,428,557
			CONTINGENCIES AND COMMITMENTS	19			

The annexed notes 1 to 42 and annexure I forms an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Profit and Loss Account

For the Year ended December 31, 2018

2018	2017		Note	2018	2017 (Restated)
(US $ in '000)				(Rupees in '000)	
18,054	10,525	Mark-up / return / interest earned	20	**2,506,962**	1,461,566
12,873	6,540	Mark-up / return / interest expensed	21	**1,787,629**	908,144
5,181	3,985	Net mark-up / interest income		**719,333**	553,422
		Non mark-up / interest income			
536	366	Fee and commission income	22	**74,433**	50,779
1,447	1,010	Dividend income		**200,872**	140,275
(487)	2,554	(Loss) / gain on securities	23	**(67,641)**	354,601
102	308	Other income	24	**14,206**	42,801
1,598	4,238	Total non-markup / interest income		**221,870**	588,456
6,779	8,223	Total income		**941,203**	1,141,878
		Non mark-up / interest expenses			
2,379	2,006	Operating expenses	25	**330,373**	278,554
–	–	Sindh Workers' Welfare Fund	26	**10,938**	14,244
2,379	2,006	Total non mark-up / interest expenses		**341,311**	292,798
4,400	6,217	Profit before provisions		**599,892**	849,080
694	1,283	Provisions and write offs - net	27	**96,393**	178,164
–	–	Extraordinary / unusual items		**–**	–
5,094	7,500	**Profit before taxation**		**503,499**	670,916
1,639	1,444	Taxation	28	**227,585**	200,460
3,455	6,056	**Profit after taxation**		**275,914**	470,456
USD				(Rupees)	
0.00	0.01	**Basic and diluted earning per share**	29	**0.46**	0.78

The annexed notes 1 to 42 and annexure I forms an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Statement of Comprehensive Income

For the Year ended December 31, 2018

2018	2017		2018	2017
(US $ in '000)			(Rupees in '000)	
3,455	6,056	Profit after taxation for the year	**275,914**	470,456
		Other comprehensive loss		
		Items that may be reclassified to profit and loss account in subsequent periods:		
(3,395)	(1,006)	Movement in deficit on revaluation of investments - net of tax	**(471,468)**	(139,684)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(1)	(22)	Remeasurement loss on defined benefit obligations - net of tax	**(185)**	(3,105)
58	5,028	**Total comprehensive (loss) / income**	**(195,739)**	327,667

The annexed notes 1 to 42 and annexure I forms an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Cash Flow Statement

For the Year ended December 31, 2018

2018	2017		Note	2018	2017
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
3,626	4,832	Profit before taxation		**503,499**	670,916
1,447	1,010	Less: Dividend income		**200,872**	140,275
2,179	3,822			**302,627**	530,641
		Adjustments:			
54	69	Depreciation		**7,460**	9,641
9	6	Amortisation		**1,248**	826
79	103	Provision for Sindh Workers' Welfare Fund	26	**10,938**	14,244
694	1,283	Provision and write-offs	27	**96,393**	178,164
–	(1)	Gain on sale of fixed assets	24	**(34)**	(77)
–	(651)	Gain on disposal of held-for-sale investment		**–**	(90,375)
–	–	Unrealized gain on revaluation of investments classified as held for trading - net		**–**	(10)
836	809			**116,005**	112,413
3,015	4,631			**418,632**	643,054
		(Increase) / decrease in operating assets			
12,393	(10,607)	Lendings to financial institutions		**1,720,909**	(1,472,844)
118	2,232	Held-for-trading securities		**16,421**	309,880
(11,396)	(34,746)	Advances		**(1,582,522)**	(4,824,867)
(8,341)	1,171	Others assets (excluding advance taxation)		**(1,158,231)**	162,614
(7,226)	(41,950)			**(1,003,423)**	(5,825,217)
		Increase/ (decrease) in operating liabilities			
165,015	(46,930)	Borrowings from financial institutions		**22,914,290**	(6,516,815)
(28,991)	13,234	Deposits		**(4,025,761)**	1,837,677
3,744	835	Other liabilities (excluding current taxation)		**519,865**	115,903
139,768	(32,861)			**19,408,394**	(4,563,235)
(2,039)	(1,964)	Income tax paid		**(283,199)**	(272,717)
133,518	(72,144)	Net cash flow generated from / (used in) operating activities		**18,540,404**	(10,018,115)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(138,266)	36,519	Net investments in available-for-sale securities		**(19,199,402)**	5,071,069
431	(431)	Net investments in held-to-maturity securities		**59,812**	(59,812)
1,441	1,045	Dividends received		**200,114**	145,152
(17)	(32)	Investments in operating fixed assets		**(2,393)**	(4,404)
(21)	(5)	Investments in operating intangible assets		**(3,206)**	(665)
1	1	Proceeds from sale of fixed assets		**207**	107
–	1,911	Proceeds from disposal of investment classified as held for sale		**–**	265,375
–	(6,660)	Net investments in subsidiaries		**–**	(924,842)
–	30,457	Net divestment from associates		**–**	4,229,319
(136,431)	62,805	Net cash flow (used in) / generated from investing activities		**(18,944,868)**	8,721,299
		CASH FLOWS FROM FINANCING ACTIVITIES			
(2,160)	(2,160)	Dividend paid		**(300,000)**	(300,000)
(2,160)	(2,160)	Net cash flow used in financing activities		**(300,000)**	(300,000)
(5,073)	(11,499)	**Decrease in cash and cash equivalents**		**(704,464)**	(1,596,816)
6,569	18,068	Cash and cash equivalents at beginning of the year		**912,158**	2,508,974
1,496	6,569	**Cash and cash equivalents at end of the year**	30	**207,694**	912,158

The annexed notes 1 to 42 and annexure I forms an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated
Statement of Changes in Equity
For the Year ended December 31, 2018

	Share capital	Capital reserve: Statutory reserve (a)	Deficit on revaluation of investments	Revenue reserve: Unappropriated profit	Total
			(Rupees in '000)		
Balance as at December 31, 2016 (as previously reported)	6,000,000	1,257,721	–	3,232,896	10,490,617
Effect of retrospective change in accounting policy Reclassification of deficit to equity - net of tax (note 4.1)	–	–	(62,060)	–	(62,060)
Balance as at December 31, 2016 (as restated)	6,000,000	1,257,721	(62,060)	3,232,896	10,428,557
Comprehensive income for the year					
Profit after taxation for the year ended December 31, 2017	–	–	–	470,456	470,456
Other comprehensive loss					
- Remeasurement loss on defined benefit obligations - net of tax	–	–	–	(3,105)	(3,105)
- Movement in deficit on revaluation of investments - net of tax	–	–	(139,684)	–	(139,684)
	–	–	(139,684)	467,351	327,667
Transfer to statutory reserve	–	94,091	–	(94,091)	–
Transactions with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2016 @ Re.0.50 per share	–	–	–	(300,000)	(300,000)
Balance as at December 31, 2017 (as restated)	**6,000,000**	**1,351,812**	**(201,744)**	**3,306,156**	**10,456,224**
Comprehensive income for the year					
Profit after taxation for the year ended December 31, 2018	–	–	–	275,914	275,914
Other comprehensive loss					
- Remeasurement loss on defined benefit obligations - net of tax	–	–	–	(185)	(185)
- Movement in deficit on revaluation of investments - net of tax	–	–	(471,468)	–	(471,468)
	–	–	(471,468)	275,729	(195,739)
Transfer to statutory reserve	–	55,183	–	(55,183)	–
Transactions with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2017 @ Re.0.50 per share	–	–	–	(300,000)	(300,000)
Balance as at December 31, 2018	**6,000,000**	**1,406,995**	**(673,212)**	**3,226,702**	**9,960,485**

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 42 and annexure I forms an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the (now repealed) Companies Ordinance, 1984. The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (December 31, 2017: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are 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 SBP and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever 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.

2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular no. 11 dated September 11, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 dated April 28, 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and, therefore, not detailed in these unconsolidated financial statements.

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

2.4.1 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, amendments or interpretations:

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Arrangements (amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019
- IAS 19 - Employee Benefits (amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations (amendments)	January 1, 2020
- IFRS 9 - Financial Instruments	January 1, 2020

IFRS 16 replaces the existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC - 15 'Operating Leases - Incentive 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 to use asset" representing its right to use the underlying asset and a lease liability representing its obligations 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. On the adoption of IFRS 16, the Company shall recognize a 'right to use asset' with a corresponding liability for lease payments. The Company is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach. The ECL has impact on all assets of the Company which are exposed to credit risk. The Company is in the process of assessing the full impact of this standard.

The SBP vide its Letter no. BPRD/ RPD / 2018-7837 dated April 10, 2018 required all Banks / DFIs to conduct an impact and readiness assessment of IFRS 9 based on the financial statements for the year ended December 31, 2017. The Company has carried out an impact and readiness assessment exercise as per the above directive. The readiness and impact assessment exercise highlighted certain systems, policies, process and other gaps. The Company has also identified additional provisioning requirements based on the requirement of the readiness and impact assessment exercise. The exact impact of additional provisioning requirement will be determined after implementation of certain gaps. The Company is in the process of assessing the full impact of this standard.

2.4.2 There are certain new and amended standards and interpretations 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 unconsolidated financial statements.

2.5 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgement in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i) classification and valuation of investments (notes 4.4 and 8);
ii) classification and provisioning against loans and advances (notes 4.6 and 9);
iii) residual values, depreciation methods and useful lives of operating fixed assets (notes 4.7 and 10);
iv) amortisation methods of intangible assets (notes 4.8 and 11);
v) impairment of assets (note 4.9);
vi) provision for taxation (notes 4.12 and 28); and
vii) accounting for defined benefit plan (notes 4.14 and 32).

2.6 Separate financial statements

These unconsolidated financial statements represent the separate financial statements of the Company in which investment in subsidiaries and associates are stated at cost. The consolidated financial statements of the Company and its subsidiaries are presented separately.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 US Dollar equivalent

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs. 138.86 to US Dollars has been used for 2018, 2017 and 2016, as it was the prevalent rate on December 31, 2018.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except for the change mentioned in note 4.1 below.

4.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of DFIs. All DFIs are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Company has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted mainly in the following significant changes:

- Intangible assets amounting to Rs. 2.781 million as at December 31, 2017 and Rs. 2.942 million as at December 31, 2016, which were previously shown as part of fixed assets, are now shown separately on the statement of financial position (note 11);

- Deficit on revaluation of assets amounting to Rs. 201.744 million as at December 31, 2017 and Rs. 62.060 million as at December 31, 2016, which was previously shown below equity as required by the repealed Companies Ordinance, 1984, has now been included as part of equity (note 18); and

- Provision against non-performing loans and advances and provision for diminution in the value of investments amounting to Rs. 52.984 million and Rs. 88.011 million respectively, which were previously shown separately in the profit and loss account, have now been shown under "Provisions and write offs - net" (note 27).

There were no new recognition requirements which became applicable to the Company.

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.3 Lendings to / borrowings from financial and other institutions

The Company enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the unconsolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the unconsolidated financial statements as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective interest method.

4.4 Investments (other than in subsidiaries and associates)

4.4.1 Classification

The Company classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading

These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.4.2 Initial measurement

All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the unconsolidated profit and loss account. Investments, other than those categorised as held-for-trading, are initially recognised at fair value which includes transaction costs associated with the investments.

4.4.3 Subsequent measurement

Held-for-trading

These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the unconsolidated profit and loss account.

Held-to-maturity

These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'statement of changes in equity' and is taken to the unconsolidated profit and loss account when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The cost of investment is determined on a weighted average basis. A decline in the carrying value is charged to the unconsolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the unconsolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

4.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognised as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the unconsolidated profit and loss account in the period in which disposal is made.

4.6 Advances

Advances are stated net of specific and general provisions which are charged to the unconsolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Company also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained where required as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

4.7 Fixed assets and depreciation

4.7.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the unconsolidated profit and loss account using the straight line method at the rates stated in note 10.2 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the unconsolidated profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the unconsolidated profit and loss account in the period in which disposal is made.

4.7.2 Tangible assets - leased

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at the lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.8 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.2. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the unconsolidated profit and loss account in the period in which these arise.

4.9 Impairment

4.9.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed therefrom and recognised in the unconsolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the unconsolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For ‘significance’, a threshold of 30% and for ‘prolonged’ a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the unconsolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the unconsolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus/deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the unconsolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.9.2 Impairment of investments in subsidiaries and associates

The Company considers that a decline in the recoverable value of its investments in subsidiaries and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries and associates is credited to the unconsolidated profit and loss account.

4.9.3 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the unconsolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets’ carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.10 Assets classified as held-for-sale

The Company classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the unconsolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.11 Assets acquired in satisfaction of claims

The Company occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.12 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the unconsolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.12.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax relating to items recognised in other comprehensive income (OCI) is charged / credited to OCI.

4.13 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.14 Staff retirement benefits

Defined benefit plan - staff gratuity fund

The Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the unconsolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2018.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the unconsolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the unconsolidated profit and loss account.

Defined contribution plan - staff provident fund
The Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Company and the employees at the rate of 10% of basic salary.

4.15 Financial instruments
Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the unconsolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the unconsolidated profit and loss account.

Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.16 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.17 Commitments
Commitments for capital expenditure contracted for but not incurred are disclosed in the unconsolidated financial statements at committed amounts.

4.18 Revenue recognition
Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.

- Dividend income is recognised when the Company's right to receive dividend is established.

- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.

- Premium or discount on debt securities is amortised using the effective interest method.

- Gains and losses on disposal of assets are recognised in the period in which these arise.

- Return on bank deposits is recognised on a time proportion basis using the effective interest method.

- Rental income is recorded when due.

4.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the unconsolidated profit and loss account.

4.21 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the unconsolidated financial statements in the period in which such dividends are declared / transfers are made.

4.22 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Board of Directors and Chief Executive Officer have been identified as the chief operating decision-makers who are responsible for allocating resources and assessing the performance of the operating segments.

4.22.1 Business segments

Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales

This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

4.22.2 Geographical segments

The operations of the Company are currently based only in Pakistan.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		(Rupees in '000)	
With State Bank of Pakistan in			
Local currency current account	5.1	**161,339**	137,609

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6 BALANCES WITH OTHER BANKS

	Note	2018	2017
		(Rupees in '000)	
In Pakistan			
In deposit accounts	6.1	**46,355**	74,549

6.1 These carry mark-up at rates ranging from 6.50% to 8.30% per annum (2017: 1.73% to 5.00% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Repurchase agreement lendings (reverse repo)	7.1	–	1,720,909
Term deposit receipts (TDRs)	7.2	–	700,000
		–	2,420,909

7.1 These carried mark-up at rates ranging from 5.80% to 6.00% and matured on various dates by January 2, 2018.

7.2 These carried mark-up at rates ranging from 6.65% to 7.30% and matured on various dates by January 5, 2018.

7.3 Particulars of lending

	2018	2017
	(Rupees in '000)	
In local currency	–	2,420,909
In foreign currency	–	–
	–	2,420,909

7.4 Securities held as collateral against lendings to financial institutions

(Rupees in '000)

	2018			2017		
	Held by the company	**Further given as collateral**	**Total**	Held by the company	Further given as collateral	Total
Market Treasury Bills	–	–	–	1,720,909	–	1,720,909
Total	–	–	–	1,720,909	–	1,720,909

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

	Note	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (deficit)	2018 Carrying value	2017 Cost / amortised cost	2017 Provision for diminution	2017 Surplus / (deficit)	2017 Carrying value
Held-for-trading securities									
Ordinary shares		–	–	–	–	16,411	–	10	16,421
		–	–	–	–	16,411	–	10	16,421
Available-for-sale securities									
Federal government securities	8.3	19,817,801	–	(326,260)	19,491,541	3,006,321	–	411	3,006,732
Ordinary shares		2,140,824	(210,979)	(391,638)	1,538,207	1,184,648	(132,327)	(206,404)	845,917
Non-government debt securities		2,635,582	(225,725)	(3,684)	2,406,173	1,501,819	(228,594)	–	1,273,225
Units of mutual funds		802,419	–	(124,776)	677,643	504,436	–	(31,281)	473,155
Preference shares	8.4	3,250	(3,250)	–	–	3,250	(3,250)	–	–
		25,399,876	(439,954)	(846,358)	24,113,564	6,200,474	(364,171)	(237,274)	5,599,029
Held-to-maturity securities									
Commercial paper		–	–	–	–	59,812	–	–	59,812
		–	–	–	–	59,812	–	–	59,812
Subsidiaries	8.5	2,003,372	–	–	2,003,372	2,003,372	–	–	2,003,372
Total investments		27,403,248	(439,954)	(846,358)	26,116,936	8,280,069	(364,171)	(237,264)	7,678,634

8.2 Investments by segments:

(Rupees in '000)

	Note	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (deficit)	2018 Carrying value	2017 Cost / amortised cost	2017 Provision for diminution	2017 Surplus / (deficit)	2017 Carrying value
Federal government securities									
Market Treasury Bills		996,157	–	(617)	995,540	2,967,052	–	(13)	2,967,039
Pakistan Investment Bonds		18,821,644	–	(325,643)	18,496,001	39,269	–	424	39,693
		19,817,801	–	(326,260)	19,491,541	3,006,321	–	411	3,006,732
Ordinary Shares									
Listed companies		2,095,493	(189,648)	(391,638)	1,514,207	1,059,728	(110,996)	(206,394)	742,338
Unlisted companies		45,331	(21,331)	–	24,000	141,331	(21,331)	–	120,000
		2,140,824	(210,979)	(391,638)	1,538,207	1,201,059	(132,327)	(206,394)	862,338
Preference shares		3,250	(3,250)	–	–	3,250	(3,250)	–	–
Non-government debt securities									
Listed		1,078,798	(16,392)	(3,684)	1,058,722	19,261	(19,261)	–	–
Unlisted		1,556,784	(209,333)	–	1,347,451	1,482,558	(209,333)	–	1,273,225
		2,635,582	(225,725)	(3,684)	2,406,173	1,501,819	(228,594)	–	1,273,225
Units of mutual funds		802,419	–	(124,776)	677,643	504,436	–	(31,281)	473,155
Commercial paper		–	–	–	–	59,812	–	–	59,812
Subsidiaries									
Awwal Modaraba		898,372	–	–	898,372	898,372	–	–	898,372
Awwal Modaraba Management Limited		105,000	–	–	105,000	105,000	–	–	105,000
Primus Leasing Limited		1,000,000	–	–	1,000,000	1,000,000	–	–	1,000,000
	8.5	2,003,372	–	–	2,003,372	2,003,372	–	–	2,003,372
Total investments		27,403,248	(439,954)	(846,358)	26,116,936	8,280,069	(364,171)	(237,264)	7,678,634

8.2.1 Investments given as collateral

(Rupees in '000)

	2018 Cost / amortised	2018 Surplus / (deficit)	2018 Carrying value	2017 Cost / amortised cost	2017 Surplus / (deficit)	2017 Carrying value
Pakistan Investment Bonds	17,122,100	(194,249)	16,927,851	–	–	–
Term finance / sukuks certificates	739,824	–	739,824	650,000	–	650,000
	17,861,924	(194,249)	17,667,675	650,000	–	650,000

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield of 8.61% (2017: 5.90% to 5.99%) per annum and will mature within 3 months (2017: 3 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% and 12.00% (2017: 6.24% to 12.09%) per annum on a semi-annual basis and will mature within 8 years. Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs. 10 each which carry dividend at the rate of 6 months Kibor + 1% per annum.

8.5 Summary of financial information of subsidiaries

(Rupees in '000)

	Percentage of holding 2018	Percentage of holding 2017	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	2018	2017
Investment in subsidiaries										
Awwal Modaraba Management Limited	**100.00**	100.00	Pakistan	120,539	20,446	36,302	(366)	(18,866)	**105,000**	105,000
Awwal Modaraba*	**89.78**	89.78	Pakistan	1,283,093	61,719	263,315	183,734	183,734	**898,372**	898,372
Primus Leasing Limited	**100.00**	100.00	Pakistan	1,154,479	143,491	27,645	29,607	29,607	**1,000,000**	1,000,000
									2,003,372	2,003,372

* The details for Awwal Modaraba have been provided based on its audited financial statements for the year ended June 30, 2018.

8.6 Provision for diminution in value of investments

	2018	2017
	(Rupees in '000)	
8.6.1 Opening balance	**364,171**	276,160
Charge / reversals		
Charge for the year	**103,144**	88,011
Reversal on disposals	**(27,361)**	–
	75,783	88,011
Closing balance	**439,954**	364,171

8.6.2 Particulars of provision against debt securities

(Rupees in '000)

Category of classification	2018 Non-performing investments	2018 Provision	2017 Non-performing investments	2017 Provision
Domestic				
Loss	**269,366**	**225,725**	272,234	228,594

8.7 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

	2018	2017
	Cost	
	(Rupees in '000)	
Federal government securities - government guaranteed		
Market Treasury Bills	**996,157**	2,967,052
Pakistan Investment Bonds	**18,821,644**	39,269
	19,817,801	3,006,321
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	**47,198**	–
Commercial banks	**147,970**	63,261
Power generation and distribution	**350,045**	206,975
Cement	**249,528**	129,068
Chemicals	**126,093**	105,196
Automobile assembler	**24,153**	47,142
Engineering	**373,776**	130,631
Fertilizer	**20,698**	17,833
Food and personal care products	**227,501**	115,317
Cable and electrical goods	**222,952**	60,320
Insurance	**–**	4,947
Pharmaceuticals	**35,582**	40,381
Textile composite	**228,732**	94,091
Textile weaving	**16,391**	19,950
Glass and ceramics	**9,778**	–
Investment Banks / Investment Companies / Securities Companies	**15,096**	8,205
	2,095,493	1,043,317

(Rupees in '000)

	2018		2017	
	Cost	**Breakup value**	Cost	Breakup value
Unlisted companies				
OBS Pakistan (Private) Limited	**24,000**	**38,569**	120,000	129,632
Pakistan Mercantile Exchange Limited	**21,331**	**(2,566)**	21,331	(5,354)
	45,331	**36,003**	141,331	124,278

(Rupees in '000)

	2018	2017
	Cost	
Non-government debt securities		
Listed		
- AAA	**462,406**	–
- AA+, AA, AA-	**600,000**	–
- A+, A, A-	**–**	–
- CCC and below	**–**	–
- Unrated	**16,392**	19,261
	1,078,798	19,261
Unlisted		
- AA+, AA, AA-	**1,049,855**	814,767
- A+, A, A-	**253,715**	374,817
- BBB+, BBB, BBB-	**–**	40,000
- Unrated	**253,214**	252,974
	1,556,784	1,482,558
Preference shares		
Trust Investment Bank Limited	**3,250**	3,250

(Rupees in '000)

	2018	2017
	Amortised cost	
Units of mutual funds - listed		
A+	**–**	10,066
AA	**–**	102,163
A	**–**	10,341
Unrated	**802,419**	381,866
	802,419	504,436
Equity securities		
Listed		
Oil and gas marketing companies		
Sui Northern Gas Pipelines Limited	**47,198**	–
Commercial banks		
Askari Bank Limited	**–**	10,866
Bank Alfalah Limited	**918**	–
Bank of Punjab	**6,554**	–
MCB Bank Limited	**32,915**	–
Habib Bank Limited	**107,583**	52,395
Power generation and distribution		
The Hub Power Company Limited	**43,900**	22,125
K-Electric Limited	**106,900**	78,932
Kot Addu Power Company Limited	**54,141**	38,139
Nishat Power Limited	**145,104**	67,779
Cement		
Cherat Cement Company Limited	**39,386**	–
D.G. Khan Cement Company Limited	**123,268**	43,633
Dewan Cement Limited	**–**	85,435
Fauji Cement Company Limited	**40,213**	–
Lucky Cement Limited	**11,090**	–
Maple Leaf Cement Factory Limited	**35,571**	–
Chemicals		
Agritech Limited	**49,506**	49,507
Berger Paints Pakistan Limited	**41,660**	17,982
Buxly Paints Limited	**11,117**	14,652
Ghani Gases Limited	**–**	23,055
ICI Pakistan Limited	**23,810**	–

(Rupees in '000)

	2018	2017
	Cost	
Automobile assembler		
Ghandara Nissan Limited	**24,153**	47,142
Engineering		
Aisha Steel Mills Limited	**35,940**	11,950
Amreli Steels Limited	**78,108**	25,561
Crescent Steel and Allied Products Limited	**90,312**	37,756
International Industries Limited	**106,960**	45,212
Mughal Iron and Steel Industries Limited	**20,873**	10,152
International Steels Limited	**41,583**	–
Fertilizer		
Engro Fertilizers Limited	**–**	17,833
Fauji Fertilizer Bin Qasim Limited	**10,311**	–
Fauji Fertilizer Company Limited	**10,387**	–
Food and personal care products		
Al Shaheer Corporation Limited	**31,160**	51,191
Engro Foods Limited	**80,220**	64,126
Bunny's Limited	**116,121**	–
Cable and electrical goods		
Pak Elektron Limited	**222,952**	60,320
Insurance		
IGI Holdings Limited	**–**	4,947
Pharmaceuticals		
Ferozsons Laboratories Limited	**35,582**	39,441
The Searle Company Limited	**–**	940
Textile composite		
Kohinoor Textile Mills Limited	**107,407**	46,105
Nishat (Chunian) Limited	**34,396**	–
Towellers Limited	**55,422**	47,986
Nishat Mills Limited	**31,507**	–
Textile weaving		
Zephyr Textile Limited	**16,391**	19,950
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	**9,778**	–
Investment banks / investment companies / securities companies		
Pakistan Stock Exchange Limited	**11,845**	4,955
Trust Investment Bank Limited	**3,251**	3,250
	2,095,493	1,043,317
Unlisted		
OBS Pakistan (Private) Limited	**24,000**	120,000
Pakistan Mercantile Exchange Limited	**21,331**	21,331
	45,331	141,331

8.8 Particulars relating to held to maturity securities are as follows:

	2018	2017
Non-government debt securities		
Unlisted and unrated		
Commercial paper	**–**	59,812

8.8.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Nil (December 31, 2017: 59.812 million).

9 ADVANCES

(Rupees in '000)

	Note	Performing 2018	Performing 2017	Non-performing 2018	Non-performing 2017	Total 2018	Total 2017
Loans, cash credits, running finances, etc.	9.1	**20,046,892**	18,102,902	**592,529**	953,997	**20,639,421**	19,056,899
Advances - gross		**20,046,892**	18,102,902	**592,529**	953,997	**20,639,421**	19,056,899
Provision against advances							
- Specific		**–**	–	**309,684**	287,826	**309,684**	287,826
- General		**–**	–	**–**	1,248	**–**	1,248
		–	–	**309,684**	289,074	**309,684**	289,074
Advances - net of provision		**20,046,892**	18,102,902	**282,845**	664,923	**20,329,737**	18,767,825

9.1 This includes net investment in finance lease as disclosed below:

(Rupees in '000)

	2018 Not later than one year	2018 Later than one year and less than five years	2018 Over five years	2018 Total	2017 Not later than one year	2017 Later than one year and less than five years	2017 Over five years	2017 Total
Lease rentals receivable	**570,165**	**774,688**	**–**	**1,344,853**	481,536	488,135	–	969,671
Residual value	**211,519**	**190,338**	**–**	**401,857**	123,745	209,066	–	332,811
Minimum lease payments	**781,684**	**965,026**	**–**	**1,746,710**	605,281	697,201	–	1,302,482
Finance charges for future periods	**(110,204)**	**(110,906)**	**–**	**(221,110)**	(73,588)	(45,297)	–	(118,885)
Present value of minimum lease payments	**671,480**	**854,120**	**–**	**1,525,600**	531,693	651,904	–	1,183,597

9.1.1 These leases are executed for a term of 1.5 to 5 years. Security deposits have been obtained within a range of 0% to 50% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 11.00% to 20.00% per annum (2017: 6.20% to 18.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are insured in favour of the Company.

9.2 Particulars of advances (gross)

	2018	2017
	(Rupees in '000)	
In local currency	**20,639,421**	19,056,899
In foreign currencies	**–**	–
	20,639,421	19,056,899

9.3 Advances include Rs. 592.529 million (2017: Rs. 953.997 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2018 Non Performing Loans	2018 Provision	2017 Non Performing Loans	2017 Provision
Domestic					
Other Assets Especially Mentioned	9.3.1	**12,451**	**1,245**	–	–
Substandard		**–**	**–**	196,363	8,335
Doubtful		**81,477**	**29,739**	309,918	63,403
Loss		**498,601**	**278,700**	447,716	216,088
Total		**592,529**	**309,684**	953,997	287,826

9.3.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 12.451 million (December 31, 2017: Rs. Nil).

9.4 Particulars of provision against advances

(Rupees in '000)

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
Opening balance	**287,826**	**1,248**	**289,074**	235,191	899	236,090
Charge for the year	**193,853**	**–**	**193,853**	84,228	349	84,577
Reversals	**(171,995)**	**(1,248)**	**(173,243)**	(31,593)	–	(31,593)
	21,858	**(1,248)**	**20,610**	52,635	349	52,984
Amounts written off	**–**	**–**	**–**	–	–	–
Closing balance	**309,684**	**–**	**309,684**	287,826	1,248	289,074

9.4.1 Particulars of provision against advances

(Rupees in '000)

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**309,684**	**–**	**309,684**	287,826	1,248	289,074
In foreign currencies	**–**	**–**	**–**	–	–	–
	309,684	**–**	**309,684**	287,826	1,248	289,074

9.4.2 The Company has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 230.901 million (December 31, 2017: Rs. 357.727 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.4.3 The State Bank of Pakistan vide its circular no. 9 of 2017 dated December 22, 2017 removed the requirement of maintaining general reserve equal to 1% against secured Small Enterprise (SE) portfolio, while general reserve to be maintained against unsecured SE portfolio has been reduced from 2% to 1%. Currently, the Company does not have any unsecured SE portfolio.

9.5 Details of loans written-off of Rs.500,000 and above

Detail are given at Annexure -1.

10 FIXED ASSETS

	Note	2018	2017
		(Rupees in '000)	
Capital work-in-progress	10.1	–	970
Property and equipment	10.2	**11,711**	15,981
		11,711	16,951

10.1 Capital work-in-progress

Leasehold improvements	–	970

10.2 Property and equipment

(Rupees in '000)

	Note	2018					
		Leasehold improvements	**Furniture and fixtures**	**Electrical, office and computer equipment**	**Vehicles**	**Mobile phones**	**Total**
At January 1, 2018							
Cost		**43,241**	**15,586**	**27,919**	**18,805**	**391**	**105,942**
Accumulated depreciation		**(42,654)**	**(14,175)**	**(21,125)**	**(11,726)**	**(281)**	**(89,961)**
Net book value		**587**	**1,411**	**6,794**	**7,079**	**110**	**15,981**
Year ended December 2018							
Opening net book value		**587**	**1,411**	**6,794**	**7,079**	**110**	**15,981**
Additions		**388**	**937**	**1,864**	**–**	**174**	**3,363**
Disposals	10.2.1	**–**	**(17)**	**–**	**–**	**(156)**	**(173)**
Depreciation charge for the year		**(236)**	**(491)**	**(3,216)**	**(3,389)**	**(128)**	**(7,460)**
Closing net book value	10.2.2	**739**	**1,840**	**5,442**	**3,690**	**–**	**11,711**
At December 31, 2018							
Cost		**43,629**	**16,506**	**29,783**	**18,805**	**409**	**109,132**
Accumulated depreciation		**(42,890)**	**(14,666)**	**(24,341)**	**(15,115)**	**(409)**	**(97,421)**
Net book value	10.2.2	**739**	**1,840**	**5,442**	**3,690**	**–**	**11,711**
Rate of depreciation (percentage)		**20%**	**20%**	**20%-33.33%**	**25%**	**50%**	**–**

(Rupees in '000)

	Note	2017					
		Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2017							
Cost		43,187	14,691	25,609	18,754	297	102,538
Accumulated depreciation		(40,707)	(13,650)	(17,993)	(7,832)	(138)	(80,320)
Net book value		2,480	1,041	7,616	10,922	159	22,218
Year ended December 2017							
Opening net book value		2,480	1,041	7,616	10,922	159	22,218
Additions		54	895	2,329	51	105	3,434
Disposals		–	–	(19)	–	(11)	(30)
Depreciation charge for the year		(1,947)	(525)	(3,132)	(3,894)	(143)	(9,641)
Closing net book value	10.2.2	587	1,411	6,794	7,079	110	15,981
At December 31, 2017							
Cost		43,241	15,586	27,919	18,805	391	105,942
Accumulated depreciation		(42,654)	(14,175)	(21,125)	(11,726)	(281)	(89,961)
Net book value	10.2.2	587	1,411	6,794	7,079	110	15,981
Rate of depreciation (percentage)		20%	20%	20%-33.33%	25%	50%	–

10.2.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
File cabinet	32	17	18	Sale	Primus Leasing Limited
Laptop	162	–	25	Sale	Various employees
Mobile phones	134	15	15	Sale	Various employees
2018	**328**	**32**	**58**		
2017	–	–	–		

10.2.2 The cost of fully depreciated fixed assets that are still in the Company's use is as follows:

	Note	2018	2017
		(Rupees in '000)	
Leasehold improvements		**42,321**	42,321
Furniture and fixtures		**13,638**	13,518
Electrical, office and computer equipment		**14,882**	12,524
Vehicles		**4,649**	3,090
Mobile phones		**–**	119
		75,490	71,572

11 INTANGIBLE ASSETS

	Note	2018	2017
Intangible assets	11.1	**3,285**	772
Capital work-in-progress	11.2	**1,454**	2,009
		4,739	2,781

11.1 Intangible assets

	Note	2018	
		Computer software	Total
		(Rupees in '000)	
At January 1, 2018			
Cost		**14,660**	14,660
Accumulated amortisation		**(13,888)**	(13,888)
Net book value		**772**	772
Year ended December 2018			
Opening net book value		**772**	772
Additions:			
- directly purchased		**3,761**	3,761
Amortisation charge		**(1,248)**	(1,248)
Closing net book value		**3,285**	3,285
At December 31, 2018			
Cost	11.1.1	**18,421**	18,421
Accumulated amortisation		**(15,136)**	(15,136)
Net book value		**3,285**	3,285
Rate of amortisation (percentage)		**33.33%**	
Useful life (in years)		**3**	

		2017	
		Computer software	Total
		(Rupees in '000)	
At January 1, 2017			
Cost		14,660	14,660
Accumulated amortisation		(13,062)	(13,062)
Net book value		1,598	1,598
Year ended December 2017			
Opening net book value		1,598	1,598
Amortisation charge		(826)	(826)
Closing net book value		772	772
At December 31, 2017			
Cost	11.1.1	14,660	14,660
Accumulated amortisation		(13,888)	(13,888)
Net book value		772	772
Rate of amortisation (percentage)		33.33%	
Useful life (in years)		3	

11.1.1 The cost of fully amortised assets still in use amounts to Rs. 13.137 million (2017: Rs. 12.133 million).

11.2 Capital work-in-progress

	2018	2017
	(Rupees in '000)	
Software	**1,454**	2,009

12 DEFERRED TAX ASSETS

(Rupees in '000)

	2018			
	At January 1, 2018	**Recognised in profit and loss account**	**Recognised in OCI**	**At December 31 2018**
Deductible temporary differences on				
- Post retirement employee benefits	**595**	**–**	**76**	**671**
- Provision for diminution in the value of investments	**88,915**	**10,120**	**–**	**99,035**
- Provision against advances, other assets etc.	**86,722**	**3,087**	**–**	**89,809**
- Deficit on revaluation of investments	**35,530**	**–**	**137,616**	**173,146**
- Unrealised loss on revaluation	**578**	**(578)**	**–**	**–**
- Accelerated tax depreciation	**2,100**	**1,184**	**–**	**3,284**
- Provision for bonus	**–**	**9,926**	**–**	**9,926**
	214,440	**23,739**	**137,692**	**375,871**
Taxable temporary differences on				
- Net investment in finance lease	**(9,492)**	**(43,310)**	**–**	**(52,802)**
- Amortization of discount on investments	**(17,397)**	**12,070**	**–**	**(5,327)**
	(26,889)	**(31,240)**	**–**	**(58,129)**
	187,551	**(7,501)**	**137,692**	**317,742**

(Rupees in '000)

	2017			
	At January 1, 2017	Recognised in profit and loss account	Recognised in OCI	At December 31, 2017
Deductible temporary differences on				
- Post retirement employee benefits	(736)	–	1,331	595
- Provision for diminution in the value of investments	66,316	22,599	–	88,915
- Provision against advances, other assets etc.	70,827	15,895	–	86,722
- Deficit on revaluation of investments	21,967	–	13,563	35,530
- Unrealised loss on revaluation	–	578	–	578
- Accelerated tax depreciation	1,590	510	–	2,100
- Provision for bonus	9,000	(9,000)	–	–
	168,964	30,582	14,894	214,440
Taxable temporary differences on				
- Amortization of discount on investments	(26,633)	9,236	–	(17,397)
- Net investment in finance lease	(33,960)	24,468	–	(9,492)
	(60,593)	33,704	–	(26,889)
	108,371	64,286	14,894	187,551

13 OTHER ASSETS

	Note	2018	2017
		(Rupees in '000)	
Income/ mark-up accrued in local currency		**891,736**	184,482
Advances, deposits, advance rent and other prepayments		**72,632**	48,832
Advance taxation (payments less provisions)		**269,440**	206,325
Advance against subscription of term finance certificates	13.1	**350,000**	–
Investment in AWT Investments Limited - classified as held for sale	13.2	**–**	75,000
Unrealized gain on fair value option	13.2	**–**	33,304
Receivable against sale of shares		**164,044**	–
Receivable from related parties	13.3	**22,598**	31,986
Non-banking asset acquired in satisfaction of claims	13.4	**28,525**	–
Receivable from AWT Investments Limited		**4,835**	2,535
Dividend receivable		**758**	–
		1,804,568	582,464
Less: Provision held against other assets		**–**	–
		1,804,568	582,464

13.1 This denotes investments of Rs. 300 million and Rs. 50 million made in the pre-IPO of Term Finance Certificates issued by United Bank Limited and Dubai Islamic Bank Pakistan Limited respectively.

13.2 On October 13, 2017, the Board of Directors of the Company approved the divestment of the Company's residual 30% shareholding in AWTIL through the exercise of the put option contained in the shareholders' agreement dated December 14, 2016 at an exercise price of Rs. 15.45 per share less discount of 6.53% on the said price.

The option was formally exercised and communicated to AWT on October 24, 2017 and the final settlement amount was agreed to be Rs. 108.304 million by the two parties. The transaction was subject to a requisite regulatory approval from the Securities and Exchange Commission of Pakistan which was obtained on March 5, 2018. With the completion of certain formalities by the Company and AWT during the year, proceeds against the sale of investments were recovered and the shares were transferred in favour of AWT on August 2, 2018.

13.3 Receivable from related parties

	Note	2018	2017
		(Rupees in '000)	
Receivable from Awwal Modaraba Management Limited (subsidiary)		**4,712**	6,777
Receivable from Awwal Modaraba (subsidiary)		**9,192**	3,561
Receivable from Primus Leasing Company Limited (subsidiary)		**8,694**	17,545
Receivable from defined benefit plan	32.4	**–**	4,103
		22,598	31,986

13.4 Non-banking asset acquired in satisfaction of claims

Opening balance		**–**	–
Additions during the year		**28,525**	145,260
Disposals during the year		**–**	(145,260)
Closing balance		**28,525**	–

14 BORROWINGS

Secured			
Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	14.2	**5,347,670**	3,745,152
- Power Plants Using Renewable Energy (PPRE) scheme		**183,156**	229,056
- Finance for Storage of Agriculture Produce (FSAP) scheme		**320,981**	359,250
		5,851,807	4,333,458
Repurchase agreement borrowings	14.3	**4,954,100**	–
Borrowings from banks	14.4	**16,301,946**	5,459,625
Total secured		**27,107,853**	9,793,083
Unsecured			
Letters of placement:			
- Primus Leasing Limited (subsidiary)	14.5	**583,174**	–
- Others	14.6	**9,199,346**	4,183,000
		36,890,373	13,976,083

14.1 Particulars of borrowings with respect to currencies

In local currency		**36,890,373**	13,976,083
In foreign currencies		**–**	–
		36,890,373	13,976,083

14.2 The Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges from 2.00% to 8.40% per annum (2017: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 10 years (2017: 6 years).

14.3 These represent borrowings from various financial institutions at mark-up rates ranging from 5.49% to 10.51% per annum (2017: Nil). Pakistan Investment Bonds having a face value of Rs. 5,000 million (2017: Nil) have been given as collateral against these borrowings.

14.4 These carry mark-up at rates ranging from 6.09% to 10.94% per annum (2017: 6.23% to 6.71% per annum) and are repayable within 5 year (2017: 4 years). These are secured against hypothecation of receivables and floating charge over term finance certificates and Pakistan Investment Bonds having a face value of Rs. 740 million (2017: 650 million) and Rs. 12,122 million (2017: Nil) respectively.

14.5 These carry mark-up at the rate of 10.00% per annum and are repayable within 3 months.

14.6 These carry mark-up at rates ranging from 10.50 % to 11.30 % per annum (2017: 6.10% to 6.50% per annum) and are repayable within 2 months (2017: 3 months).

15 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

	2018			2017		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
Customers						
- Certificate of investments (COIs)	**725,403**	**–**	**725,403**	500,000	–	500,000
Financial Institutions						
- Certificate of investments (COIs)	**–**	**–**	**–**	4,251,164	–	4,251,164
	725,403	**–**	**725,403**	4,751,164	–	4,751,164

15.1 Composition of deposits

	Note	2018	2017
		(Rupees in '000)	
- Public Sector Entities		**500,403**	500,000
- Non-Banking Financial Institutions		**–**	4,251,164
- Private Sector		**225,000**	–
		725,403	4,751,164

16 OTHER LIABILITIES

	Note	2018	2017
Mark-up / return / interest payable in local currency		**283,901**	88,999
Unearned commission and income on bills discounted		**25,976**	20,075
Accrued expenses		**54,707**	16,822
Brokerage / commission payable		**1,613**	406
Payable against purchase of shares		**362,031**	–
Payable to Awwal Modaraba (related party)		**–**	148,411
Security deposits against advances		**382,649**	298,823
Provision for Sindh Worker's Welfare Fund		**94,467**	83,529
Payable to defined benefit plan - related party	32.4	**261**	–
Others		**11,261**	28,737
		1,216,866	685,802

17 SHARE CAPITAL

17.1 Authorized capital

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

17.2 Issued, subscribed and paid-up capital

		Ordinary shares		
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000

17.3 As at December 31, 2018, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2017: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2017: 300,000,000 shares) are held by the Brunei Investment Agency.

18 DEFICIT ON REVALUATION OF ASSETS

	Note	2018	2017
		(Rupees in '000)	
Deficit on revaluation of			
- Available-for-sale securities	8.2	**(846,358)**	(237,274)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		**173,146**	35,530
		(673,212)	(201,744)

19 CONTINGENCIES AND COMMITMENTS

- Guarantees	19.1	**765,541**	–
- Commitments	19.2	**7,234,311**	7,602,654
- Other contingent liabilities	19.3	**–**	341,898
		7,999,852	7,944,552

19.1 Guarantees

Financial guarantees		**765,541**	–

19.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		**335,802**	2,008,754
Commitments in respect of:			
- government securities	19.2.1	**–**	1,722,024
- repo transactions	19.2.2	**5,004,044**	–
- forward lendings	19.2.3	**1,894,465**	3,871,876
		7,234,311	7,602,654

19.2.1 Commitments in respect of government securities

Sale		**–**	1,722,024

19.2.2 Commitments in respect of repo transactions

	2018	2017
	(Rupees in '000)	
Repurchase of government securities	**5,004,044**	–

19.2.3 Commitments in respect of forward lendings

	2018	2017
Undrawn formal standby facilities, credit lines and other commitments to lend	**1,894,465**	3,871,876

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Company without the risk of incurring significant penalty or expense.

19.3 Other contingent liabilities

	2018	2017
Claims against the Company not acknowledged as debts	**–**	341,898

19.3.1 In 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs. 200 million for damages against the Company for alleged non-performance of underwriting commitment in respect of issue of shares at a premium. The legal advisors of the Company are of the opinion that the Company has a strong case and that the matter will most likely be decided in favour of the Company.

19.3.2 The returns of income of the Company from tax years 2008 to 2018 had been filed with the tax authorities. From tax year 2008 upto tax year 2017, these returns have been revised and additional tax demands have been raised of which Rs. 559.245 million are outstanding as at December 31, 2018. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Company is contesting these demands and appeals have been filed by the Company against the same which are pending adjudication at various legal and appellate forums. The Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 13). The management is confident that the matters will eventually be decided in favour of the Company and that the Company will be able to adjust amounts in respect of matters decided against the Company (if any) against the tax refunds currently being claimed by it.

20 MARK-UP / RETURN / INTEREST EARNED

	2018	2017
	(Rupees in '000)	
On:		
a) Loans and advances	**1,358,138**	981,396
b) Investments	**1,093,217**	453,949
c) Lendings to financial institutions	**52,611**	15,715
d) Balances with banks	**2,996**	10,506
	2,506,962	1,461,566

21 MARK-UP / RETURN / INTEREST EXPENSED

	2018	2017
Deposits	**184,353**	116,562
Borrowings	**1,603,276**	791,582
	1,787,629	908,144

22 FEE AND COMMISSION INCOME

	Note	2018	2017
		(Rupees in '000)	
Advisory / arrangement fee		**12,263**	7,291
Processing fee income		**4,868**	1,888
Participation fee		**1,979**	–
Commitment fee		**6,811**	1,225
Commission on letters of credit		**7**	2,265
Trustee fee		**47,988**	37,478
Front end fee		**517**	632
		74,433	50,779

23 (LOSS) / GAIN ON SECURITIES

	Note	2018	2017
Realised	23.1	**(67,641)**	354,591
Unrealised - held for trading		**–**	10
		(67,641)	354,601

23.1 Realised (loss) / gain on:

		2018	2017
Federal government securities		**(5,934)**	14,825
Shares		**(65,101)**	151,167
Non-government debt securities		**(119)**	561
Associates - mutual funds		**–**	97,595
Subsidiaries		**–**	90,443
Mutual funds		**3,513**	–
		(67,641)	354,591

24 OTHER INCOME

	Note	2018	2017
Rent on property		**150**	–
Gain on sale of fixed assets - net		**34**	77
Unrealized gain on fair value option	13.2	**–**	33,304
Gain on sale of non-banking asset acquired against satisfaction of claims		**–**	9,287
Gain on sale of software		**14,000**	–
Others		**22**	133
		14,206	42,801

25 OPERATING EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Total compensation expense		**181,911**	144,154
Property expense			
Rent and taxes		**31,016**	19,242
Insurance		**6,861**	4,648
Security		**1,476**	1,530
Utilities cost		**3,817**	4,655
Repairs and maintenance (including janitorial charges)		**10,590**	16,100
Depreciation		**236**	1,947
		53,996	48,122
Information technology expenses			
Software maintenance		**6,182**	5,286
Hardware maintenance		**743**	812
Depreciation		**2,017**	1,974
Amortisation	11.1	**1,248**	826
		10,190	8,898
Other operating expenses			
Directors' fees and allowances		**3,072**	4,052
Fees and subscription		**651**	691
Legal and professional charges		**15,592**	11,450
Travelling and conveyance		**32,597**	29,407
Brokerage commission		**9,587**	11,960
Depreciation		**5,207**	5,719
Training and development		**603**	1,315
Postage and courier charges		**387**	359
Communication		**2,271**	2,773
Stationery and printing		**2,368**	2,216
Marketing, advertisement and publicity		**348**	583
Donations	25.2	**1,565**	1,000
Auditors' remuneration	25.3	**5,672**	1,667
Others		**4,356**	4,188
		84,276	77,380
		330,373	278,554

25.1 The company does not have any material outsourcing arrangements.

25.2 Details of donations

	2018	2017
	(Rupees in '000)	
Donations individually exceeding Rs. 500,000		
Aman Health Care Foundation Centre	**1,500**	–
Infaq Foundation	**–**	1,000
Donations individually not exceeding Rs. 500,000	**65**	–
	1,565	1,000

25.3 Auditors' remuneration

	Note	2018	2017
		(Rupees in '000)	
Audit fee for		**743**	675
Half yearly review fee		**275**	250
Fee for audit of employee funds		**30**	–
Special certifications and sundry advisory services		**4,150**	375
Out-of-pocket expenses		**474**	367
		5,672	1,667

26 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund	26.1	**10,938**	14,244

26.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in the unconsolidated financial statements amounting to Rs. 94.467 million which includes a provision of Rs. 10.938 million for the current year.

27 PROVISIONS AND WRITE OFFS - NET

	Note	2018	2017
		(Rupees in '000)	
Provision for diminution in value of investments - net	8.6.1	**75,783**	88,011
Provisions against loans and advances	9.4	**20,610**	52,984
Other provisions / write offs		**–**	37,169
		96,393	178,164

28 TAXATION

Current		**167,523**	224,176
Prior years	28.1	**52,561**	40,570
Deferred		**7,501**	(64,286)
		227,585	200,460

28.1 This includes Rs. 22.155 million in respect of super tax for rehabilitation of temporarily displaced person at the rate of 3% of the taxable income for Tax Year 2018 (accounting year ended December 31, 2017).

28.2 Relationship between tax expense and accounting profit

	2018	2017
	(Rupees in '000)	
Accounting profit before tax	**503,499**	670,916
Tax rate	**29%**	30%
Tax on accounting profit	**146,015**	201,275
Tax effect of:		
Income chargeable to tax at special rate	**(901)**	(54,516)
Income exempt from tax	**(1,035)**	(8,585)
Permanent differences	**19,318**	13,990
Super tax for the current year	**12,715**	–
Prior year charge	**52,561**	40,570
Effect of change in tax rate	**(1,876)**	(1,084)
Others	**788**	8,810
	227,585	200,460

29 BASIC EARNINGS PER SHARE

	2018	2017
	(Rupees in '000)	
Profit for the year	**275,914**	470,456
	(Numbers in '000)	
Weighted average number of ordinary shares	**600,000**	600,000
	(Rupees)	
Basic earnings per share	**0.46**	0.78

29.1 Diluted earnings per share

Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.

30 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and balance with treasury banks	5	**161,339**	137,609
Balance with other banks	6	**46,355**	74,549
Term deposit receipts (maturity within three months)		**–**	700,000
		207,694	912,158

31 STAFF STRENGTH

		2018	2017
		(Numbers)	
Permanent		**57**	60
On Company's contract		**19**	8
Outsourced	31.1	**25**	27
Company's own staff strength at the end of the year		**101**	95

31.1 This includes 12 (2017:12) employees of outsourcing services companies who were assigned to perform guarding and janitorial services.

32 DEFINED BENEFIT PLAN

32.1 General description

As mentioned in note 4.14, the Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

32.2 Number of employees under the defined benefit plan

	2018	2017
	(Number)	
The number of employees covered under the defined benefit plan as at December 31	**75**	60

32.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	(Per annum)	
Discount rate	**13.25%**	8.25%
Expected rate of salary increase	**13.25%**	8.25%

32.4 Reconciliation of payable to / (receivable from) defined benefit plan

	Note	2018	2017
		(Rupees in '000)	
Present value of obligation	32.6	**50,177**	42,980
Fair value of plan assets	32.7	**(49,916)**	(47,083)
Payable / (receivable)		**261**	(4,103)
32.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		**(4,103)**	(6,481)
Current service cost	32.8.1	**6,327**	5,688
Actual contributions by the Company		**(2,224)**	–
Benefits paid by the Company to outgoing members		**–**	(7,746)
Re-measurement loss recognised in OCI		**261**	4,436
Obligation at the end of the year		**261**	(4,103)
32.6 Movement in payable under defined benefit scheme			
Opening balance		**42,980**	42,363
Charge for the year		**6,652**	6,277
Interest cost on defined benefit obligation		**3,741**	4,232
Re-measurement gain recognised in OCI during the year	32.8.2	**(3,196)**	(2,146)
Benefits paid by the Company to outgoing members		**–**	(7,746)
Closing balance		**50,177**	42,980

32.7 Movement in fair value of plan assets

	Note	2018	2017
		(Rupees in '000)	
Fair value at the beginning of the year		**47,083**	48,845
Interest income on plan assets		**4,066**	4,820
Contribution by the Company - net		**2,224**	–
Actual benefits paid from the fund during the year		**–**	–
Re-measurements: Net loss on plan assets over interest income	32.8.2	**(3,457)**	(6,582)
Fair value at the end of the year		**49,916**	47,083

32.8 Charge for defined benefit plan

32.8.1 Cost recognised in profit and loss account

	2018	2017
Current service cost	**6,652**	6,277
Net interest income on defined benefit asset / liability	**(325)**	(589)
	6,327	5,688

32.8.2 Re-measurements recognised in OCI during the year

	2018	2017
Loss / (gain) on obligation		
- financial assumptions	**1,099**	(247)
- experience adjustments	**(4,295)**	(1,899)
	(3,196)	(2,146)
Return on plan assets over interest income	**3,457**	6,582
Total re-measurements recognised in OCI	**261**	4,436

32.9 Components of plan assets

	2018	2017
Cash and cash equivalents - net	**31**	549
Government securities	**42,246**	37,482
Mutual funds	**7,639**	9,052
	49,916	47,083

32.9.1 Description of risks

The defined benefit plan exposes the Company to the following risks:

Withdrawal risks This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks This is the risk that the final salary at the time of cessation of service is greater than what was assumed.

32.10 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	2018	2017
	(Rupees in '000)	
1% increase in discount rate	**(4,480)**	(4,267)
1% decrease in discount rate	**5,169**	4,985
1 % increase in expected rate of salary increase	**5,360**	5,156
1 % decrease in expected rate of salary increase	**(4,714)**	(4,483)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

		(Rupees in '000)
32.11	**Expected contributions to be paid to the funds in the next financial year**	6,925

32.12 The expected charge for the next financial year commencing January 1, 2019 works out to Rs. 6,925 million (2017: Rs. 6.327 million).

32.13 Maturity profile

The weighted average duration of the obligation is 9 years (2017: 10 years).

32.14 Funding policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

33 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2017: 10% per annum) of basic salaries are made both by the Company and employees. Contributions made to the provident fund during the year are as follows:

	2018	2017
	(Rupees in '000)	
Contribution made by the Company	**7,500**	7,128
Contribution made by employees	**7,500**	7,128
	15,000	14,256

34 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	(Rupees in '000)					
	Chief Executive		Directors		Executives*	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Fee for attending meetings	**–**	–	**2,697**	3,203	**–**	–
Managerial remuneration	**22,992**	22,828	**–**	–	**72,691**	62,478
Performance bonus	**–**	6,522	**–**	–	**–**	16,016
Charge for defined benefit plan	**1,073**	1,031	**–**	–	**3,224**	2,248
Contribution to defined contribution plan	**1,349**	1,349	**–**	–	**3,851**	3,530
Utilities	**425**	309	**–**	–	**3,012**	2,267
Medical allowance	**663**	712	**–**	–	**3,176**	3,360
Travelling allowance	**586**	413	**–**	–	**337**	194
	27,088	33,164	**2,697**	3,203	**86,291**	90,093
Number of persons	**1**	1	**3**	3	**15**	14

* Executives mean employees, other than the Chief Executive Officer and directors, whose basic salary exceed Rs. 1.2 million (previously Rs. 0.5 million in a financial year). Prior year comparatives have been presented in line with the revised threshold applicable this year.

34.1 The Chief Executive is provided with Company maintained car.

34.2 In addition to the fees for attending the meetings, the directors are also provided with related travelling and accommodation.

35 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

35.1 Fair value of financial assets

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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates / sukuks certificates	Investments in listed debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the prices announced by the Pakistan Stock Exchange Limited.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

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 measurement is categorised:

(Rupees in '000)

	2018				
	Carrying / notional value	**Level 1**	**Level 2**	**Level 3**	**Total**
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	**19,491,541**	**–**	**19,491,541**	**–**	**19,491,541**
Shares	**1,514,207**	**1,514,207**	**–**	**–**	**1,514,207**
Non-Government debt securities	**2,406,173**	**–**	**2,406,173**	**–**	**2,406,173**
Units of mutual funds	**677,643**	**677,643**	**–**	**–**	**677,643**
Off-balance sheet financial instruments - measured at fair value					
Commitments in respect of repo transactions	**5,004,044**	**–**	**5,004,044**	**–**	**5,004,044**

(Rupees in '000)

	2017				
	Carrying / notional value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	3,006,732	–	3,006,732	–	3,006,732
Shares	742,338	742,338	–	–	742,338
Non-Government debt securities	1,273,225	–	1,273,225	–	1,273,225
Units of mutual funds	473,155	473,155	–	–	473,155
Off-balance sheet financial instruments - measured at fair value					
Commitments in respect of forward government securities transactions	1,722,024	–	1,722,024	–	1,722,024

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

(Rupees in '000)

	2018			
	Corporate finance	Trading and sales	Commercial banking	Total
Profit and Loss Account				
Net mark-up / return / profit	**–**	**67,758**	**651,575**	**719,333**
Non mark-up / return / interest income	**74,433**	**147,437**	**–**	**221,870**
Total income	**74,433**	**215,195**	**651,575**	**941,203**
Segment direct expenses	**26,992**	**78,037**	**236,282**	**341,311**
Total expenses	**26,992**	**78,037**	**236,282**	**341,311**
Provisions	**–**	**76,810**	**19,583**	**96,393**
Profit before tax	**47,441**	**60,348**	**395,710**	**503,499**
Statement of Financial Position				
Cash and bank balances	**5,665**	**101,748**	**100,281**	**207,694**
Investments	**–**	**26,116,936**	**–**	**26,116,936**
Advances - performing	**–**	**484,405**	**19,562,487**	**20,046,892**
Advances - non-performing	**–**	**11,304**	**271,541**	**282,845**
Others	**1,301**	**530,673**	**1,606,786**	**2,138,760**
Total assets	**6,966**	**27,245,066**	**21,541,095**	**48,793,127**
Borrowings	**–**	**18,579,125**	**18,311,248**	**36,890,373**
Deposits and other accounts	**–**	**365,335**	**360,068**	**725,403**
Others	**–**	**612,851**	**604,015**	**1,216,866**
Total liabilities	**–**	**19,557,311**	**19,275,331**	**38,832,642**
Equity	**6,966**	**7,687,755**	**2,265,764**	**9,960,485**
Total equity and liabilities	**6,966**	**27,245,066**	**21,541,095**	**48,793,127**
Contingencies and commitments	**–**	**5,004,044**	**2,995,808**	**7,999,852**

(Rupees in '000)

	2017			
	Corporate finance	Trading and sales	Commercial banking	Total
Profit and Loss Account				
Net mark-up / return / profit	–	32,215	521,207	553,422
Non mark-up / return / interest income	50,778	537,678	–	588,456
Total income	50,778	569,893	521,207	1,141,878
Segment direct expenses	8,173	207,049	77,576	292,798
Total expenses	8,173	207,049	77,576	292,798
Provisions	–	126,287	51,877	178,164
Profit before tax	42,605	236,557	391,754	670,916
Statement of Financial Position				
Cash and bank balances	5,255	108,068	98,835	212,158
Investments	–	7,678,634	–	7,678,634
Lendings to financial institutions	–	2,420,909	–	2,420,909
Advances - performing	–	276,116	17,826,786	18,102,902
Advances - non-performing	–	2,808	662,115	664,923
Others	489	412,238	377,020	789,747
Total assets	5,744	10,898,773	18,964,756	29,869,273
Borrowings	–	7,299,857	6,676,226	13,976,083
Deposits and other accounts	–	2,481,584	2,269,580	4,751,164
Others	–	358,202	327,600	685,802
Total liabilities	–	10,139,643	9,273,406	19,413,049
Equity	5,744	759,130	9,691,350	10,456,224
Total equity and liabilities	5,744	10,898,773	18,964,756	29,869,273
Contingencies and commitments	–	1,722,024	6,222,528	7,944,552

36.2 Segment details with respect to geographical location

The operations of the Company are currently based only in Pakistan.

37 TRUST ACTIVITIES

The Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / sukuk issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Company is meeting all its obligations and duties in accordance with the provisions of the respective trust documents. The Company is registered as a Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as a DST under the Debt Securities Trustees Regulations, 2017 (DST Regulation, 2017).

Currently, the Company is acting as a trustee to the term finance and sukuk certificates issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, the Bank of Punjab, Engro Fertilizers Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, International Brands Limited, Jahangir Siddiqui and Company Limited, JS Bank Limited, K-Electric Limited, Neelum Jhelum Hydro Power Company Limited, NIB Bank Limited, Pak Electron Limited, Pak Water & Power Development Authority, Pakistan International Airlines Corporation, Silk Bank Limited, Sindh Nooriabad Power Co Phase (II) (Private) Limited, Sindh Nooriabad Power Company (Private) Limited, Soneri Bank Limited, Summit Bank Limited, TPL Trakker (Private) Limited, U Microfinance Bank Limited, and WAPDA 3rd Sukuk Company, Dubai Islamic Bank Pakistan Limited, Javedan Corporation Limited, Agha Steel Inustries Limited, Pakistan Services Limited,WAPDA Dassu Hydro Power Project, Secure Logistics, TPL Properties (Private) Limited, Khushali Microfinance Bank Limited. The combined value of the debt securities as at December 31, 2018 amounted to Rs.388,088 million (2017: Rs. 350,795 million).

38 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited), employees' defined benefit and defined contribution plan, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 32 and 33 to these unconsolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to executives is disclosed in note 34 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

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

(Rupees in '000)

	2018					2017				
	Directors	**Key management personnel**	**Subsidiaries**	**Associates**	**Other related parties**	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Investments										
Opening balance	–	–	**2,003,372**	–	–	–	–	1,078,530	4,341,488	–
Investment made during the year	–	–	–	–	–	–	–	1,000,072	762,218	–
Investment redeemed / disposed off during the year	–	–	–	–	–	–	–	(230)	(4,619,087)	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–	–	–	(484,619)	–
Transfer in / (out)	–	–	–	–	–	–	–	(75,000)	75,000	–
Classified as held-for-sale	–	–	–	–	–	–	–	–	(75,000)	–
Closing balance	–	–	**2,003,372**	–	–	–	–	2,003,372	–	–
Advances										
Opening balance	–	**58,252**	–	–	–	–	55,380	–	–	–
Addition during the year	–	**29,803**	–	–	–	–	14,306	–	–	–
Repaid during the year	–	**(12,464)**	–	–	–	–	(8,120)	–	–	–
Transfer in / (out) - net	–	–	–	–	–	–	(3,314)	–	–	–
Closing balance	–	**75,591**	–	–	–	–	58,252	–	–	–
Other assets										
Interest / mark-up accrued	–	–	**990**	–	–	–	–	–	–	–
Others	–	–	**21,608**	–	–	–	–	27,883	–	4,103
	–	–	**22,598**	–	–	–	–	27,883	–	4,103
Borrowings	–	–	–	–	–	–	–	–	–	–
Opening balance	–	–	–	–	–	–	–	–	–	–
Borrowings during the year	–	–	1,921,857	–	**428,564**	–	–	–	–	–
Settled during the year	–	–	(1,338,683)	–	**(414,218)**	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–	–	–	–	–	–
Closing balance	–	–	**583,174**	–	**14,346**	–	–	–	–	–
Deposits and other accounts										
Opening balance	–	–	–	–	–	–	–	–	–	–
Received during the year	–	–	**1,580,000**	–	–	–	–	–	–	–
Withdrawn during the year	–	–	**(1,580,000)**	–	–	–	–	–	–	–
Closing balance	–	–	–	–	–	–	–	–	–	–
Other Liabilities	–	–	–	–	–	–	–	–	–	–
Interest / mark-up payable	–	–	**3,994**	–	**114**	–	–	–	–	–
Other liabilities	–	–	–	–	**261**	–	–	–	–	–
	–	–	**3,994**	–	**375**	–	–	–	–	–
Income										
Mark-up / return / interest earned	–	**2,551**	–	–	–	–	2,395	–	–	–
Dividend income	–	–	**152,875**	–	–	–	–	7,800	–	–
Net gain on sale of securities	–	–	–	–	–	–	–	90,375	97,596	–
Gain on sale of intangibles	–	–	**14,000**	–	–	–	–	–	–	–
Expense										
Mark-up / return / interest paid	–	–	**40,145**	–	–	–	–	–	–	–
Operating expenses	**3,072**	**76,244**	–	–	–	4,052	94,835	–	–	–
Reimbursement of expenses	–	**5,616**	–	–	–	–	5,403	–	–	–
Expenses charged	–	–	**47,901**	–	–	–	–	29,186	9,253	–

38.1 These denote administrative expenses charged by the Company under the cost sharing agreement entered into between the Company and its subsidiaries (namely Primus Leasing Limited, Awwal Modaraba Management Limited and Awwal Modaraba).

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**600,000,000**	600,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**7,316,166**	9,041,111
Eligible Additional Tier 1 (ADT 1) Capital	**–**	–
Total Eligible Tier 1 Capital	**7,316,166**	9,041,111
Eligible Tier 2 Capital	**–**	–
Total Eligible Capital (Tier 1 + Tier 2)	**7,316,166**	9,041,111
Risk Weighted Assets (RWAs):		
Credit Risk	**23,817,108**	25,897,738
Market Risk	**4,381,901**	2,078,522
Operational Risk	**1,664,869**	1,552,123
Total	**29,863,878**	29,528,383
Common Equity Tier 1 Capital Adequacy ratio	**24.50%**	30.62%
Tier 1 Capital Adequacy Ratio	**24.50%**	30.62%
Total Capital Adequacy Ratio	**24.50%**	30.62%

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

The paid-up capital and CAR of the Company stands at Rs. 6 billion and 24.50% of its risk weighted exposure as at December 31, 2018.

The Company uses Standardised approach for calculations of Credit and Market Risk Weighted Assets while Basic Indicator approach is used to calculate Operational Risk Weighted assets.

	2018	2017
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**11.90%**	11.275%

	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**7,316,166**	9,041,111
Total Exposures	**49,144,614**	34,334,790
Leverage Ratio - Percentage	**14.89%**	26.33%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**5,625,751**	2,191,876
Total Net Cash Outflow	**8,561,213**	4,526,263
Liquidity Coverage Ratio - Percentage	**65.71%**	48.43%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**19,869,638**	18,724,626
Total Required Stable Funding	**21,364,065**	18,462,857
Net Stable Funding Ratio - Percentage	**93.00%**	101.42%

39.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2019/03/BaselIII2018Disclosure-Standalone.pdf

40 RISK MANAGEMENT

The Risk Management Framework (the Framework) of the Company provides principles for identifying, assessing and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Company generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.
Market risk	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company.
Liquidity risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) is accountable for the overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and ensuring that these are properly implemented. Furthermore, the Board approves the appointment of senior management personnel who are capable of managing the risk activities conducted by the Company.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Company while MOOR function overviews market, liquidity and operational risks of the Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Company, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for Credit Committee members. CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group exposures, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the statement of financial position as a whole. MOOR is responsible for monitoring and reporting of market and liquidity risk as it arises from our trading, investing and lending activities. MOOR also conducts Risk and Self Assessment exercises and maintains Company wide risk registers to monitor operational risks embedded in the Company operations and ensure that sufficient controls are in place against such risks.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

40.1 Credit risk

Credit risk, i.e. the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework. The Company has adopted Standardised Approach of Basel II Accord.

The Company manages 3 principal sources of credit risk:

i) Sovereign credit risk

When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk

When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a standalone basis. Two internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits

In the normal course of its business, the Company's Treasury utilises products such as reverse repos and call lendings to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Company.

Reflecting a preference for minimizing the exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Company manages its lendings and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing
The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Company and assessing its resulting effect on capital adequacy.

Regular monitoring
Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification
While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

Particulars of the Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

40.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**–**	2,420,909	**–**	–	**–**	–
	–	2,420,909	**–**	–	**–**	–

40.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**157,433**	58,320	**58,320**	58,320	**58,320**	58,319
Textile	**45,514**	45,514	**45,514**	45,514	**45,514**	45,514
Electronics and electrical appliances	**118,000**	168,000	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	44,214	**43,641**	44,215	**–**	575
Transport, Storage and Communication	**16,391**	18,686	**16,391**	18,686	**16,391**	18,686
Financial	**22,072,404**	4,173,406	**–**	–	**–**	–
	22,453,383	4,508,140	**269,366**	272,235	**225,725**	228,594
Credit risk by public / private sector						
Public / Government	**19,817,801**	3,006,321	**–**	–	**–**	–
Private	**2,635,582**	4,508,140	**269,366**	272,235	**225,725**	228,594
	22,453,383	7,514,461	**269,366**	272,235	**225,725**	228,594

40.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by industry sector						
Agriculture, Forestry, Hunting And Fishing	**684,253**	773,093	**–**	281,250	**–**	131,991
Textile	**4,348,680**	4,183,992	**43,725**	30,457	**36,676**	30,457
Chemical And Pharmaceuticals	**2,081,853**	2,228,434	**54**	261	**54**	65
Cement	**1,200,000**	1,000,000	**–**	–	**–**	–
Sugar	**751,522**	732,965	**21,998**	118,950	**–**	36,581
Automobile And Transportation Equipment	**2,543**	18,372	**196**	391	**98**	98
Electronics And Electrical Appliances	**1,880,376**	2,307,059	**2,059**	2,059	**2,059**	1,029
Construction	**869,415**	375,771	**–**	–	**–**	–
Power (Electricity), Gas, Water, Sanitary	**2,107,164**	2,207,349	**138,073**	138,169	**20,352**	–
Transport, Storage And Communication	**410,443**	327,315	**60,464**	53,895	**27,605**	7,260
Financial	**437,947**	545,964	**–**	–	**–**	–
Services	**971,572**	970,959	**–**	3,646	**–**	912
Individuals	**176,367**	156,522	**–**	–	**–**	–
Packaging	**953,151**	372,049	**–**	–	**–**	–
Engineering	**525,632**	625,000	**–**	–	**–**	–
Food & Beverages	**1,094,078**	631,508	**307,859**	307,859	**205,678**	62,373
Steel-Engineering	**1,567,512**	701,344	**6,270**	6,270	**6,270**	6,270
Information Technology	**399,678**	510,789	**10,789**	10,790	**10,789**	10,790
Others	**177,235**	388,414	**1,042**	–	**103**	–
	20,639,421	19,056,899	**592,529**	953,997	**309,684**	287,826
Credit risk by public / private sector						
Public / Government	**50,123**	73,236	**–**	–	**–**	–
Private	**20,589,298**	18,983,663	**592,529**	953,997	**309,684**	287,826
	20,639,421	19,056,899	**592,529**	953,997	**309,684**	287,826

40.1.4 Contingencies and Commitments

	2018	2017
	(Rupees in '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	**5,000**	15,151
Textile	**1,147,989**	1,192,585
Chemical and Pharmaceuticals	**20,650**	350,000
Cement	**–**	–
Sugar	**–**	35,000
Automobile and transportation equipment	**–**	–
Electronics and electrical appliances	**–**	130,000
Construction	**965,541**	1,224,308
Power (Electricity), Gas, Water, Sanitary	**513,218**	1,011,378
Transport, Storage And Communication	**10,300**	–
Financial	**5,004,044**	1,722,024
Services	**–**	–
Individuals	**–**	–
Packaging	**100,450**	625,604
Engineering	**10,170**	52,930
Food and beverages	**2,080**	565,488
Steel and engineering	**205,410**	300,000
Information Technology	**–**	–
Others	**15,000**	378,186
	7,999,852	7,602,654

	2018	2017
	(Rupees in '000)	
Credit risk by public / private sector		
Public / Government	**5,004,044**	1,722,024
Private	**2,995,808**	5,880,630
	7,999,852	7,602,654

40.1.5 Concentration of advances

The Company's top 10 exposures on the basis of total funded and non-funded exposures are as following:

	Note	2018	2017
		(Rupees in '000)	
Funded		**7,073,746**	7,055,326
Non Funded		**765,541**	551,501
Total Exposure		**7,839,287**	7,606,827

The sanctioned limits against these top 10 exposures aggregated to Rs.7,846 million (2017: Rs.7,695 million).

40.1.6 Advances - Province / Region-wise Disbursement and Utilization

(Rupees in '000)

	2018				
		Utilization			
	Disbursements	**Punjab**	**Sindh**	**Balochistan**	**Islamabad**
Province / Region					
Punjab	**7,860,134**	**7,860,134**	–	–	–
Sindh	**3,018,302**	–	**3,018,302**	–	–
KPK including FATA	–	–	–	–	–
Balochistan	**1,300,000**	–	–	**1,300,000**	–
Islamabad	–	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	**12,178,436**	**7,860,134**	**3,018,302**	**1,300,000**	–

(Rupees in '000)

	2017				
		Utilization			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	7,838,336	7,838,336	–	–	–
Sindh	3,153,888	–	3,153,888	–	–
KPK including FATA	–	–	–	–	–
Balochistan	2,550,000	–	–	2,550,000	–
Islamabad	500,000	–	–	–	500,000
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	14,042,224	7,838,336	3,153,888	2,550,000	500,000

40.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Company is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Company classifies its assets in banking and trading books as per instructions from the SBP. The Company's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking book and are treated as per SBP requirements.

The Company's trading book consists of investments in government securities, listed equities and mutual funds. The Company actively measures, controls and manages market risk in its trading book on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Company measures market risk using various techniques like duration analysis for interest rate risk in banking book, Value-at-Risk for adverse price movement, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Results are also communicated to the Board of Directors every quarter and to Board's Risk Management Committee on a half-yearly basis. Market risk is effectively managed at the portfolio level.

40.2.1 Statement of Financial Position split by trading and banking books

(Rupees in '000)

	2018			2017		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
Cash and balances with treasury banks	**161,339**	**–**	**161,339**	137,609	–	137,609
Balances with other banks	**46,355**	**–**	**46,355**	74,549	–	74,549
Lendings to financial institutions	**–**	**–**	**–**	2,420,909	–	2,420,909
Investments	**3,651,294**	**22,465,642**	**26,116,936**	2,558,037	5,120,597	7,678,634
Advances	**20,329,737**	**–**	**20,329,737**	18,767,825	–	18,767,825
Fixed assets	**11,711**	**–**	**11,711**	16,951	–	16,951
Intangible assets	**4,739**	**–**	**4,739**	2,781	–	2,781
Deferred tax assets	**317,742**	**–**	**317,742**	187,551	–	187,551
Other assets	**1,804,568**	**–**	**1,804,568**	582,464	–	582,464
	26,327,485	**22,465,642**	**48,793,127**	24,748,676	5,120,597	29,869,273

40.2.2 Foreign exchange risk

Foreign exchange risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	2018				2017			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	**6**	**–**	**–**	**6**	5	–	–	5
	6	**–**	**–**	**6**	5	–	–	5

(Rupees in '000)

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in foreign exchange rates on - Profit and loss account	0.00043	–	0.00045	–

40.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a a result of changes in prices of individual stocks or the levels of equity indices. The Company's equity investments are either classified as available-for-sale (AFS) and held for trading (HFT). The objective of the AFS portfolio is to maintain a medium term view of capital gains and dividend income while the Company takes advantage of short-term capital gains through its HFT portfolio investments. It is managed by the Company through its internal investment policy which is duly approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The Company also applies stress tests on the equity portfolio which is part of the Company's overall market risk exposure limit on the banking book.

(Rupees in '000)

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 5% change in equity prices on - Profit and loss account	**–**	**–**	–	(1,141)
- Other comprehensive income	**–**	**(141,831)**	–	(109,956)

40.2.4 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity dates and for off-balance sheet instruments is based on settlement dates. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the Company also conducts interest rate sensitivity analysis in the banking book using the Duration Gap analysis based on its interest rate sensitive assets and interest rate sensitive liabilities. The Company also uses parallel shift in interest rates to determine the impact of adverse rate changes on investments in government securities.

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.

- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Company's equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

(Rupees in '000)

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in interest rates on - Profit and loss account	**(3,568)**	**–**	(3,523)	–
- Other comprehensive income	**–**	**(355,814)**	–	(4,659)

40.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	Effective yield/ interest rate %	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest Bearing Financial Instruments
			2018									
			Exposed to yield/interest risk									
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	161,339	–	–	–	–	–	–	–	–	–	161,339
Balances with other banks	6.50% to 8.30%	46,355	46,355	–	–	–	–	–	–	–	–	–
Lending to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	7.00% to 14.29%	26,116,936	1,480,892	18,030,515	1,066,594	1,306,937	–	2,772	–	10,004	–	4,219,222
Advances	2.00% to 20.00%	20,329,737	6,418,412	4,561,985	3,454,449	438,526	1,018,136	987,429	1,546,733	1,727,700	–	176,367
Other assets		1,156,603	–	–	–	–	–	–	–	–	–	1,156,603
		47,810,970	7,945,659	22,592,500	4,521,043	1,745,463	1,018,136	990,201	1,546,733	1,737,704	–	5,713,531
Liabilities												
Borrowings	2.00% to 11.30%	36,890,373	6,160,572	21,025,628	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	–
Deposits and other accounts	10.00% to 10.50%	725,403	225,000	500,403	–	–	–	–	–	–	–	–
Other liabilities	–	1,096,423	–	–	–	–	–	–	–	–	–	1,096,423
		38,712,199	6,385,572	21,526,031	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	1,096,423
On-balance sheet gap		9,098,771	1,560,087	1,066,469	351,189	1,353,836	75,938	29,901	8,754	35,489	–	4,617,108
Non financial net assets		861,714										
Total net assets		9,960,485										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,101,343	–	–	68,478	237,000	30,324	765,541	–	–	–	–
Commitments in respect of:												
- forward foreign exchange contracts		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		1,894,465	72,620	–	798,660	1,023,185	–	–	–	–	–	–
- repo transactions		5,004,044	5,004,044	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,999,852	5,076,664	–	867,138	1,260,185	30,324	765,541	–	–	–	–
Total yield / interest risk sensitivity gap			6,636,751	1,066,469	1,218,327	2,614,021	106,262	795,442	8,754	35,489	–	4,617,108
Cumulative yield / interest risk sensitivity gap			6,636,751	7,703,220	8,921,547	11,535,568	11,641,830	12,437,272	12,446,026	12,481,515	12,481,515	17,098,623

(Rupees in '000)

	Effective yield/ interest rate %	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest Bearing Financial Instruments
			2017									
			Exposed to yield/interest risk									
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	137,609	–	–	–	–	–	–	–	–	–	137,609
Balances with other banks	1.73% to 5%	74,549	74,549	–	–	–	–	–	–	–	–	–
Lending to financial institutions	5.8% to 7.3%	2,420,909	2,420,909	–	–	–	–	–	–	–	–	–
Investments	5.90% to 12.09%	7,678,634	1,067,346	2,333,144	775,006	1,132	23,395	–	3,129	12,036	–	3,463,446
Advances	6.20% to 18%	18,767,825	4,343,505	5,991,413	3,805,686	386,686	867,308	769,345	1,169,557	1,409,025	–	25,300
Other assets		376,139	–	–	–	–	–	–	–	–	–	376,139
		29,455,665	7,906,309	8,324,557	4,580,692	387,818	890,703	769,345	1,172,686	1,421,061	–	4,002,494
Liabilities												
Borrowings	2% to 8.40%	13,976,083	711,535	3,564,060	5,552,049	282,633	638,225	697,164	1,151,854	1,378,563	–	–
Deposits and other accounts		4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–	–
Other liabilities	–	582,198	–	–	–	–	–	–	–	–	–	582,198
		19,309,445	711,535	7,815,224	5,802,049	532,633	638,225	697,164	1,151,854	1,378,563	–	582,198
On-balance sheet gap		10,146,220	7,194,774	509,333	(1,221,357)	(144,815)	252,478	72,181	20,832	42,498	–	3,420,296
Non financial net assets		310,004										
Total net assets		10,456,224										
Off–balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		2,008,754	–	1,087,000	551,501	370,253	–	–	–	–	–	–
Commitments in respect of:												
- forward government securities transactions		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
- forward lendings		3,871,876	750,000	700,000	935,020	1,486,856	–	–	–	–	–	–
- repo transactions		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,602,654	2,472,024	1,787,000	1,486,521	1,857,109	–	–	–	–	–	–
Total yield / interest risk sensitivity gap			9,666,798	2,296,333	265,164	1,712,294	252,478	72,181	20,832	42,498	–	3,420,296
Cumulative yield / interest risk sensitivity gap			9,666,798	11,963,131	12,228,295	13,940,589	14,193,067	14,265,248	14,286,080	14,328,578	14,328,578	17,748,874

40.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events

The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry's best practices. The Company also gathers operational risk losses to determine strengths and sufficiency of its internal controls.

The Company has developed a Business Continuity Plan applicable to all its functional areas and the plan is rehearsed at least twice in a year.

Furthermore, the Company's operations are relatively simple as compared to a large scale commercial bank. The Company only operates with its head office in Karachi with a liaison office in Lahore. Given simple operations and small scale, Company uses Basic Indicator Approach (BIA) to determine capital charge under Basel II.

40.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Company's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Company's main funding source is the inter-bank money market. Changes in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding sources. Efficient and accurate planning plays a critical role in liquidity management. The Company's MIS provides information on expected cash inflows / outflows which allows the Company to take timely decisions based on future requirements. The Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio, etc. Other sources are also identified for which early warning indicators have been created and are being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

40.4.1 Maturities of assets and liabilities - based on contractual maturities of assets and liabilities of the Company

(Rupees in '000)

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	161,339	1,301	9,108	9,108	20,818	121,004	–	–	–	–	–	–	–	–
Balances with other banks	46,355	487	2,610	2,610	5,967	34,681	–	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	26,116,936	–	16,632	–	1,231,542	139,074	287,168	620,253	135,711	2,238,575	1,123	1,115	855,290	20,590,453
Advances	20,329,737	19,329	538,347	1,047,605	1,610,340	368,030	403,292	2,283,292	1,319,981	980,655	3,204,125	2,783,897	3,269,901	2,500,943
Fixed assets	11,711	425	461	461	461	344	1,562	3,843	1,431	1,562	1,156	5	–	–
Intangible assets	4,739	15	114	116	264	264	264	1,278	1,278	1,146	–	–	–	–
Deferred tax assets	317,742	2,804	4,672	4,672	5,875	78,764	16,834	43,074	63,179	63,179	26,268	3,588	4,833	–
Other assets	1,804,568	102	207,344	13,031	339,766	628,115	119,563	106,948	43,500	181,221	161,376	602	–	3,000
	48,793,127	24,463	779,288	1,077,603	3,215,033	1,370,276	828,683	3,058,688	1,565,080	3,466,338	3,394,048	2,789,207	4,130,024	23,094,396
Liabilities														
Borrowings	36,890,373	–	3,568,714	5,301	4,661,557	6,826,734	1,123,894	11,332,368	–	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215
Deposits and other accounts	725,403	–	–	–	225,000	–	500,403	–	–	–	–	–	–	–
Other liabilities	1,216,866	–	420,400	47,199	116,388	140,204	68,050	79,528	29,452	41,262	141,686	106,588	24,623	1,486
	38,832,642	–	3,989,114	52,500	5,002,945	6,966,938	1,692,347	11,411,896	29,452	1,657,876	2,883,884	1,566,888	1,875,101	1,703,701
Net assets	9,960,485	24,463	(3,209,826)	1,025,103	(1,787,912)	(5,596,662)	(863,664)	(8,353,208)	1,535,628	1,808,462	510,164	1,222,319	2,254,923	21,390,695
Share capital	6,000,000													
Reserves	1,406,995													
Unappropriated profit	3,226,702													
Deficit on revaluation of assets	(673,212)													
	9,960,485													

(Rupees in '000)

	2017													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	137,609	4,915	7,768	7,768	13,952	103,206	–	–	–	–	–	–	–	–
Balances with other banks	74,549	601	4,208	4,208	9,620	55,912	–	–	–	–	–	–	–	–
Lendings to financial institutions	2,420,909	–	2,420,909	–	–	–	–	–	–	–	–	–	–	–
Investments	7,678,634	–	14,993	24,000	1,124,125	90,773	2,560,920	320,353	83,814	326,799	60,118	50,127	63,474	2,959,138
Advances	18,767,825	42,104	60,655	449,789	1,336,322	1,283,618	1,421,131	1,836,599	1,657,303	770,444	2,432,548	2,111,293	3,062,020	2,303,999
Fixed assets	16,951	154	583	583	1,869	834	1,235	3,565	1,593	1,593	4,365	577	–	–
Intangible assets	2,781	414	494	494	612	767	–	–	–	–	–	–	–	–
Deferred tax assets	187,551	(29)	(206)	(206)	(472)	7,975	–	(1,392)	61,706	61,706	37,903	16,399	16,688	(12,521)
Other assets	582,464	168	1,175	1,175	38,354	26,895	70,007	218,378	61,299	61,299	99,964	750	–	3,000
	29,869,273	48,327	2,510,579	487,811	2,524,382	1,569,980	4,053,293	2,377,503	1,865,715	1,221,841	2,634,898	2,179,146	3,142,182	5,253,616
Liabilities														
Borrowings	13,976,083	–	703,353	–	8,182	2,302,971	1,261,089	1,452,312	–	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565
Deposits and other accounts	4,751,164	–	–	–	–	–	4,251,164	250,000	–	250,000	–	–	–	–
Other liabilities	685,802	168	2,500	3,500	220,144	34,057	11,895	84,094	55,773	83,659	98,992	47,582	43,439	–
	19,413,049	168	705,853	3,500	228,326	2,337,028	5,524,148	1,786,406	55,773	1,716,153	2,687,092	1,794,746	1,195,292	1,378,565
Net assets	10,456,224	48,159	1,804,726	484,311	2,296,056	(767,048)	(1,470,855)	591,097	1,809,942	(494,312)	(52,194)	384,400	1,946,890	3,875,051
Share capital	6,000,000													
Reserves	1,351,812													
Unappropriated profit	3,306,156													
Deficit on revaluation of assets	(201,744)													
	10,456,224													

40.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

(Rupees in '000)

	2018									
	Total	**Upto 1 month**	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**
Assets										
Cash and balances with treasury banks	**161,339**	**40,335**	**121,004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances with other banks	**46,355**	**11,674**	**34,681**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lendings to financial institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investments	**26,116,936**	**1,248,174**	**426,242**	**620,253**	**2,374,286**	**1,123**	**1,115**	**855,290**	**20,590,453**	**–**
Advances	**20,329,737**	**3,215,621**	**771,322**	**2,283,292**	**2,300,636**	**3,204,125**	**2,783,897**	**3,269,901**	**2,500,943**	**–**
Fixed assets	**11,711**	**1,808**	**1,906**	**3,843**	**2,993**	**1,156**	**5**	**–**	**–**	**–**
Intangible assets	**4,739**	**509**	**528**	**1,278**	**2,424**	**–**	**–**	**–**	**–**	**–**
Deferred tax assets	**317,742**	**18,023**	**95,598**	**43,074**	**126,358**	**26,268**	**3,588**	**4,833**	**–**	**–**
Other assets	**1,804,568**	**560,243**	**747,678**	**106,948**	**224,721**	**161,376**	**602**	**–**	**3,000**	**–**
	48,793,127	**5,096,387**	**2,198,959**	**3,058,688**	**5,031,418**	**3,394,048**	**2,789,207**	**4,130,024**	**23,094,396**	**–**
Liabilities										
Borrowings	**36,890,373**	**8,235,572**	**7,950,628**	**11,332,368**	**1,616,614**	**2,742,198**	**1,460,300**	**1,850,478**	**1,702,215**	**–**
Deposits and other accounts	**725,403**	**225,000**	**500,403**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other liabilities	**1,216,866**	**583,987**	**208,254**	**79,528**	**70,714**	**141,686**	**106,588**	**24,623**	**–**	**1,486**
	38,832,642	**9,044,559**	**8,659,285**	**11,411,896**	**1,687,328**	**2,883,884**	**1,566,888**	**1,875,101**	**1,702,215**	**1,486**
Net assets	**9,960,485**	**(3,948,172)**	**(6,460,326)**	**(8,353,208)**	**3,344,090**	**510,164**	**1,222,319**	**2,254,923**	**21,392,181**	**(1,486)**
Share capital	**6,000,000**									
Reserves	**1,406,995**									
Unappropriated profit	**3,226,702**									
Deficit on revaluation of assets	**(673,212)**									
	9,960,485									

(Rupees in '000)

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	137,609	34,403	103,206	–	–	–	–	–	–	–
Balances with other banks	74,549	18,637	55,912	–	–	–	–	–	–	–
Lendings to financial institutions	2,420,909	2,420,909	–	–	–	–	–	–	–	–
Investments	7,678,634	1,163,118	2,651,693	320,353	410,613	60,118	50,127	63,474	955,764	2,003,374
Advances	18,767,825	1,888,870	2,704,749	1,836,599	2,427,747	2,432,548	2,111,293	3,062,020	2,276,952	27,047
Fixed assets	16,951	2,795	2,461	3,567	3,186	4,365	577	–	–	–
Intangible assets	2,781	1,407	1,374	–	–	–	–	–	–	–
Deferred tax assets	187,551	(913)	7,975	(1,392)	123,412	37,903	16,399	16,688	(12,521)	–
Other assets	582,464	40,872	96,902	218,378	122,598	99,964	750	–	–	3,000
	29,869,273	5,570,098	5,624,272	2,377,505	3,087,556	2,634,898	2,179,146	3,142,182	3,220,195	2,033,421
Liabilities										
Borrowings	13,976,083	711,535	3,564,060	1,452,312	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565	–
Deposits and other accounts	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–
Other liabilities	685,802	226,312	45,951	84,094	139,432	98,992	47,582	43,439	–	–
	19,413,049	937,847	7,861,175	1,786,406	1,771,926	2,687,092	1,794,746	1,195,292	1,378,565	–
Net assets	10,456,224	4,632,251	(2,236,903)	591,099	1,315,630	(52,194)	384,400	1,946,890	1,841,630	2,033,421
Share capital	6,000,000									
Reserves	1,351,812									
Unappropriated profit	3,306,156									
Deficit on revaluation of assets	(201,744)									
	10,456,224									

41 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2018 of Rs. **0.50** per share (2017: Re.0.50 per share), amounting to Rs. **300** million (2017: Rs.300 million) at their meeting held on **March 18, 2019,** for approval of the members at the annual general meeting to be held on **April 29, 2019** . The unconsolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2019.

42 GENERAL

42.1 Figures in these unconsolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.

42.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary, to facilitate comparison and better presentation. No significant reclassifications were made during the current year except for those mentioned in note 4.1.

President/Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**

Annexure - I

Statement showing written-off loans or any other financial relief of rupees five hundred thousand or above provided

During the year ended December 31, 2018

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ mark-up	Other than Interest/ mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	OK Feed Mills (Private) Limited 39-C, Ahmed Block, New Garden Town Lahore	Directors' Syed Mushahid Shah 35202-6321378-9 Mrs. Nageen Mushahid 35202-5141026-6	 Syed Mushahid Shah Syed Mushahid Shah	281,250	24,232	6,203	311,685	–	17,064	6,203	23,267

Consolidated Financial Statements

Director's Report on the Consolidated Financial Statements of Pak Brunei Investment Company Limited

Year ended December 31, 2018

Directors' Report

On behalf of the Board of Directors, I am pleased to present the audited and consolidated financial results of Pak Brunei Investment Company Limited (the Company) for the year ended December 31, 2018. With increased volatility across the economic and political landscape, the financial sector has also faced a challenging operating environment. Nonetheless, we believe that Company's prudence and strong risk controls significantly helped us weather difficult times.

Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2012	2013	2014	2015	2016	2017	2018
Total Assets	14,046	35,495	32,997	29,212	34,570	30,031	**48,481**
Net Assets	8,580	8,265	9,058	9,741	10,544	10,565	**10,065**
Net Advances	5,779	6,802	7,393	10,244	14,527	19,332	**21,615**
Net Investments	7,101	27,417	24,193	16,766	15,673	5,919	**24,114**
Net Mark-up Income	885	438	472	559	580	670	**912**
Non Mark-up Income	429	444	473	778	836	515	**179**
Profit before Tax	1,081	904	1,206	1,265	1,390	658	**515**
Profit after Tax	782	687	994	902	1,009	464	**271**
Earnings per Share (PKR)	1.30	1.14	1.66	1.60	1.70	0.77	**0.45**
Dividend Payout (%)	16.67%	3.33%	3.33%	3.33%	5.00%	5.00%	**5.00%**
Net Infection Ratio (%)	0.00%	0.00%	0.00%	1.52%	1.54%	3.54%	**1.31%**

FY 2018 was a difficult year on multiple fronts. Amidst a host of internal and external shocks, the economy started to slow down from mid-2018. This slowdown was preceded by a run-up to General Elections, as there was uncertainty regarding continuation of policies. Taking a cue from the broader economy, the stock market remained highly volatile throughout the year and closed 8% down at the end of the year. Even as some of the uncertainties were fading at the start of 2019, fresh challenges have emerged in the form of cross-border tensions between Pakistan and India.

An important market development is the consistent growth in deposits and competition to grow the loan books that have resulted in lending spreads reducing sharply from 5.0% in 2011 to around 2.5% in 2015, remaining at these levels through 2018. The sharp decline in spreads is more than offset by monetary easing during the said period, which helped banks and DFIs record hefty gains on their PIB holdings. With interest rates going up and deposits growth declining since mid-2017, lending spreads have been showing a gradual reversal of late. This means increased pressure on net interest margins due to relatively higher borrowing cost for DFIs.

Offsetting these negatives, Company has worked hard to improve its Statement of Financial Position through proactive recovery of bad loans, reducing the stock of non-performing loans from PKR 954 million in 2017 to PKR 593 million in 2018, bringing down our gross loan infection ratio from 5.0% to 2.9% and net infection ratio from 3.5% to 1.4%. Given a difficult economic environment, and our focus on distress asset financing, this was an important achievement.

FY 2018 was a year in which, owing to central bank’s aggressive monetary tightening, money supply growth came down to below 7.0% from 13.7% a year earlier. This had an impact on availability of liquid funds in money markets. Further squeeze in market liquidity came from over 20% growth in banking advances as a greater part of available market liquidity was channeled towards credit disbursements. Our Treasury’s liquidity management was proactive and efficient in helping the Company meet its existing obligations as well as build-up credit and investment portfolios without significantly increasing our borrowing spreads.

Support from our subsidiaries in terms of transaction flow and dividends remained robust. With a dividend payout of PKR 132.9 million, Awwal Modaraba generated a return on investment of 13.2% for Pak Brunei. Although Primus Leasing Limited is a relatively new venture and it may take a while before its asset buildup translates into higher dividend payouts to Pak Brunei, we are positive that it will rapidly grow its footprint in the SME sector. However, during the year a dividend payout of PKR 20 million has been generated from Primus Leasing Limited.

In 2017, the Board of Directors of the Company had approved the divestment of the Company's residual 30% shareholding in Army Welfare Trust Investments Limited through the exercise of the put option contained in the shareholders' agreement reached between the Company and Army Welfare Trust (AWT). The transaction was subject to requisite regulatory approvals from the Securities and Exchange Commission of Pakistan which were duly obtained in March 2018. With the completion of certain formalities by the Company and AWT during the year, proceeds against the sale of investments were recovered and the shares were transferred by the Company in favour of AWT in August 2018.

Finally, Pak Brunei has the distinction of having one of the most active Trustee & Agency Services department in the market. At present, our Trustee & Agency Services department manages a portfolio of almost PKR 388.088 billion, comprising conventional & shariah compliant instruments and syndicated finance facilities. Going forward, the Company is also eyeing Mutual Funds' custodianship to supplement existing business activities.

The trend in economic variables indicate that 2019 is going to be a year of consolidation for Pakistan's economy. Economic think-tanks are predicting real GDP growth to come down from 5.8% in FY18 to approximately 4.0% in FY19. Consequently, the business environment facing the Company requires extreme vigilance. We at Pak Brunei believe that our business model is capable of enduring intermittent economic shocks and the Company will continue to grow organically in the years to come.

Entity Rating

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned entity ratings to Pak Brunei Investment Company Limited (PBIC) at 'AA+/A-1+' (Double A Plus/A-One Plus). Outlook on the assigned ratings is 'Stable' in June 2018. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

Risk Management

During the course of the year, the Company continued to further strengthen its risk management framework which has been developed over the years and continues to be refined and improved.

Credit risk is managed through the policies approved by the Board. These encompass a well-defined credit approval mechanism, use of internal risk ratings, prescribed documentation requirements, post-disbursement administration, monitoring of credit facilities as well as continuing assessment of credit worthiness of borrowers through periodic reviews. Credit Risk Management also established a mechanism for back testing of the credit scoring model which will be refined going forward. Decisions regarding the credit portfolio are taken by the Credit Committee. Risk Management Committee of the Board provides overall guidance in managing the Company's credit risk. Significant risk issues are regularly reviewed to determine their impact on the Company's strategy as well as its subsidiaries given that Credit Risk Management is a shared function. In addition, the company also completed the quantitative and qualitative impact assessment of IFRS -9.

Market risk and Operational risks are managed through respective policies approved by the Board. In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Company, which is monitored on a daily basis. Credit and Risk Management Committee of the Board provides overall guidance in managing the Company's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management). Assessment of enterprise-wide integrated risk profile of the Company is carried out using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

Financial Reporting Framework and Corporate Governance

The board of directors is committed to adopt and adhere to the best practices of good corporate governance. The directors are pleased to declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRSs), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- Outstanding statutory payments on account of taxes, duties, levies and charges (if any) have been fully disclosed in the financial statements;

- There has been no deviation from best practices highlighted in the Statement of Compliance with the best practices of Code of Corporate Governance;
- The total number of directors of the Company are four (4) as per the following:
  Male: 03
  Female: 01;
- As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors who are nominated by both the Governments. At present, the composition of Board is as follows:

Category	Names	Description
Independent Director	None	The Company has obtained relaxation from the State Bank of Pakistan in respect of the appointment of one independent director on the Board as required under BPRD Circular No. 04 of 2007.
Non-Executive Directors	Mr. Sofian Mohammad Jani (Chairman)	Nominated by the Government of Brunei
	Mr. Tariq Mahmood Pasha	Nominated by the Government of Pakistan
	Mr. Edzwan Zukri Pehin Dato Haji Adanan	Nominated by the Government of Brunei
Executive Director	Ms. Ayesha Aziz	Nominated by the Government of Pakistan

Board Performance Evaluation

The Board has approved a formal process for the performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of overall Board, its committees and individual directors is also undertaken (facilitated) by an external independent evaluator at least every three years.

Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman and the Managing Director. Final results of the annual evaluation are compiled and presented to the Board of Directors which it accordingly reviews and identifies any issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

Meetings of the Board

The Board of Directors of the Company held three meetings during the year end December 31, 2018. The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani	3
Mr. Tariq Mahmood Pasha	3
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3
Ms. Ayesha Aziz	3

Meetings of the Board Comittees

Name	Audit Committee		Credit & Risk Management Committee		Human Resource and Remuneration Committee	
	Meeting held	Attendance	Meeting held	Attendance	Meeting held	Attendance
Mr. Sofian Mohammad Jani	3	3	N/A	N/A	N/A	N/A
Mr. Tariq Mahmood Pasha	3	3	2	2	1	1
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3	3	2	2	1	1
Ms. Ayesha Aziz	N/A	N/A	2	2	1	1

Change in Directors and Directors' Remuneration

There has been no change in the Board of Directors during the year. The Company's 'Articles of Association authorizes the Board to determine directors' remuneration. Accordingly, the Non-Executive Directors are eligible for fees and logistics expenses for attending meetings of the Board and Board Committees as per the limit approved by the Board of Directors. Moreover, the fee paid to these directors is made part of the agenda for the Annual General Meeting to obtain post facto approval from the shareholders.

Corporate Social Responsibility

In 2018, the Board approved a donation of Rs 1.50 million to Aman Health Care Foundation Centre. This foundation has changed the landscape of emergency medical care in Pakistan and is the first state-of-the-art ambulatory vehicle network providing round-the-clock emergency care in the province of Sindh. The Board fully supports causes that brings a positive change in the society and believes in a sustainability philosophy.

Internal Control over Financial Reporting (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

Statement of Investment of Provident Fund

Investments of provident fund as of June 30, 2018 according to audited financial statements amounted to PKR 84.78 million (2017: PKR 76.98 million).

Appointment of Auditors

The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F.Fergusons & Co., Chartered Accountants as statutory auditors for the year ending December 31, 2019.

Pattern of Shareholding

Shareholder	Shareholding (%)
Ministry of Finance – Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division - Govt. of Pakistan	0.00067%

Proposed Dividends and Transfers Between Reserves

The Board of Directors have proposed a final dividend for the year ended December 31, 2018 of Re 0.50 per share (2017: Re 0.50 per share), amounting to Rs. 300 million (2017: Rs.300 million) at their meeting held on March 18, 2019 for approval of the members at the annual general meeting. The Board has also approved a transfer of Rs 55.183 million from the unappropriated profits to the statutory reserves of the Company during the year ended December 31, 2018.

We are grateful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We appreciate the role which the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan continue to play in regulating the financial markets of Pakistan while providing us with an accommodating operating environment supportive of our unique business strategy.

Sofian Mohammad Jani
Chairman

Ayesha Aziz
Managing Director

March 18, 2019

کاروباری سماجی ذمہ داری

2018 میں، بورڈ نے ایک ایسی فاؤنڈیشن کے لیے خاطر خواہ رقم کے عطیے کی منظوری دی جس نے پاکستان میں ہنگامی طبی نگہداشت کا منظر نامہ تبدیل کر دیا ہے اور جو صوبہ سندھ میں چوبیس گھنٹے ہنگامی نگہداشت فراہم کرنے والا پہلا جدید ترین ایمبولینس نیٹ ورک ہے۔ بورڈ معاشرے میں مثبت تبدیلی لانے والے تمام مقاصد کے ساتھ مکمل تعاون کرتا ہے اور استحکام کے فلسفے پر یقین رکھتا ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR)

بورڈ آف ڈائریکٹرز، ICFR اور مجموعی اندرونی کنٹرول سے متعلقہ مینجمنٹ کے تجزیے کی توثیق کرتا ہے۔

پراویڈنٹ فنڈ کی سرمایہ کاری کا اعلامیہ

آڈٹ شدہ مالیاتی گوشواروں کے مطابق 30 جون 2018 کو پراویڈنٹ فنڈ کی سرمایہ کاری 84.78 ملین روپے (2017: 76.98 ملین روپے) تھی۔

آڈیٹرز کا تقرر

آڈٹ کمیٹی کی پیشکش پر بورڈ 31 دسمبر، 2019 کو اختتام پذیر ہونے والے سال کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور باضابطہ آڈیٹرز تقرری کی سفارش کرتا ہے۔

ملکیتِ حصص کی ساخت

حصص کا مالک	ملکیتِ حصص (فیصد)
وزارتِ خزانہ۔ حکومتِ پاکستان	49.99933 فیصد
برونائی سرمایہ کاری ایجنسی	50.00000 فیصد
سیکرٹری، ڈویژن برائے اقتصادی امور۔ حکومتِ پاکستان	0.00067 فیصد

ذخائر کے مابین تجویز کردہ ڈیویڈنڈز اور منتقلیاں

بورڈ آف ڈائریکٹرز نے سالانہ عمومی اجلاس میں ارکان کی منظوری کے لیے، 18 مارچ 2019 کو منعقدہ اپنے اجلاس میں برائے اختتامِ سال 31 دسمبر 2018، 50 پیسے فی حصص (2017: 50 پیسے فی حصص)، برقم 300 ملین روپے (2017: 300 ملین روپے) کے حتمی ڈیویڈنڈ کی تجویز دی ہے۔ بورڈ سالِ اختتام 31 دسمبر 2018 کے دوران غیر متناسب منافع جات سے کمپنی کے باضابطہ ذخائر میں 55.183 ملین روپے کی منتقلی کی بھی منظوری دے چکا ہے۔

ہم مسلسل رہنمائی اور تعاون پر اپنے حصص مالکان، حکومتِ پاکستان اور برونائی سرمایہ کاری ایجنسی کے ممنون ہیں۔ ہم، پاکستان کی مالیاتی مارکیٹس کے استحکام کے لیے اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مسلسل کردار اور ہماری منفرد کاروباری حکمتِ عملی کے لیے ساز گار عملی ماحول کی فراہمی کو بھی سراہتے ہیں۔

سفیان محمد جانی
چیئرمین

عائشہ عزیز
مینجنگ ڈائریکٹر

مارچ 18, 2019

بورڈ کی کارکردگی کا تجزیہ

بورڈ نے سالانہ بنیاد پر عمل میں لائے جانے والے کارکردگی کے تجزیے کے لیے ایک باضابطہ طریقۂ کار کی منظوری دے دی ہے۔ اس حوالے سے، ایک اِن ہاؤس طرزِ عمل کو اختیار کیا گیا ہے اور مقداری تیکنیکس کا نفاذ کیا گیا ہے جبکہ بورڈ کے تجزیے کے لیے اسکور کے حامل سوالناموں کو استعمال کیا جاتا ہے۔ بورڈ کی کارکردگی کی درجہ بندی کے لیے SBP کی ہدایات کے مطابق اسکورنگ کا ایک معیاری پیمانہ تخلیق کیا گیا ہے۔ مزید برآں، مجموعی بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی کارکردگی کا ایک سالانہ جائزہ بھی کم از کم ہر تین سال میں ایک بیرونی خودمختار تجزیہ کار کی جانب سے عمل میں لایا جائے گا (تعاون کیا جائے گا)۔

بورڈ کے تجزیے کی وسعت پورے بورڈ، انفرادی ڈائریکٹرز، بورڈ کمیٹیوں، چیئرمین اور مینجنگ ڈائریکٹر کے تجزیے کا احاطہ کرتی ہے۔ سالانہ تجزیے کے حتمی نتائج کو جمع کر کے بورڈ آف ڈائریکٹرز کے سامنے پیش کیا جاتا ہے جو اس کا جائزہ لیتا ہے اور سامنے آنے والے کسی بھی نوعیت کے معاملات، کمزوریوں اور مسائل کی نشاندہی کرتا ہے اس کے ساتھ ساتھ ان سے مناسب انداز میں عہدہ برآ ہونے کے لیے ایک عملی منصوبے پر بات کرتا ہے۔ تجزیے کے عمل سے سامنے آنے والی تجاویز عملی منصوبے کی بنیاد بنتی ہیں جن کے نفاذ کے لیے بورڈ کی جانب سے منظوری دی جاتی ہے۔ تجزیے کے دوران شناخت کردہ کسی بھی قابلِ اصلاح پہلو کو مناسب اقدام کے لیے نوٹ کرلیا جاتا ہے۔

بورڈ کے اجلاس

کمپنی کے بورڈ آف ڈائریکٹرز نے اختتامِ سال 31 دسمبر، 2018 کے دوران تین اجلاس منعقد کیے۔ درج ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

نام	اجلاس میں شرکت
جناب سفیان محمد جانی	3
جناب طارق محمود پاشا	3
جناب ایڈزون زوکری پہن داتو حاجی عدنان	3
محترمہ عائشہ عزیز	3

بورڈ کمیٹیوں کے اجلاس

نام	آڈٹ کمیٹی		کریڈٹ اینڈ رسک مینجمنٹ کمیٹی		ہیومن ریسورس اور مشاہرہ کمیٹی	
	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری	منعقدہ اجلاس	حاضری
جناب سفیان محمد جانی	3	3	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں
جناب طارق محمود پاشا	3	3	2	2	1	1
جناب ایڈزون زوکری پہن داتو حاجی عدنان	3	3	2	2	1	1
محترمہ عائشہ عزیز	دستیاب نہیں	دستیاب نہیں	2	2	1	1

ڈائریکٹرز اور ڈائریکٹرز کے مشاہرے میں تبدیلی

دورانِ سال بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔ نان ایگزیکیٹو ڈائریکٹرز بورڈ اور بورڈ کمیٹیوں کے اجلاس میں شرکت کے لیے فیسوں اور آمدورفت کے اخراجات کے اہل ہیں جس کی منظوری بورڈ آف ڈائریکٹرز کی جانب سے دی گئی ہے۔ مزید برآں، ان ڈائریکٹرز کو ادا کردہ فیس کو حصص مالکان سے نامزد منظوری حاصل کرنے کے لیے سالانہ عمومی اجلاس کے لیے ایجنڈے کا حصہ بنایا جاتا ہے۔

کریڈٹ رسک کو بورڈ کی جانب سے منظور کردہ پالیسیوں کے ذریعے منظّم کیا جاتا ہے۔ان پالیسیوں میں کریڈٹ کی منظوری کے ایک عمدہ مرتب کردہ طریقۂ کار، اندرونی رسک کی درجہ بندیوں کے استعمال، تجویز کردہ دستاویزی لوازمات، تقسیم کے بعد انتظام وانصرام، کریڈٹ کی سہولیات کی نگرانی اور اس کے ساتھ ساتھ میعادی جائزوں کے ذریعے قرض خواہوں کی اعتباری ساکھ کی مسلسل جانچ کا احاطہ شامل ہوتا ہے۔کریڈٹ رسک مینجمنٹ نے کریڈٹ اسکورنگ ماڈل کی مؤثر پذیری کے تجزیے کے لیے ایک طریقۂ کار بھی تخلیق کیا ہے جسے آگے چل کر مزید بہتر بنایا جائے گا۔کریڈٹ پورٹ فولیو کے متعلقہ فیصلے کریڈٹ کمیٹی کرتی ہے۔بورڈ کی رسک مینجمنٹ کمیٹی کمپنی کے کریڈٹ رسک کو منظّم رکھنے میں مجموعی رہنمائی فراہم کرتی ہے۔رسک کے حوالے سے نمایاں مسائل کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ کمپنی کی حکمتِ عملی اور اس کے ساتھ ساتھ اس کی ذیلی کمپنیوں پر اس کے اثرات کا تعین کیا جاسکے بشرطیکہ کریڈٹ رسک مینجمنٹ ایک مشترکہ عمل ہو۔مزید برآں، کمپنی نے IFRS-9 کا مقداری ومعیاری اثر پذیری کا تجزیہ بھی مکمل کیا۔

مارکیٹ رسک اور عملی رسک سے بورڈ کی منظور کردہ متعلقہ پالیسیوں کے ذریعے نمٹا جاتا ہے۔مزید برآں، سیال پذیری کے رسک کی پالیسی کمپنی کی سیال پذیری کی کیفیت کو منظّم رکھنے میں رہنمائی فراہم کرتی ہے جس کی یومیہ بنیاد پر نگرانی کی جاتی ہے۔بورڈ کی کریڈٹ اور رسک مینجمنٹ کمیٹی کمپنی کے مارکیٹ اور سیال پذیری کے رسک، سرمائے کی موزونیت، اور مربوط رسک مینجمنٹ (جسے انٹرپرائز رسک مینجمنٹ بھی کہا جاتا ہے) سے نمٹنے کے حوالے سے مجموعی رہنمائی فراہم کرتی ہے۔انٹرپرائز کی سطح پر کمپنی کی مربوط رسک پروفائل کی تعمیل بیسل فریم ورک، اندرونی سرمائے کی موزونیت کے تجزیاتی عمل، اور دباؤ کی جانچ کا استعمال کرتے ہوئے کی جاتی ہے۔

مالیاتی رپورٹنگ کا فریم ورک اور کاروباری ضابطہ

بورڈ آف ڈائریکٹرز عمدہ کاروباری ضابطے کو اختیار کرنے اور اس پر مکمل طور پر کاربند رہنے کے لیے پُرعزم ہے۔ڈائریکٹرز یہ اعلان کرتے ہوئے خوشی محسوس کررہے ہیں کہ:

- مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلیوں کے گوشوارے کو منصفانہ انداز میں پیش کرتے ہیں؛
- موزوں بہی کھاتے برقرار رکھے گئے ہیں؛
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا باقاعدگی سے اطلاق کیا جاتا ہے اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں؛
- پاکستان میں حسبِ اطلاق، بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کو مالیاتی گوشواروں کی تیاری میں ملحوظ رکھا گیا ہے اور اس حوالے سے کسی بھی انحراف کو مناسب انداز میں منکشف اور واضح کردتا گیا ہے؛
- اندرونی کنٹرول کا سسٹم بناوٹ میں انتہائی مضبوط ہے اور اس کا مؤثر انداز میں نفاذ اور نگرانی کی گئی ہے؛
- آئندہ بھی ایک کامیاب کاروباری ادارے کی حیثیت سے اپنی سرگرمیاں جاری رکھنے کے حوالے سے کمپنی کی اہلیت پر کوئی شک نہیں ہے؛
- ٹیکسز، ڈیوٹیوں، محصولات، اور چارجز، اگر کوئی ہوں، کی مد میں واجب الادا باضابطہ ادائیگیوں کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے؛
- کاروباری ضابطۂ عمل کی بہترین عملداری کے ساتھ تعمیل کے گوشوارے میں نمایاں کردہ بہترین عملداریوں میں کوئی انحراف نہیں کیا گیا؛ اور
- کاروباری ضابطۂ عمل کی بہترین عملداری کے ساتھ تعمیل کے گوشوارے کے پیراگرافس 1 اور 2 میں بورڈ کا تشکیلی ڈھانچہ بھی دیا گیا ہے جو کہ درج ذیل ہے:
- درج ذیل کے مطابق ڈائریکٹرز کی مجموعی تعداد چار (4) ہے:

  مرد: 03

  خاتون: 01
- حکومتِ پاکستان (GoP) اور حکومتِ برونائی کے درمیان مشترکہ کاروباری اعلامیے کے مطابق، کمپنی کا بورڈ آف ڈائریکٹرز چار ڈائریکٹرز پر مشتمل ہے جن کی نامزدگی دونوں حکومتوں کی جانب سے کی جاتی ہے۔فی الحال، بورڈ کا تشکیلی ڈھانچہ اس طرح ہے:

کیٹیگری	نام	تفصیل
خودمختار ڈائریکٹر	کوئی نہیں	کمپنی نے BPRD مراسلہ نمبر 04 از 2007 کے تحت درکار بورڈ میں ایک خودمختار سے اسٹیٹ بینک آف پاکستان سے استثناء حاصل کرلیا ہے۔
نان ایگزیکٹیو ڈائریکٹرز	جناب سفیان محمد جانی (چیئرمین)	حکومتِ برونائی کی جانب سے نامزد
	جناب ایڈزون زوکری پہن داتو حاجی عدنان	حکومتِ برونائی کی جانب سے نامزد
	جناب طارق محمود پاشا	حکومتِ پاکستان کی جانب سے نامزد
ایگزیکٹیو ڈائریکٹر	محترمہ عائشہ عزیز	حکومتِ پاکستان کی جانب سے نامزد

ان منفی عوامل کے اثرات کوختم کرنے کے لیے، کمپنی نے نا قابلِ وصول قرضوں کی اقدامی وصولی، عدم کارکردگی کے حامل قرضوں کے اسٹاک کو 2017 کے 954 ملین قرضوں کے مقابلے میں 2018 میں 593 ملین روپے پر لاتے ہوئے، ہمارے قرض انفیکشن کے مجموعی تناسب کو 5.0 فیصد سے کم کر کے 2.9 فیصد اور حتمی انفیکشن تناسب کو 3.5 فیصد سے 1.4 فیصد پر لاتے ہوئے اپنی بیلنس شیٹ کی صورتحال بہتر بنانے کی بھرپور کوشش کی ہے۔ ایک مشکل معاشی فضا، اور اثاثوں پر دباؤ کی حامل سرمایہ کاری پر ہماری توجہ کے سبب، یہ ایک اہم کامیابی تھی۔

2018 ایک ایسا سال تھا جس میں مرکزی بینک کی جارحانہ مالیاتی پالیسی کے باعث، رقم کی فراہمی گزشتہ سال کے 13.7 فیصد سے کم ہو کر 7.0 فیصد سے بھی کم ہوگئی۔ اس سے منی مارکیٹس میں نقد فنڈز کی دستیابی پر بھی اثرات مرتب ہوئے۔ مارکیٹ کی سیال پذیری میں مزید کمی بینک کی پیشگی رقوم کی فراہمی میں 20 فیصد اضافے کے باعث پیدا ہوگئی کیونکہ مارکیٹ میں دستیاب نقد رقوم کا ایک بڑا حصہ ادھار رقوم کی تقسیم پر لگ گیا تھا۔ ہمارے خزانے کی نقد رقوم کی مینجمنٹ نے ہمارے قرض خواہی اسپریڈز میں نمایاں اضافے کے بغیر کمپنی کو اپنی موجودہ ذمہ داریوں سے عہدہ برآ ہونے اور اس کے ساتھ ساتھ کریڈٹ اور سرمایہ کاری کے پورٹ فولیوز میں اضافے کے لیے اقدامی اور مؤثر انداز میں مدد دی۔

ٹرانزیکشن کے لین دین اور ڈیویڈنڈز کے حوالے سے ہماری ذیلی کمپنیوں کی جانب سے معاونت بہترین رہی۔ 132.9 ملین روپے کے ڈیویڈنڈز کی ادائیگی کے ساتھ، اول مضاربہ نے پاک برونائی کے لیے سرمایہ کاری پر 13.2 فیصد کا منافع حاصل کیا۔ اگرچہ پرائمس لیزنگ لمیٹڈ ابھی کاروبار میں نسبتاً نئی ہے، اور اس کے اثاثوں کو بڑھ کر پاک برونائی کے لیے ڈیویڈنڈز کی مد میں زیادہ ادائیگی کے حصول میں کچھ وقت لگے گا، تاہم، ہم پُرامید ہیں کہ یہ SME سیکٹر میں تیزی کے ساتھ اپنے قدم جما لے گی۔

2017 میں، کمپنی کے بورڈ آف ڈائریکٹرز نے آرمی ویلفیئر ٹرسٹ انویسٹمنٹس لمیٹڈ میں کمپنی کی باقی ماندہ 30 فیصد ملکیتِ حصص کی فروخت کو کمپنی اور آرمی ویلفیئر ٹرسٹ (AWT) کے درمیان ہونے والے حصص مالکان کے معاہدے میں شامل رکھنے کا اختیار استعمال کرتے ہوئے منظور کیا تھا۔ اس ٹرانزیکشن پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مطلوبہ انضباطی منظوریوں کا اطلاق ہوتا تھا جنہیں مارچ 2018 میں حاصل کیا گیا تھا۔ دورانِ سال کمپنی اور AWT کی جانب سے مخصوص رسمی کارروائیوں کی تکمیل کے ساتھ، سرمایہ کاریوں کی فروخت پر حاصل ہونے والے منافعوں کو حاصل کر لیا گیا اور اگست 2018 میں کمپنی کی جانب سے AWT کے نام پر حصص منتقل کر دیے گئے تھے۔

بالآخر، پاک برونائی کو مارکیٹ میں فعال ترین ٹرسٹی اینڈ ایجنسی سروسز ڈپارٹمنٹ کے حصول کا امتیاز حاصل ہو چکا ہے۔ فی الحال، ہمارا ٹرسٹی اینڈ ایجنسی سروسز ڈپارٹمنٹ تقریباً 500 بلین روپے کا پورٹ فولیو سنبھالتا ہے، جو کہ روایتی اور شرعی اثاثہ جات اور لگاتار مالیاتی سہولیات پر مشتمل ہے۔ مستقبل میں، کمپنی موجودہ کاروباری سرگرمیوں میں اضافے کے لیے میوچل فنڈز کی تحویل کاری پر نظریں جمائے ہوئے ہے۔

معاشی متغیر عوامل اشارہ دیتے ہیں کہ 2019 پاکستانی معیشت کی تعمیر کا سال ہوگا۔ معاشی ماہرین پیش گوئی کر رہے ہیں کہ حقیقی جی ڈی پی آمدنی مالی سال 2018 کی 5.8 فیصد کے مقابلے میں کم ہو کر مالی سال 2019 میں اندازاً 4.0 فیصد ہو جائے گی۔ نتیجتاً، اس وقت کمپنی کو جس کاروباری فضا کا سامنا ہے، اس کے لیے انتہائی مستعدی کی ضرورت ہے۔ پاک برونائی میں ہم اس بات پر یقین رکھتے ہیں کہ ہمارا کاروباری ڈھانچہ وقفے وقفے سے لگنے والے معاشی دھچکوں کو سہارنے کی اہلیت رکھتا ہے اور کمپنی آئندہ سالوں میں اپنی بنیادی ترقی کو جاری رکھے گی۔

ادارہ جاتی درجہ بندی

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ (PBIC) کو 'AA+/A-1+' (ڈبل اے پلس / اے ون پلس) کی ادارہ جاتی درجہ بندی سے نوازا ہے۔ جون 2018 میں دی گئی درجہ بندی کا پیش منظر 'مستحکم' ہے۔ یہ درجہ بندیاں کریڈٹ رسک کی انتہائی کم توقع پر دلالت کرتی ہیں اور واجب الادا مالی رقوم کی بروقت ادائیگی کے لیے بہت مضبوط صلاحیت کو ظاہر کرتی ہیں۔

رسک مینجمنٹ

سال بھر کے دوران، کمپنی نے اپنے رسک مینجمنٹ کے فریم ورک کو مزید مضبوط بنانے پر کام جاری رکھا جسے گزشتہ چند سالوں میں مرتب کیا گیا ہے اور اس میں اصلاح و بہتری کا عمل جاری ہے۔

آڈٹ شدہ مالی گوشواروں کی

ڈائریکٹرز رپورٹ

برائے اختتام مالی سال 31 دسمبر 2018

مجھے بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لیے پاک برونائی انویسٹمنٹ کمپنی کے آڈٹ شدہ مالیاتی نتائج پیش کرتے ہوئے انتہائی خوشی محسوس ہو رہی ہے۔معاشی اور سیاسی منظرنامے میں بڑھتے ہوئے عدم استحکام کے باعث مالیاتی شعبے کو بھی اس سال ایک مشکل عملی ماحول کا سامنا رہا۔ اس کے باوجود ، ہمارا اس بات پر پختہ یقین ہے کہ کمپنی کے محتاط اور مضبوط رسک کنٹرولز کی وجہ سے ہمیں اس مشکل وقت کا سامنا کرنے میں مدد ملی ۔

منتخب مالیاتی علامات

رقوم ملین پاکستانی روپوں میں تاوقتیکہ اس کے برخلاف بیان کیا جائے

	2012	2013	2014	2015	2016	2017	2018
مجموعی اثاثے	14,046	35,495	32,997	29,212	34,570	30,031	**48,481**
حتمی اثاثے	8,580	8,265	9,058	9,741	10,544	10,565	**10,065**
حتمی پیشگی ادائیگیاں	5,779	6,802	7,393	10,244	14,527	19,332	**21,615**
حتمی سرمایہ کاریاں	7,101	27,417	24,193	16,766	15,673	5,919	**24,114**
حتمی مارک اپ آمدنی	885	438	472	559	580	670	**912**
نان مارک اپ آمدنی	429	444	473	778	836	515	**179**
قبل از ٹیکس منافع	1,081	904	1,206	1,265	1,390	658	**515**
بعد از ٹیکس منافع	782	687	994	902	1,009	464	**271**
آمدنی فی شیئر (پاکستانی روپے)	1.30	1.14	1.66	1.60	1.70	0.77	**0.45**
ڈیویڈنڈ کی ادائیگیاں (فیصد)	16.67%	3.33%	3.33%	3.33%	5.00%	5.00%	**5.00%**
حتمی انفیکشن کا تناسب (فیصد)	0.00%	0.00%	0.00%	1.52%	1.54%	3.54%	**1.31%**

2018 کئی پہلوؤں سے ایک مشکل سال رہا۔اندرونی اور بیرونی دباؤ کی حامل کیفیات کے پیش نظر، معیشت 2018 کے وسط سے تیزی سے زوال پذیر ہونے لگی۔ پالیسیوں کے تسلسل کے بارے میں بے یقینی کے باعث معیشت کے گرنے کا عمل عام انتخابات ہونے سے قبل ہی شروع ہو چکا تھا۔وسیع تر معیشت سے اشارہ پا کر، سال بھر میں اسٹاک مارکیٹ انتہائی غیر مستحکم رہی اور سال کے اختتام پر 8 فیصد خسارے کے ساتھ بند ہوئی۔ اگر چہ 2019 کے آغاز میں بعض غیر یقینیوں میں کمی آئی، تاہم پاکستان اور بھارت کے درمیان جاری سرحد پار کشیدگی کی صورت میں نئے چیلنجز سامنے آ گئے۔

مارکیٹ میں ایک اہم پیش رفت ڈپازٹس میں ہونے والی مسلسل ترقی اور قرضہ جاتی بہی کھاتوں میں اضافے کی مسابقت ہے جس کا نتیجہ قرض دہندہ اسپریڈز میں تیزی سے کمی کی صورت میں برآمد ہوا جو کہ 2011 میں 5.0 فیصد تھے جبکہ 2015 میں گھٹ کر تقریباً 2.5 فیصد رہ گئے، اور 2018 تک یہ کمی اسی سطح پر برقرار رہی۔ اسپریڈز میں تیز رفتار کمی کی تلافی مذکورہ مدت کے دوران مالی فراوانی کے باعث ہوگئی، جس سے بینکوں اور ڈی ایف آئیز کو اپنی پی آئی بی ہولڈنگز پر بے پناہ منافع کے حصول میں مدد ملی۔ 2017 کے وسط سے شرحِ سود میں اضافے اور ڈپازٹس کے اضافے میں کمی کے باعث، قرضہ جاتی اسپریڈز کافی عرصے سے بتدریج مخالف رجحان ظاہر کر رہے ہیں۔اس کا مطلب ڈی ایف آئیز کے لیے نسبتاً بلند تر قرض خواہی کی لاگت کے باعث حتمی سودی مارجنز پر دباؤ میں اضافہ ہے۔

Independent Auditor's Report

To the members of Pak Brunei Investment Company Limited

Opinion

We have audited the annexed consolidated financial statements of Pak Brunei Investment Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 25, 2019

Consolidated
Statement of Financial Position

As at December 31, 2018

2018	2017 (Restated)	2016 (Restated)		Note	2018	2017 (Restated)	2016 (Restated)
	(US $ in '000)					(Rupees in '000)	
			ASSETS				
2,027	2,432	2,319	Cash and balances with treasury banks	5	**281,404**	337,751	322,011
1,189	2,519	16,801	Balances with other banks	6	**165,057**	349,770	2,333,056
395	23,051	3,587	Lendings to financial and other institutions	7	**54,879**	3,200,909	498,065
173,651	42,624	112,869	Investments	8	**24,113,564**	5,918,860	15,673,268
155,655	139,217	104,617	Advances	9	**21,614,581**	19,331,908	14,527,306
205	180	186	Fixed assets	10	**28,477**	24,988	25,825
49	24	12	Intangible assets	11	**6,871**	3,315	1,598
2,266	1,365	729	Deferred tax assets	12	**314,708**	189,506	101,224
13,694	4,850	7,834	Other assets	13	**1,901,552**	673,523	1,087,913
349,131	216,262	248,954			**48,481,093**	30,030,530	34,570,266
			LIABILITIES				
–	–	–	Bills payable		**–**	–	–
261,463	100,647	147,578	Borrowings	14	**36,307,199**	13,976,083	20,492,898
5,224	34,215	20,981	Deposits and other accounts	15	**725,403**	4,751,164	2,913,488
–	–	–	Liabilities against assets subject to finance lease		**–**	–	–
–	–	–	Subordinated debt		**–**	–	–
–	–	–	Deferred tax liabilities		**–**	–	–
9,966	5,317	4,461	Other liabilities	16	**1,383,916**	738,202	619,458
276,653	140,179	173,020			**38,416,518**	19,465,449	24,025,844
72,478	76,083	75,934	**NET ASSETS**		**10,064,575**	10,565,081	10,544,422
			REPRESENTED BY				
43,208	43,208	43,208	Share capital	17	**6,000,000**	6,000,000	6,000,000
10,132	9,735	9,057	Reserves		**1,406,995**	1,351,812	1,257,721
23,970	24,577	24,100	Unappropriated profit		**3,328,566**	3,412,835	3,346,556
(4,848)	(1,453)	(447)	Deficit on revaluation of assets	18	**(673,212)**	(201,744)	(62,060)
72,462	76,067	75,918	Total equity attributable to the equity holders of the Holding Company		**10,062,349**	10,562,903	10,542,217
16	16	16	Non-controlling interest		**2,226**	2,178	2,205
72,478	76,083	75,934			**10,064,575**	10,565,081	10,544,422
			CONTINGENCIES AND COMMITMENTS	19			

The annexed notes 1 to 43 and annexure I forms an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Profit and Loss Account

For the Year ended December 31, 2018

2018	2017		Note	2018	2017 (Restated)
(US $ in '000)				(Rupees in '000)	
19,149	11,367	Mark-up / return / interest earned	20	**2,659,085**	1,578,436
12,584	6,540	Mark-up / return / interest expensed	21	**1,747,484**	908,144
6,565	4,827	Net mark-up / interest income		**911,601**	670,292
		Non mark-up / interest income			
1,429	1,233	Fee and commission income	22	**198,413**	171,276
346	162	Dividend income		**47,997**	22,494
–	384	Share of profit of associates		**–**	53,279
(487)	1,619	(Loss) / gain on securities	23	**(67,658)**	224,866
2	308	Other income	24	**235**	42,801
1,290	3,706	Total non-markup / interest income		**178,987**	514,716
7,855	8,533	Total income		**1,090,588**	1,185,008
		Non mark-up / interest expenses			
3,305	2,651	Operating expenses	25	**458,976**	368,073
105	125	Sindh Workers' Welfare Fund	26	**14,539**	17,404
3,410	2,776	Total non mark-up / interest expenses		**473,515**	385,477
4,445	5,757	Profit before provisions		**617,073**	799,531
732	1,017	Provisions and write offs - net	27	**101,605**	141,155
–	–	Extraordinary / unusual items		**–**	–
3,713	4,740	**Profit before taxation**		**515,468**	658,376
1,757	1,420	Taxation	28	**243,996**	197,236
1,956	3,320	**Profit after taxation from continuing operations**		**271,472**	461,140
		Discontinued operations			
–	20	Profit after taxation from discontinued operations		**–**	2,721
1,956	3,340			**271,472**	463,861
		Attributable to:			
1,953	3,337	Equity holders of the Holding Company		**271,099**	463,490
3	3	Non-controlling interest		**373**	371
1,956	3,340			**271,472**	463,861
				(Rupees)	
		Basic and diluted earnings per share			
		- From continuing operations	29	**0.4525**	0.7686
		- From discontinued operations	29	**–**	0.0045
				0.4525	0.7731

The annexed notes 1 to 43 and annexure I forms an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated
Statement of Comprehensive Income
For the Year ended December 31, 2018

2018	2017		2018	2017
(US $ in '000)			(Rupees in '000)	
		Profit after taxation for the year attributable to:		
1,953	3,337	Equity holders of the Holding Company	**271,099**	463,490
3	3	Non-controlling interest	**373**	371
1,956	3,340		**271,472**	463,861
		Other comprehensive loss		
		Items that may be reclassified to profit and loss account in subsequent periods:		
(3,395)	(1,006)	Movement in deficit on revaluation of investments - net of tax	**(471,468)**	(139,684)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(1)	(22)	Remeasurement loss on defined benefit obligations - net of tax	**(185)**	(3,105)
(1,440)	2,312	**Total comprehensive (loss) / income**	**(200,181)**	321,072

The annexed notes 1 to 43 and annexure I forms an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated
Cash Flow Statement

For the Year ended December 31, 2018

2018	2017		Note	2018	2017
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
3,712	4,741	Profit before taxation from continuing operation		**515,468**	658,376
–	48	Profit before taxation from discontinued operation		**–**	6,721
346	162	Less: Dividend income		**47,997**	22,494
3,366	4,627			**467,471**	642,603
		Adjustments:			
83	77	Depreciation		**11,505**	10,631
11	7	Amortisation		**1,485**	921
105	125	Provision for Sindh Workers' Welfare Fund	26	**14,539**	17,404
732	1,017	Provisions and write-offs	27	**101,605**	141,155
(1)	(1)	Gain on sale of fixed assets	24	**(34)**	(77)
–	(420)	Gain on disposal of held-for-sale investment		**–**	(58,304)
–	(138)	Gain on reclassification of AWT Investments Limited as associate		**–**	(19,019)
–	(1)	Unrealized gain on revaluation of investments classified as held for trading - net		**–**	33
–	(384)	Share of profit of associates		**–**	(53,279)
930	284			**129,100**	39,465
4,296	4,911			**596,571**	682,068
		(Increase) / decrease in operating assets			
12,214	(10,823)	Lendings to financial institutions		**1,696,030**	(1,502,844)
1,873	483	Held-for-trading securities		**260,019**	67,021
(16,624)	(34,983)	Advances		**(2,308,495)**	(4,857,746)
(8,354)	1,239	Others assets (excluding advance taxation)		**(1,160,088)**	172,118
(10,891)	(44,084)			**(1,512,534)**	(6,121,451)
		Increase/ (decrease) in operating liabilities			
160,815	(46,930)	Borrowings from financial institutions		**22,331,116**	(6,516,815)
(28,991)	13,234	Deposits		**(4,025,761)**	1,837,676
4,543	694	Other liabilities (excluding current taxation)		**630,913**	96,370
136,367	(33,002)			**18,936,268**	(4,582,769)
(2,151)	(2,005)	Taxes paid relating to continuing operations		**(298,688)**	(278,387)
–	(34)	Taxes paid relating to discontinued operations		**–**	(4,748)
127,621	(74,214)	Net cash generated from / (used in) operating activities		**17,721,617**	(10,305,287)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(138,263)	36,519	Net investments in available-for-sale securities		**(19,199,402)**	5,071,069
430	290	Net investments in held-to-maturity securities		**59,812**	40,188
340	197	Dividends received		**47,239**	27,371
(109)	(80)	Investments in operating fixed assets		**(15,167)**	(11,168)
(36)	(9)	Investments in operating intangible assets		**(5,041)**	(1,294)
1	1	Proceeds from sale of fixed assets		**207**	107
–	1,911	Proceeds from disposal of investment classified as held for sale		**–**	265,375
–	32,001	Net divestment from associates		**–**	4,443,751
(137,637)	70,830	Net cash (used in) / generated from investing activities		**(19,112,352)**	9,835,399
		CASH FLOWS FROM FINANCING ACTIVITIES			
(2,160)	(2,160)	Dividend paid to equity shareholders of the Holding Company		**(300,000)**	(300,000)
(2)	(2)	Dividend paid to non-controlling interests		**(325)**	(269)
(2,162)	(2,162)	Net cash used in financing activities		**(300,325)**	(300,269)
(12,178)	(5,546)	**Decrease in cash and cash equivalents**		**(1,691,060)**	(770,157)
15,393	20,939	Cash and cash equivalents at beginning of the year		**2,137,521**	2,907,678
3,215	15,393	**Cash and cash equivalents at end of the year**	30	**446,461**	2,137,521

The annexed notes 1 to 43 and annexure I forms an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Statement of Changes in Equity

For the Year ended December 31, 2018

	Share capital	Capital reserve: Statutory reserve (a)	Deficit on revaluation of investments	Revenue reserve: Unappropriated profit	Non-controlling interest	Total
	(Rupees in '000)					
Balance as at December 31, 2016 (as previously reported)	6,000,000	1,257,721	–	3,346,556	2,205	10,606,482
Effect of retrospective change in accounting policy Reclassification of deficit to equity - net of tax (note 4.1)	–	–	(62,060)	–	–	(62,060)
Balance as at December 31, 2016 (as restated)	6,000,000	1,257,721	(62,060)	3,346,556	2,205	10,544,422
Comprehensive income for the year						
Profit after taxation for the year ended December 31, 2017	–	–	–	463,490	371	463,861
Other comprehensive loss						
- Remeasurement loss on defined benefit obligation - net of tax	–	–	–	(3,105)	–	(3,105)
- Movement in deficit on revaluation of investments - net of tax	–	–	(139,684)	–	–	(139,684)
	–	–	(139,684)	460,385	371	321,072
Transfer to statutory reserve	–	94,091	–	(94,091)	–	–
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year ended December 31, 2016 @ Re.0.50 per share	–	–	–	(300,000)	–	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 1.225 per certificate	–	–	–	–	(269)	(269)
Movement in NCI's holding	–	–	–	(15)	(129)	(144)
Balance as at December 31, 2017 (as restated)	6,000,000	1,351,812	(201,744)	3,412,835	2,178	10,565,081
Comprehensive income for the year						
Profit after taxation for the year ended December 31, 2018	–	–	–	271,099	373	271,472
Other comprehensive loss						
- Remeasurement loss on defined benefit obligations - net of tax	–	–	–	(185)	–	(185)
- Movement in deficit on revaluation of investments - net of tax	–	–	(471,468)	–	–	(471,468)
	–	–	(471,468)	270,914	373	(200,181)
Transfer to statutory reserve	–	55,183	–	(55,183)	–	–
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year ended December 31, 2017 @ Re.0.50 per share	–	–	–	(300,000)	–	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 1.48 per certificate	–	–	–	–	(325)	(325)
Balance as at December 31, 2018	6,000,000	1,406,995	(673,212)	3,328,566	2,226	10,064,575

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 43 and annexure I forms an integral part of these consolidated financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company
Pak Brunei Investment Company Limited (the "Holding Company" or "parent") is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the (now repealed) Companies Ordinance, 1984. The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Holding Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Holding Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Holding Company is in operation with 2 offices (2017: 2 offices) one located in Karachi and the other in Lahore.

Subsidiaries

Awwal Modaraba Management Limited (AMML) - 100% holding
Awwal Modaraba Management Limited (the Company) was incorporated in Pakistan on June 05, 2014 as an unlisted public company under the (now repealed) Companies Ordinance, 1984. Subsequently, it was registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The Company is a wholly owned subsidiary of Pak Brunei Investment Company Limited (the Holding Company) with its registered office situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

The principal activity of the Company is to engage in the business of floatation of Modarabas and to function as a Modaraba Company within the meaning of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Presently, the Company is managing Awwal Modaraba only the details of which have been provided below.

Primus Leasing Limited (PLL) - 100% holding
PLL was incorporated in Pakistan as a public unlisted company on July 13, 2017 under the Companies Act, 2017. The registered office of PLL is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. PLL is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP). PLL has 2 offices (2017: 1 office) one located in Karachi and the other in Lahore.

The principal objective of PLL is to carry on and undertake the business of leasing of movable property for any purpose whatsoever including but not being limited to industrial, commercial, agricultural and other development purposes on such terms, covenants and conditions and at such rentals as may be deemed fit.

Awwal Modaraba (AM) - 99.78% holding
AM has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. AM is managed by the AMML. After receiving certificate of minimum subscription, AM commenced its business operations with effect from February 10, 2016. The registered office is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

AM is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing working capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investments / instruments to credit worthy customers. AM is listed on the Pakistan Stock Exchange Limited.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are 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 SBP and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever 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 IFRSs or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular no. 11 dated September 11, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 dated April 28, 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and, therefore, not detailed in these consolidated financial statements.

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

2.4.1 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, amendments or interpretations:

Standard, interpretations or amendments	Effective date (accounting periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 11 - Joint Arrangements (amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019
- IAS 19 - Employee Benefits (amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations (amendments)	January 1, 2020

IFRS 16 replaces the existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC - 15 'Operating Leases - Incentive 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 to use asset" representing its right to use the underlying asset and a lease liability representing its obligations 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. On the adoption of IFRS 16, the Group shall recognize a 'right to use asset' with a corresponding liability for lease payments. The Group is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach. The ECL has an impact on all assets of the Group which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

The SBP vide its Letter no. BPRD/ RPD / 2018-7837 dated April 10, 2018 required all Banks / DFIs to conduct an impact and readiness assessment of IFRS 9 based on the financial statements for the year ended December 31, 2017. The Holding Company has carried out an impact and readiness assessment exercise as per the above directive which has highlighted certain systems, policies, process and other gaps. The Holding Company has also identified additional provisioning requirements based on the requirement of the readiness and impact assessment exercise. The exact impact of additional provisioning requirement will be determined after implementation of certain gaps. The Holding Company is in the process of assessing the full impact of this standard.

2.4.2 There are certain new and amended standards and interpretations that are mandatory for the Group'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 Group's operations and are, therefore, not detailed in these consolidated financial statements.

2.5 Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgement in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i) classification and valuation of investments (notes 4.5 and 8);
ii) classification and provisioning against loans and advances (notes 4.7 and 9);
iii) residual values, depreciation methods and useful lives of operating fixed assets (notes 4.8 and 10);
iv) amortisation methods of intangible assets (notes 4.9 and 11);
v) impairment of assets (note 4.10);
vi) provision for taxation (notes 4.13 and 28); and
vii) accounting for defined benefit plan (notes 4.15 and 32).

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs. 138.86 to US Dollars has been used for 2018, 2017 and 2016 as it was the prevalent rate on December 31, 2018.

3.3 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupee which is the Group's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change mentioned in note 4.1 below.

4.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of DFIs. All DFIs are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third consolidated statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted mainly in the following significant changes:

- Intangible assets amounting to Rs. 3.315 million as at December 31, 2017 and Rs. 1.598 million as at December 31, 2016, which were previously shown as part of fixed assets, are now shown separately on the consolidated statement of financial position (note 11);

- Deficit on revaluation of assets amounting to Rs. 201.744 million as at December 31, 2017 and Rs. 62.060 million as at December 31, 2016, which was previously shown below equity as required by the repealed Companies Ordinance, 1984, has now been included as part of equity (note 18); and

- Provision against non-performing loans and advances and provision for diminution in the value of investments amounting to Rs. 53.144 million and Rs. 88.011 million respectively, which were previously shown separately in the profit and loss account, have now been shown under "Provisions and write offs - net" (note 27).

There were no new recognition requirements which became applicable to the Group.

4.2 Basis of consolidation

Subsidiary is an entity which is controlled by the Holding Company. Control is said to exist when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements of the Group incorporate the financial statements of the Holding Company and those of the subsidiaries from the date the control of the subsidiary by the Group commences until the date the control ceases to exist. The assets, liabilities, income and expenses of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying values of the Group's investments in subsidiaries are eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-Controlling Interest (NCI) represents that part of the net results of operations and net assets of the subsidiaries that is not owned by the group and is measured at the proportionate share of net assets of the acquiree.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Holding Company using accounting policies which are consistent with those applied by the Holding Company in the preparation of its unconsolidated financial statements.

Material intra-group balances and transactions have been eliminated.

4.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.4 Lendings to / borrowings from financial and other institutions

The Group enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated financial statements as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial and other institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective interest method.

4.5 Investments

4.5.1 Classification

The Group classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading

These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold till maturity.

Available-for-sale
These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.5.2 Initial measurement
All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. Investments, other than those categorised as held-for-trading, are initially recognised at fair value which includes transaction costs associated with the investments.

4.5.3 Subsequent measurement

Held-for-trading
These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the consolidated profit and loss account.

Held-to-maturity
These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale
Quoted securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'consolidated statement of changes in equity' and is taken to the consolidated profit and loss account when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The cost of investment is determined on a weighted average basis. A decline in the carrying value is charged to the consolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the consolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

4.6 Investments in associates
Associates are entities over which the Group has a significant influence but over which control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments in associates are initially recognised at cost plus investor's share of the profit or loss of the investees subsequent to the date of acquisition less impairment in value (if any). The investor's share of profit or loss of associates is recognised in the consolidated profit and loss account.

4.7 Advances
Advances are stated net of specific and general provisions which are charged to the consolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Group also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained where required as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

Diminishing Musharaka is a partnership agreement between the Group and its customers for financing plant and machinery. The receivable is recorded to the extent of the Group's share in the purchase of assets.

4.8 Fixed assets and depreciation

4.8.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the consolidated profit and loss account using the straight line method at the rates stated in note 10.2 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the consolidated profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the consolidated profit and loss account in the period in which disposal is made.

4.8.2 Tangible assets - leased

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at the lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.8.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.9 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 11.1. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the consolidated profit and loss account in the period in which these arise.

4.10 Impairment

4.10.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed therefrom and recognised in the consolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the consolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For 'significance', a threshold of 30% and for 'prolonged' a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the consolidated statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the consolidated profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the consolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the consolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus/deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.10.2 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the consolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.11 Assets classified as held-for-sale

The Group classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the consolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.12 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.13 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.13.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax relating to items recognised in other comprehensive income (OCI) is charged / credited to OCI.

4.14 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.15 Staff retirement benefits

4.15.1 Defined benefit plan - staff gratuity fund

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2018.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the consolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the consolidated profit and loss account.

Defined contribution plan - staff provident fund

The Holding Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Holding Company and the employees at the rate of 10% of basic salary.

4.15.2 Staff retirement benefits of the subsidiaries

Staff gratuity scheme - subsidiaries

AM and AMML operate an unfunded gratuity scheme for their employees for which provision is recognised on the basis of one month's basic salary for each year of completed service with the subsidiaries.

PLL, currently, does not offer any such benefits to its employees.

Staff provident fund - subsidiaries

AM and AMML operate a contributory provident scheme for which AM, AMML and their employees make equal monthly contributions at the rate of 10% of basic salary.

PLL, currently, does not offer any such benefits to its employees.

4.16 Financial instruments

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, lendings to financial and other institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the consolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the consolidated profit and loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.17 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.18 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the consolidated financial statements at committed amounts.

4.19 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.

- Dividend income is recognised when the Group's right to receive dividend is established.

- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.

- Premium or discount on debt securities is amortised using the effective interest method.

- Income from Diminishing Musharika is recognised on an accrual basis.

- Gains and losses on disposal of assets are recognised in the period in which these arise.

- Return on bank deposits is recognised on a time proportion basis using the effective interest method.

- Rental income is recorded when due.

- Income recognised by Awwal Modaraba from Shari'ah non-compliant avenues is not recognised in the consolidated profit and loss account and is classified as charity payable.

4.20 Earnings per share

The Holding Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.21 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

4.22 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the consolidated financial statements in the period in which such dividends are declared / transfers are made.

4.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Board of Directors and Chief Executive Officer of the Holding Company have been identified as the chief operating decision-makers who are responsible for allocating resources and assessing the performance of the operating segments.

4.23.1 Business segments

Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales

This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

Asset management

This segment included fee for services rendered in connection with advisory and management of mutual funds.

4.23.2 Geographical segments

The operations of the Group are currently based only in Pakistan.

4.24 Discontinued operations

A discontinued operation is a component of an entity that has been disposed of and represents a separate major line of business or geographical area of operations.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		(Rupees in '000)	
With State Bank of Pakistan in:			
Local currency current account	5.1	**161,349**	137,621
With National Bank of Pakistan in:			
Local currency deposit account	5.2	**120,055**	200,130
		281,404	337,751

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

5.2 This carries mark-up at rates ranging between 5.00% and 6.15% per annum (2017: 5.15%).

6 BALANCES WITH OTHER BANKS

	Note	2018	2017
		(Rupees in '000)	
In Pakistan			
- In deposit accounts	6.1	**160,077**	349,719
- In current account		**4,980**	51
		165,057	349,770

6.1 These carry mark-up at rates ranging from 3.40% to 8.50% per annum (2017: 1.73% to 5.70% per annum).

7 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Investments against repurchase agreements	7.1	**54,879**	30,000
Repurchase agreement lendings (reverse repo)	7.2	**–**	1,720,909
Term deposit receipts (TDRs)	7.3	**–**	1,450,000
		54,879	3,200,909

7.1 On December 28, 2016, Awwal Modaraba entered into an agreement with a company (the financee company) for the purchase and sale of 301,750 shares of the financee company's subsidiary. As per the terms of the agreement, the underlying shares will be offered to the financee company at pre-agreed prices on various offer dates. The shares repurchased by the financee company will come under pledge with the Modaraba with each divestment transaction on the respective offer dates and will remain under pledge until complete divestment of all shares. This is a limited time investment. The outstanding amount as at December 31, 2018 was Rs.6 million (2017: Rs. 30 million).

On January 16, 2018, Awwal Modaraba has entered into an agreement with a shareholder of a company (the investee company) for the purchase of 2,051,150 shares of the investee company. Concurrently, the Modaraba has entered into a separate agreement with another shareholder of the investee company for the selling of underlying shares transferred in the name of the Modaraba. The prospective purchaser has provided two post dated cheques for the amounts of agreed price. The outstanding amount as at December 31, 2018 was Rs. 48.879 million (2017: Nil).

7.2 These carried mark-up at rates ranging from 5.80% to 6.00% and matured on various dates latest by January 2, 2018.

7.3 These carried mark-up at rates ranging from 6.65% to 7.30% and matured on various dates latest by January 5, 2018.

7.4 Particulars of lendings

	2018	2017
	(Rupees in '000)	
In local currency	**54,879**	3,200,909
In foreign currency	**–**	–
	54,879	3,200,909

7.5 Securities held as collateral against lendings to financial and other institutions

(Rupees in '000)

	2018			2017		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
Market Treasury Bills	–	–	–	1,720,909	–	1,720,909

8. INVESTMENTS

8.1 Investments by type:

(Rupees in '000)

		2018				2017			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held-for-trading securities									
Market Treasury Bills		–	–	–	–	243,641	–	(43)	243,598
Ordinary shares		–	–	–	–	16,411	–	10	16,421
		–	–	–	–	260,052	–	(33)	260,019
Available-for-sale securities									
Federal government securities	8.3	19,817,801	–	(326,260)	19,491,541	3,006,321	–	411	3,006,732
Ordinary shares		2,140,824	(210,979)	(391,638)	1,538,207	1,184,648	(132,327)	(206,404)	845,917
Non-government debt securities		2,635,582	(225,725)	(3,684)	2,406,173	1,501,819	(228,594)	–	1,273,225
Units of mutual funds		802,419	–	(124,776)	677,643	504,436	–	(31,281)	473,155
Preference shares	8.4	3,250	(3,250)	–	–	3,250	(3,250)	–	–
		25,399,876	(439,954)	(846,358)	24,113,564	6,200,474	(364,171)	(237,274)	5,599,029
Held-to-maturity securities									
Commercial paper		–	–	–	–	59,812	–	–	59,812
		–	–	–	–	59,812	–	–	59,812
Total investments		25,399,876	(439,954)	(846,358)	24,113,564	6,520,338	(364,171)	(237,307)	5,918,860

8.2 Investments by segments:

(Rupees in '000)

		2018				2017			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Federal government securities									
Market Treasury Bills		996,157	–	(617)	995,540	3,210,693	–	(56)	3,210,637
Pakistan Investment Bonds		18,821,644	–	(325,643)	18,496,001	39,269	–	424	39,693
		19,817,801	–	(326,260)	19,491,541	3,249,962	–	368	3,250,330
Ordinary Shares									
Listed companies		2,095,493	(189,648)	(391,638)	1,514,207	1,059,728	(110,996)	(206,394)	742,338
Unlisted companies		45,331	(21,331)	–	24,000	141,331	(21,331)	–	120,000
		2,140,824	(210,979)	(391,638)	1,538,207	1,201,059	(132,327)	(206,394)	862,338
Preference shares		3,250	(3,250)	–	–	3,250	(3,250)	–	–
Non-government debt securities									
Listed		1,078,798	(16,392)	(3,684)	1,058,722	19,261	(19,261)	–	–
Unlisted		1,556,784	(209,333)	–	1,347,451	1,482,558	(209,333)	–	1,273,225
		2,635,582	(225,725)	(3,684)	2,406,173	1,501,819	(228,594)	–	1,273,225
Units of mutual funds		802,419	–	(124,776)	677,643	504,436	–	(31,281)	473,155
Commercial paper		–	–	–	–	59,812	–	–	59,812
Total investments		25,399,876	(439,954)	(846,358)	24,113,564	6,520,338	(364,171)	(237,307)	5,918,860

8.2.1 Investments given as collateral

	2018			2017		
	Cost / amortised cost	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Surplus / (deficit)	Carrying value
	(Rupees in '000)					
Pakistan Investment Bonds	**17,122,100**	**(194,249)**	**16,927,851**	–	–	–
Term finance / sukuks certificates	**739,824**	**–**	**739,824**	650,000	–	650,000
	17,861,924	**(194,249)**	**17,667,675**	650,000	–	650,000

8.3 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield of 8.61% (2017: 5.90% to 5.99%) per annum and will mature within 3 months (2017: 3 months). Pakistan Investment Bonds carry mark-up ranging between 7.00% and 12.00% (2017: 6.24% to 12.09%) per annum on a semi-annual basis and will mature within 8 years. Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.4 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs. 10 each which carry dividend at the rate of 6 months Kibor + 1% per annum.

8.5 Provision for diminution in value of investments

	2018	2017
	(Rupees in '000)	
8.5.1 Opening balance	**364,171**	276,160
Charge / reversals		
Charge for the year	**103,144**	88,011
Reversal on disposals	**(27,361)**	–
	75,783	88,011
Closing balance	**439,954**	364,171

8.5.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non-performing investments	**Provision**	Non-performing investments	Provision
	(Rupees in '000)			
Domestic				
Loss	**269,366**	**225,725**	272,235	228,594

8.6 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

(Rupees in '000)

	2018	2017
	Cost	
Federal government securities - government guaranteed		
Market Treasury Bills	**996,157**	3,210,693
Pakistan Investment Bonds	**18,821,644**	39,269
	19,817,801	3,249,962
Ordinary shares		
Listed companies		
Oil and gas marketing / exploration companies	**47,198**	–
Commercial banks	**147,970**	63,261
Power generation and distribution	**350,045**	206,975
Cement	**249,528**	129,068
Chemicals	**126,093**	105,196
Automobile assembler	**24,153**	47,142
Engineering	**373,776**	130,631
Fertilizer	**20,698**	17,833
Food and personal care products	**227,501**	115,317
Cable and electrical goods	**222,952**	60,320
Insurance	**–**	4,947
Pharmaceuticals	**35,582**	40,381
Textile composite	**228,732**	94,091
Textile weaving	**16,391**	19,950
Glass and ceramics	**9,778**	–
Investment Banks / Investment Companies / Securities Companies	**15,096**	8,205
	2,095,493	1,043,317

(Rupees in '000)

	2018		2017	
	Cost	**Breakup value**	Cost	Breakup value
Unlisted companies				
OBS Pakistan (Private) Limited	**24,000**	**38,569**	120,000	129,632
Pakistan Mercantile Exchange Limited	**21,331**	**(2,566)**	21,331	(5,354)
	45,331	**36,003**	141,331	124,278

(Rupees in '000)

	2018	2017
	Cost	
Non-government debt securities		
Listed		
- AAA	**462,406**	–
- AA+, AA, AA-	**600,000**	–
- A+, A, A-	**–**	–
- CCC and below	**–**	–
- Unrated	**16,392**	19,261
	1,078,798	19,261
Unlisted		
- AA+, AA, AA-	**1,049,855**	814,767
- A+, A, A-	**253,715**	374,817
- BBB+, BBB, BBB-	**–**	40,000
- Unrated	**253,214**	252,974
	1,556,784	1,482,558
Preference shares		
Trust Investment Bank Limited	**3,250**	3,250

(Rupees in '000)

	2018	2017
	Amortised cost	
Units of mutual funds - listed		
A+	**–**	10,066
AA	**–**	102,163
A	**–**	10,341
Unrated	**802,419**	381,866
	802,419	504,436
Equity securities		
Listed		
Oil and gas marketing companies		
Sui Northern Gas Pipelines Limited	**47,198**	–
Commercial banks		
Askari Bank Limited	**–**	10,866
Bank Alfalah Limited	**918**	–
Bank of Punjab	**6,554**	–
MCB Bank Limited	**32,915**	–
Habib Bank Limited	**107,583**	52,395
Power generation and distribution		
The Hub Power Company Limited	**43,900**	22,125
K-Electric Limited	**106,900**	78,932
Kot Addu Power Company Limited	**54,141**	38,139
Nishat Power Limited	**145,104**	67,779
Cement		
Cherat Cement Company Limited	**39,386**	–
D.G. Khan Cement Company Limited	**123,268**	43,633
Dewan Cement Limited	**–**	85,435
Fauji Cement Company Limited	**40,213**	–
Lucky Cement Limited	**11,090**	–
Maple Leaf Cement Factory Limited	**35,571**	–
Chemicals		
Agritech Limited	**49,506**	49,507
Berger Paints Pakistan Limited	**41,660**	17,982
Buxly Paints Limited	**11,117**	14,652
Ghani Gases Limited	**–**	23,055
ICI Pakistan Limited	**23,810**	–

(Rupees in '000)

	2018	2017
	Cost	
Automobile assembler		
Ghandara Nissan Limited	**24,153**	47,142
Engineering		
Aisha Steel Mills Limited	**35,940**	11,950
Amreli Steels Limited	**78,108**	25,561
Crescent Steel and Allied Products Limited	**90,312**	37,756
International Industries Limited	**106,960**	45,212
Mughal Iron and Steel Industries Limited	**20,873**	10,152
International Steels Limited	**41,583**	–
Fertilizer		
Engro Fertilizers Limited	**–**	17,833
Fauji Fertilizer Bin Qasim Limited	**10,311**	–
Fauji Fertilizer Company Limited	**10,387**	–
Food and personal care products		
Al Shaheer Corporation Limited	**31,160**	51,191
Engro Foods Limited	**80,220**	64,126
Bunny's Limited	**116,121**	–
Cable and electrical goods		
Pak Elektron Limited	**222,952**	60,320
Insurance		
IGI Holdings Limited	**–**	4,947
Pharmaceuticals		
Ferozsons Laboratories Limited	**35,582**	39,441
The Searle Company Limited	**–**	940
Textile composite		
Kohinoor Textile Mills Limited	**107,407**	46,105
Nishat (Chunian) Limited	**34,396**	–
Towellers Limited	**55,422**	47,986
Nishat Mills Limited	**31,507**	–
Textile weaving		
Zephyr Textile Limited	**16,391**	19,950
Glass and ceramics		
Shabbir Tiles and Ceramics Limited	**9,778**	–
Investment banks / investment companies / securities companies		
Pakistan Stock Exchange Limited	**11,845**	4,955
Trust Investment Bank Limited	**3,251**	3,250
	2,095,493	1,043,317
Unlisted		
OBS Pakistan (Private) Limited	**24,000**	120,000
Pakistan Mercantile Exchange Limited	**21,331**	21,331
	45,331	141,331

8.7 Particulars relating to held to maturity securities are as follows:

	2018	2017
Non-government debt securities		
Unlisted and unrated		
Commercial paper	**–**	59,812

8.7.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Nil (2017: 59.812 million).

9 ADVANCES

	Note	Performing 2018	Performing 2017	Non-performing 2018	Non-performing 2017	Total 2018	Total 2017
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	**20,594,638**	18,121,778	**592,529**	**953,997**	21,187,167	19,075,775
Islamic financing and related assets	9.2	**742,470**	545,367	**–**	–	742,470	545,367
Advances - gross		**21,337,108**	18,667,145	**592,529**	953,997	**21,929,637**	19,621,142
Provision against advances							
- Specific		**–**	–	**309,684**	287,826	**309,684**	287,826
– General		**5,372**	1,408	**–**	–	**5,372**	1,408
		5,372	1,408	**309,684**	287,826	**315,056**	289,234
Advances - net of provision		**21,331,736**	18,665,737	**282,845**	666,171	**21,614,581**	19,331,908

9.1 This includes net investment in finance lease as disclosed below:

	2018 Not later than one year	2018 Later than one year and less than five years	2018 Over five years	2018 Total	2017 Not later than one year	2017 Later than one year and less than five years	2017 Over five years	2017 Total
	(Rupees in '000)							
Lease rentals receivable	**733,757**	**1,023,041**	**–**	**1,756,798**	486,388	497,839	–	984,227
Residual value	**211,519**	**319,223**	**–**	**530,742**	123,745	213,066	–	336,811
Minimum lease payments	**945,276**	**1,342,264**	**–**	**2,287,540**	610,133	710,905	–	1,321,038
Finance charges for future periods	**(151,107)**	**(140,184)**	**–**	**(291,291)**	(74,942)	(46,481)	–	(121,424)
Present value of minimum lease payments	**794,169**	**1,202,080**	**–**	**1,996,249**	535,191	664,424	–	1,199,614

These leases are executed for a term of 1.5 to 5 years. Security deposits have been obtained within a range of 0% to 50% of the cost of investment at the time of disbursement and have been recorded in other liabilities. The rate of return ranges from 11.00% to 20.00% per annum (2017: 6.20% to 18.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are insured in favour of the Company.

9.2 This includes contractual rentals receivable on musharika and diminishing musharika finance facilities provided under long-term arrangements the details of which are provided below:

	2018 Not later than one year	2018 Later than one year and less than five years	2018 Over five years	2018 Total	2017 Not later than one year	2017 Later than one year and less than five years	2017 Over five years	2017 Total
	(Rupees in '000)							
Principal repayments in respect of:								
- Musharika finance (note 9.2.1)	**356,836**	**85,634**	**–**	**442,470**	139,923	205,444	–	345,367
- Diminishing Musharika finance (note 9.2.2)	**20,000**	**257,222**	**22,778**	**300,000**	–	140,000	60,000	200,000
	376,836	**342,856**	**22,778**	**742,470**	139,923	345,444	60,000	545,367
Profit repayments in respect of:								
– Musharika finance (note 9.2.1)	**32,879**	**10,197**	**–**	**43,076**	27,560	20,179	–	47,738
- Diminishing Musharika finance (note 9.2.2)	**40,920**	**83,488**	**1,504**	**125,912**	22,320	65,890	6,696	94,906
	73,799	**93,685**	**1,504**	**168,988**	49,880	86,069	6,696	142,644
	450,635	**436,541**	**24,282**	**911,458**	189,803	431,513	66,696	688,011

9.2.1 The Group has provided Musharika Finance facilities to several customers for various purposes. The agreed share in the purchase of the assets between the Group and the customers ranges from 74.4% to 99% (2017: 74.4% to 97.4%) and 1% to 25.6% (2017: 2.6% to 26%) respectively. The customers have either transferred the titles of the assets in the name of the Group or the assets are held in trust by Agent, being related party of the Group, appointed in terms of Inter-Creditor and Security Sharing Arrangement Agreement (the agreement) for and on behalf of Group to the extent of its interest defined in the said agreement. The combined forced sales value of the underlying assets as security amounts to Rs. 512.86 million (2017: Rs. 529.37 million) in aggregate. The Group has also obtained various securities against these facilities including personal guarantees of sponsors / directors of customers, post dated cheques issued by customers, hypothecation of assets amounting in aggregate to Rs. 533.67 million (2017: Rs. 267 million). Further, in case of a customer, the Group holds 42 million (2017: Rs. 42 million) ordinary shares of a scheduled bank as pledge and lien on debt collection account as a security.

These facilities carry profit ranging from 3 months KIBOR plus 1.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by November 15, 2021.

9.2.2 The Group has provided Diminishing Musharika Finance facility to its corporate customers for various purposes. The facilities are secured against various collaterals which mainly include mortgage of personal properties of sponsors and/or their associates, first pari passu hypothecation charge over the present and future fixed assets (including plant and machinery and land and building), present and future current assets, lien on debt collection accounts of the customers, personal guarantees of the sponsors, etc.

These facilities carry profit ranging from 3 months KIBOR plus 2.5% to 6 months KIBOR plus 5% and are due to mature on various dates latest by April 20, 2024.

9.3 Particulars of advances (gross)

	2018	2017
	(Rupees in '000)	
In local currency	**21,929,637**	19,621,142
In foreign currencies	**–**	–
	21,929,637	19,621,142

9.4 Advances include Rs. 592.529 million (2017: Rs. 953.997 million) which have been placed under the non-performing status as detailed below:

(Rupees in '000)

Category of classification	Note	2018 Non-performing Loans	2018 Provision	2017 Non-performing Loans	2017 Provision
Domestic					
Other Assets Especially Mentioned	9.4.1	**12,451**	**1,245**	–	–
Substandard		**–**	**–**	196,363	8,335
Doubtful		**81,477**	**29,739**	309,918	63,403
Loss		**498,601**	**278,700**	447,716	216,088
Total		**592,529**	**309,684**	953,997	287,826

9.4.1 The 'Other Assets Especially Mentioned' category pertains to small enterprise finance amounting to Rs. 12.451 million (December 31, 2017: Rs. Nil).

9.5 Particulars of provision against advances

(Rupees in '000)

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
Opening balance	**287,826**	**1,408**	**289,234**	235,191	899	236,090
Charge for the year	**193,853**	**5,212**	**199,065**	84,228	509	84,737
Reversals	**(171,995)**	**(1,248)**	**(173,243)**	(31,593)	–	(31,593)
	21,858	**3,964**	**25,822**	52,635	509	53,144
Amounts written off	**–**	**–**	**–**	–	–	–
Closing balance	**309,684**	**5,372**	**315,056**	287,826	1,408	289,234

9.5.1 Particulars of provision against advances

(Rupees in '000)

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**309,684**	**5,372**	**315,056**	287,826	1,408	289,234
In foreign currencies	**–**	**–**	**–**	–	–	–
	309,684	**5,372**	**315,056**	287,826	1,408	289,234

9.5.2 The Group has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 230.901 million (December 31, 2017: Rs. 357.727 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.5.3 The State Bank of Pakistan vide its circular no. 9 of 2017 dated December 22, 2017 removed the requirement of maintaining general reserve equal to 1% against secured Small Enterprise (SE) portfolio, while general reserve to be maintained against unsecured SE portfolio has been reduced from 2% to 1%. Currently, the Holding Company does not have any unsecured SE portfolio. Primus Leasing Limited, on the other hand, maintains general provision against its loans and leases portfolio at 1 percent of the outstanding amount.

9.6 Details of loans written-off of Rs.500,000 and above

Detail are given at Annexure -1.

10 FIXED ASSETS

	Note	2018	2017
		(Rupees in '000)	
Capital work-in-progress	10.1	**4,528**	970
Property and equipment	10.2	**23,949**	24,018
		28,477	24,988

10.1 Capital work-in-progress

Leasehold improvements	**–**	970
Advance against purchase of motor vehicles	**4,528**	–
	4,528	970

10.2 Property and equipment

(Rupees in '000)

	Note	2018					
		Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2018							
Cost		**43,241**	**18,297**	**31,116**	**23,028**	**452**	**116,134**
Accumulated depreciation		**(42,654)**	**(16,148)**	**(20,866)**	**(12,138)**	**(310)**	**(92,116)**
Net book value		**587**	**2,149**	**10,250**	**10,890**	**142**	**24,018**
Year ended December 2018							
Opening net book value		**587**	**2,149**	**10,250**	**10,890**	**142**	**24,018**
Additions		**5,020**	**4,182**	**2,169**	**64**	**174**	**11,609**
Disposals	10.2.1	**–**	**(17)**	**–**	**–**	**(156)**	**(173)**
Depreciation charge for the year		**(1,162)**	**(1,219)**	**(4,632)**	**(4,349)**	**(143)**	**(11,505)**
Closing net book value	10.2.2	**4,445**	**5,095**	**7,787**	**6,605**	**17**	**23,949**
At December 31, 2018							
Cost		**48,261**	**22,462**	**33,285**	**23,092**	**470**	**127,570**
Accumulated depreciation		**(43,816)**	**(17,367)**	**(25,498)**	**(16,487)**	**(453)**	**(103,621)**
Net book value	10.2.2	**4,445**	**5,095**	**7,787**	**6,605**	**17**	**23,949**
Rate of depreciation (percentage)		**20%**	**20%**	**20% - 50%**	**25%**	**50%**	**–**

(Rupees in '000)

	Note	2017					
		Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Mobile phones	Total
At January 1, 2017							
Cost		43,187	16,648	25,482	20,322	327	105,966
Accumulated depreciation		(40,707)	(15,607)	(17,170)	(7,856)	(146)	(81,486)
Net book value		2,480	1,041	8,312	12,466	181	24,480
Year ended December 2017							
Opening net book value		2,480	1,041	8,312	12,466	181	24,480
Additions		54	1,649	5,653	2,706	136	10,198
Disposals		–	–	(19)	–	(11)	(30)
Depreciation charge for the year		(1,947)	(541)	(3,696)	(4,282)	(164)	(10,630)
Closing net book value	10.2.2	587	2,149	10,250	10,890	142	24,018
At December 31, 2017							
Cost		43,241	18,297	31,116	23,028	452	116,134
Accumulated depreciation		(42,654)	(16,148)	(20,866)	(12,138)	(310)	(92,116)
Net book value	10.2.2	587	2,149	10,250	10,890	142	24,018
Rate of depreciation (percentage)		20%	20%	20% - 50%	25%	50%	–

10.2.1 Details of disposal made to related parties

(Rupees in '000)

Particulars of assets	Cost	Book value	Sale price	Mode of disposal	Particular of purchaser
Laptop	162	–	25	Sale	Various employees
Mobile phones	134	15	15	Sale	Various employees
2018	**296**	**15**	**40**		
2017	–	–	–		

10.2.2 The cost of fully depreciated fixed assets that are still in the Group's use is as follows:

	Note	2018	2017
		(Rupees in '000)	
Leasehold improvements		**42,321**	42,321
Furniture and fixtures		**13,638**	13,518
Electrical, office and computer equipment		**14,882**	12,524
Vehicles		**4,649**	3,090
Mobile phones		**–**	119
		75,490	71,572

11 INTANGIBLE ASSETS

	Note	2018	2017
Intangible assets	11.1	**5,402**	1,306
Capital work-in-progress	11.2	**1,469**	2,009
		6,871	3,315

11.1 Intangible assets

	Note	2018	2017
		(Rupees in '000)	
		Computer software	
At January 1			
Cost		**15,289**	14,660
Accumulated amortisation		**(13,983)**	(13,062)
Net book value		**1,306**	1,598
Year ended December 31			
Opening net book value		**1,306**	1,598
Additions - directly purchased		**5,581**	629
Amortisation charge		**(1,485)**	(921)
Closing net book value		**5,402**	1,306
At December 31			
Cost	11.1.1	**20,870**	15,289
Accumulated amortisation		**(15,468)**	(13,983)
Net book value		**5,402**	1,306
Rate of amortisation (percentage)		**33.33%**	33.33%
Useful life (in years)		**3**	3

11.1.1 The cost of fully amortised assets still in use amounts to Rs. 13.137 million (2017: Rs. 12.133 million).

11.2 Capital work-in-progress

	2018	2017
	(Rupees in '000)	
Software	**1,454**	2,009

12 DEFERRED TAX ASSETS

(Rupees in '000)

	2018			
	At January 1, 2018	**Recognised in profit and loss account**	**Recognised in OCI**	**At December 31 2018**
Deductible temporary differences on				
- Post retirement employee benefits	**595**	**–**	**76**	**671**
- Provision for diminution in the value of investments	**88,915**	**10,120**	**–**	**99,035**
- Provision against advances, other assets, etc.	**86,770**	**4,597**	**–**	**91,367**
- Deficit on revaluation of investments	**35,530**	**–**	**137,616**	**173,146**
- Unrealised loss on revaluation	**578**	**(578)**	**–**	**–**
- Net investment in finance lease	**(9,492)**	**12,070**	**–**	**2,578**
- Preliminary expenses	**2,831**	**(778)**	**–**	**2,053**
- Tax losses carried forward	**117**	**(117)**	**–**	**–**
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	**340**	**248**	**–**	**588**
- Provision for bonus	**–**	**9,926**	**–**	**9,926**
	206,184	**35,488**	**137,692**	**379,364**
Taxable temporary differences on				
- Amortization of discount on investments	**(17,397)**	**(43,310)**	**–**	**(60,707)**
- Accelerated tax depreciation	**1,663**	**(5,612)**	**–**	**(3,949)**
- Short-term investments - net	**(944)**	**944**	**–**	**–**
	(16,678)	**(47,978)**	**–**	**(64,656)**
	189,506	**(12,490)**	**137,692**	**314,708**

(Rupees in '000)

	2017			
	At January 1, 2017	Recognised in profit and loss account	Recognised in OCI	At December 31, 2017
Deductible temporary differences on				
- Post retirement employee benefits	(736)	–	1,331	595
- Provision for diminution in the value of investments	66,316	22,599	–	88,915
- Provision against advances, other assets, etc.	70,827	15,943	–	86,770
- Deficit on revaluation of investments	21,967	–	13,563	35,530
- Unrealised loss on revaluation	–	578	–	578
- Accelerated tax depreciation	1,590	73	–	1,663
- Preliminary expenses	–	2,831	–	2,831
- Tax losses carried forward	–	117	–	117
- Excess of minimum tax and Alternate Corporate Tax over corporate tax	–	340	–	340
- Provision for bonus	9,000	(9,000)	–	–
	168,964	33,481	14,894	217,339
Taxable temporary differences on				
- Amortization of discount on investments	(26,633)	9,236	–	(17,397)
- Net investment in finance lease	(33,960)	24,468	–	(9,492)
- Investments in associates	(7,147)	7,147	–	–
- Short-term investments - net	–	(944)	–	(944)
	(67,740)	39,907	–	(27,833)
	101,224	73,388	14,894	189,506

13 OTHER ASSETS

	Note	2018	2017
		(Rupees in '000)	
Income / mark-up accrued in local currency		**926,168**	196,617
Advances, deposits, advance rent and other prepayments		**79,458**	50,161
Advance taxation (payments less provisions)		**277,473**	210,291
Advance against subscription of term finance certificates	13.1	**350,000**	–
Investment in AWT Investments Limited - classified as held for sale	13.2	**–**	94,019
Unrealized gain on fair value option	13.2	**–**	14,285
Receivable against sale of shares		**164,044**	–
Receivable against advisory fee		**70,291**	101,512
Receivable from defined benefit plan - related party		**–**	4,103
Non-banking asset acquired in satisfaction of claims	13.3	**28,525**	–
Receivable from AWT Investments Limited		**4,835**	2,535
Dividend receivable		**758**	–
		1,901,552	673,523
Less: Provision held against other assets		**–**	–
		1,901,552	673,523

13.1 This denotes investments of Rs. 300 million and Rs. 50 million made in the pre-IPO of Term Finance Certificates issued by United Bank Limited and Dubai Islamic Bank Pakistan Limited respectively.

13.2 On October 13, 2017, the Board of Directors of the Holding Company approved the divestment of its residual 30% shareholding in AWTIL through the exercise of the put option contained in the shareholders' agreement dated December 14, 2016 at an exercise price of Rs. 15.45 per share less discount of 6.53% on the said price.

The option was formally exercised and communicated to AWT on October 24, 2017 and the final settlement amount was agreed to be Rs. 108.304 million by the two parties. The transaction was subject to a requisite regulatory approval from the Securities and Exchange Commission of Pakistan which was obtained on March 5, 2018. With the completion of certain formalities by the Holding Company and AWT during the year, proceeds against the sale of investments were recovered and shares were transferred in favour of AWT on August 2, 2018.

13.3 Non-banking asset acquired in satisfaction of claims

	2018	2017
	(Rupees in '000)	
Opening balance	**–**	–
Additions during the year	**28,525**	145,260
Disposals during the year	**–**	(145,260)
Closing balance	**28,525**	–

14 BORROWINGS

	Note	2018	2017
		(Rupees in '000)	
Secured			
Borrowings from State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	14.2	**5,347,670**	3,745,152
- Power Plants Using Renewable Energy (PPRE) scheme		**183,156**	229,056
- Finance for Storage of Agriculture Produce (FSAP) scheme		**320,981**	359,250
		5,851,807	4,333,458
Repurchase agreement borrowings	14.3	**4,954,100**	–
Borrowings from banks	14.4	**16,301,946**	5,459,625
Total secured		**27,107,853**	9,793,083
Unsecured			
Letters of placement:	14.5	**9,199,346**	4,183,000
		36,307,199	13,976,083

14.1 Particulars of borrowings with respect to currencies

In local currency	**36,307,199**	13,976,083
In foreign currencies	**–**	–
	36,307,199	13,976,083

14.2 The Holding Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Holding Company at the due date by directly debiting the current account maintained by the Holding Company with SBP. The rate of return ranges from 2.00% to 8.40% per annum (2017: 2.00% to 8.40% per annum). These are secured against demand promissory notes and are repayable within 10 years (2017: 6 years).

14.3 These represent borrowings from various financial institutions at mark-up rates ranging from 5.49% to 10.51% per annum (2017: Nil). Pakistan Investment Bonds having a face value of Rs. 5,000 million (2017: Nil) have been given as collateral against these borrowings.

14.4 These carry mark-up at rates ranging from 6.09% to 10.94% per annum (2017: 6.23% to 6.71% per annum) and are repayable within 5 year (2017: 4 years). These are secured against hypothecation of receivables and floating charge over term finance certificates and Pakistan Investment Bonds having a face value of Rs. 740 million (2017: 650 million) and Rs. 12,122 million (2017: Nil) respectively.

14.5 These carry mark-up at rates ranging from 10.50 % to 11.30 % per annum (2017: 6.10% to 6.50% per annum) and are repayable within 2 months (2017: 3 months).

15 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
- Certificate of investments (COIs)	**725,403**	**–**	**725,403**	500,000	–	500,000
Financial Institutions						
- Certificate of investments (COIs)	**–**	**–**	**–**	4,251,164	–	4,251,164
	725,403	**–**	**725,403**	4,751,164	–	4,751,164

15.1 Composition of deposits

	Note	2018	2017
		(Rupees in '000)	
- Public Sector Entities		**500,403**	500,000
- Non-Banking Financial Institutions		**–**	4,251,164
- Private Sector		**225,000**	–
		725,403	4,751,164

16 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		**279,907**	88,999
Unearned commission and income on bills discounted		**25,976**	20,075
Accrued expenses		**78,335**	51,143
Brokerage / commission payable		**1,613**	621
Payable against purchase of shares		**362,031**	148,411
Security deposits against advances		**511,534**	302,823
Provision for Sindh Worker's Welfare Fund	26.1	**103,466**	88,927
Payable to defined benefit plan - related party	32.4	**261**	–
Sindh sales tax payable on modaraba management fee	16.1	**5,515**	2,768
Taxation payable		**223**	–
Unclaimed dividend		**155**	50
Others		**14,900**	34,385
		1,383,916	738,202

16.1 AMML has recorded a provision in respect of Sindh Sales Tax (SST) on management fee at the rate of 14% per annum from July 1, 2015 to June 30, 2016 and at the rate of 13% subsequently. However, certain other Modaraba Management Companies have filed petitions in the Sindh High Court (SHC) challenging the orders passed by various income tax authorities regarding the applicability of tax on modaraba management company's remuneration which is currently pending adjudication. In view of the pendency of such matter with the SHC, AMML has not recovered from AM and has, hence, not paid / discharged SST on management fee. However, a full provision has been maintained thereagainst in these consolidated financial statements.

17 SHARE CAPITAL

17.1 Authorized capital

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

17.2 Issued, subscribed and paid-up capital

		Ordinary shares		
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000

17.3 As at December 31, 2018 and 2017, the Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, held 299,995,999 and 4,001 shares (2017: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and the remaining 300,000,000 shares (2017: 300,000,000 shares) were held by the Brunei Investment Agency.

18 DEFICIT ON REVALUATION OF ASSETS

	Note	2018	2017
		(Rupees in '000)	
Deficit on revaluation of			
- Available-for-sale securities	8.2	**(846,358)**	(237,274)
Deferred tax on deficit on revaluation of:			
- Available-for-sale securities		**173,146**	35,530
		(673,212)	(201,744)

19 CONTINGENCIES AND COMMITMENTS

- Guarantees	19.1	**765,541**	–
- Commitments	19.2	**7,246,111**	7,714,184
- Other contingent liabilities	19.3	**–**	341,898
		8,011,652	8,056,082

19.1 Guarantees

Financial guarantees		**765,541**	–

19.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		**335,802**	2,008,754
Commitments in respect of:			
- government securities	19.2.1	**–**	1,722,024
- repo transactions	19.2.2	**5,004,044**	–
- forward lendings	19.2.3	**1,906,265**	3,983,406
		7,246,111	7,714,184

19.2.1 Commitments in respect of government securities

Sale		**–**	1,722,024

19.2.2 Commitments in respect of repo transactions

	2018	2017
	(Rupees in '000)	
Repurchase of government securities	**5,004,044**	–

19.2.3 Commitments in respect of forward lendings

	2018	2017
Undrawn formal standby facilities, credit lines and other commitments to lend	**1,906,265**	3,983,406

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Company without the risk of incurring significant penalty or expense.

19.3 Other contingent liabilities

	2018	2017
	(Rupees in '000)	
Claims against the Company not acknowledged as debts	**–**	341,898

19.3.1 In 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs. 200 million for damages against the Holding Company for alleged non-performance of underwriting commitment in respect of issue of shares at a premium. The legal advisors of the Holding Company are of the opinion that the Holding Company has a strong case and that the matter will most likely be decided in favour of the Holding Company.

19.3.2 The returns of income of the Holding Company from tax years 2008 to 2018 had been filed with the tax authorities. From tax year 2008 upto tax year 2017, these returns have been revised and additional tax demands have been raised of which Rs. 559.245 million are outstanding as at December 31, 2018. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Holding Company is contesting these demands and appeals have been filed by the Holding Company against the same which are pending adjudication at various legal and appellate forums. The Holding Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note13). The management is confident that the matters will eventually be decided in favour of the Holding Company and that the Holding Company will be able to adjust amounts in respect of matters decided against the Holding Company (if any) against the tax refunds currently being claimed by it.

20 MARK-UP / RETURN / INTEREST EARNED

	2018	2017
	(Rupees in '000)	
On:		
a) Loans and advances	**1,462,206**	1,043,798
b) Investments	**1,107,139**	473,550
c) Lendings to financial institutions	**66,666**	23,450
d) Balances with banks	**23,074**	37,638
	2,659,085	1,578,436

21 MARK-UP / RETURN / INTEREST EXPENSED

	Note	2018	2017
		(Rupees in '000)	
Deposits		**159,937**	116,562
Borrowings		**1,587,547**	791,582
		1,747,484	908,144

22 FEE AND COMMISSION INCOME

Advisory / arrangement fee		**134,292**	127,788
Processing fee income		**5,690**	1,888
Participation fee		**1,979**	–
Commitment fee		**6,811**	1,225
Commission on letters of credit		**7**	2,265
Trustee fee		**47,988**	37,478
Front end fee		**1,646**	632
		198,413	171,276

23 (LOSS) / GAIN ON SECURITIES

Realised	23.1	**(67,658)**	224,899
Unrealised - held for trading		**–**	(33)
		(67,658)	224,866

23.1 Realised (loss) / gain on:

Federal government securities		**(5,951)**	14,798
Shares		**(65,101)**	151,168
Non-government debt securities		**(119)**	561
Subsidiaries	23.1.1	**–**	58,372
Mutual funds		**3,513**	–
		(67,658)	224,899

23.1.1 This includes Rs. nil (2017: Rs. 58.304 million) on disposal of shares of AWT Investments Limited.

24 OTHER INCOME

	Note	2018	2017
		(Rupees in '000)	
Gain on reclassification of AWT Investments Limited as associate		**–**	19,019
Rent on property		**150**	–
Gain on sale of fixed assets - net		**34**	77
Unrealized gain on fair value option	13.2	**–**	14,285
Gain on sale of non-banking asset acquired against satisfaction of claims		**–**	9,287
Others		**51**	133
		235	42,801

25 OPERATING EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Total compensation expense		**277,352**	206,298
Property expense			
Rent and taxes		**36,688**	21,122
Insurance		**7,163**	4,746
Security		**1,476**	1,530
Utilities cost		**3,817**	4,655
Repairs and maintenance (including janitorial charges)		**11,691**	16,364
Depreciation		**1,162**	1,947
		61,997	50,364
Information technology expenses			
Software maintenance		**6,182**	5,286
Hardware maintenance		**744**	812
Depreciation		**3,433**	2,553
Amortisation	11.1	**1,485**	921
		11,844	9,572
Other operating expenses			
Directors' fees and allowances		**4,960**	4,628
Fees and subscription		**2,063**	1,848
Legal and professional charges		**19,720**	15,763
Travelling and conveyance		**34,471**	30,242
Brokerage commission		**9,587**	11,960
Depreciation		**6,910**	6,129
Training and development		**603**	1,315
Postage and courier charges		**387**	359
Communication		**3,695**	3,173
Stationery and printing		**4,741**	2,481
Marketing, advertisement and publicity		**1,617**	1,078
Donations	25.2	**1,565**	1,000
Auditors' remuneration	25.3	**6,717**	2,569
Others		**8,000**	5,189
Provision for Sindh sales tax on management company's remuneration	16.1	**2,747**	2,309
Preliminary expenses		**–**	11,796
		107,783	101,839
		458,976	368,073

25.1 The Group does not have any material outsourcing arrangements.

25.2 Details of donations

	2018	2017
	(Rupees in '000)	
Donations individually exceeding Rs. 500,000		
Aman Health Care Foundation Centre	**1,500**	–
Infaq Foundation	**–**	1,000
Donations individually not exceeding Rs. 500,000	**65**	–
	1,565	1,000

25.3 Auditors' remuneration

	Note	2018	2017
		(Rupees in '000)	
Audit fee for		**1,068**	925
Half yearly review fee		**425**	300
Fee for audit of employee funds		**30**	–
Special certifications and sundry advisory services		**4,216**	438
Out-of-pocket expenses		**480**	773
Sindh Sales Tax		**498**	133
		6,717	2,569

26 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund	26.1	**14,539**	17,404

26.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the Group has maintained a provision for SWWF in the consolidated financial statements amounting to Rs. 103.466 million which includes a provision of Rs. 14.539 million for the current year.

27 PROVISIONS AND WRITE OFFS - NET

	Note	2018	2017
		(Rupees in '000)	
Provision for diminution in value of investments - net	8.5.1	**75,783**	88,011
Provisions against loans and advances	9.5	**25,822**	53,144
		101,605	141,155

28 TAXATION

Current		**178,760**	230,091
Prior years	28.1	**52,746**	40,533
Deferred		**12,490**	(73,388)
		243,996	197,236

28.1 This includes Rs. 22.155 million (2017: Rs. 38.920 million) in respect of super tax for rehabilitation of temporarily displaced person at the rate of 3% of the taxable income of the Holding Company for Tax Year 2018 (accounting year ended December 31, 2017).

28.2 Relationship between tax expense and accounting profit

	2018	2017
	(Rupees in '000)	
Accounting profit before tax	**515,468**	658,376
Tax rate	**29%**	30%
Tax on accounting profit	**149,486**	197,513
Tax effect of:		
Income chargeable to tax at special rate	**(901)**	(54,516)
Income exempt from tax	**(1,035)**	(8,585)
Permanent differences	**19,318**	13,990
Super tax for the current year	**12,715**	–
Prior year charge	**52,746**	40,533
Effect of change in tax rate	**(1,876)**	(1,084)
Others	**13,543**	9,385
	243,996	197,236

29 BASIC EARNINGS PER SHARE

	2018	2017
	(Rupees in '000)	
29.1.1 From continuing operation		
Profit for the year after taxation from continuing operation	**271,472**	461,140
	(Numbers in '000)	
Weighted average number of ordinary shares	**600,000**	600,000
	(Rupees in '000)	
Basic earnings per share	**0.4525**	0.7686

	2018	2017
29.1.2 From discontinued operation	(Rupees in '000)	
Profit taxation from discontinued operation	**–**	2,721
	(Numbers in '000)	
Weighted average number of ordinary shares (in '000)	**600,000**	600,000
	(Rupees in '000)	
Basic earnings per share	**–**	0.0045

29.2 Diluted earnings per share

Diluted earnings per share has not been presented separately as there were no convertible dilutive potential ordinary shares outstanding as on December 31, 2018 and 2017.

30 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and balance with treasury banks	5	**281,404**	337,751
Balance with other banks	6	**165,057**	349,770
Term deposit receipts (maturity within three months)	7.3	–	1,450,000
		446,461	2,137,521

31 STAFF STRENGTH

	(Numbers)	
Permanent	**77**	91
On Company's contract	**26**	15
Outsourced	**25**	27
Company's own staff strength at the end of the year	**128**	133

31.1 This includes 12 (2017:12) employees of outsourcing services companies who were assigned to the Holding Company as at the end of the year to perform primarily guarding and janitorial services.

32 DEFINED BENEFIT PLAN

32.1 General description

As mentioned in note 4.15, the Holding Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Holding Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

32.2 Number of employees under the defined benefit plan

	2018	2017
	(Number)	
The number of employees covered under the defined benefit plan as at December 31	**75**	60

32.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	(Per annum)	
Discount rate	**13.25%**	8.25%
Expected rate of salary increase	**13.25%**	8.25%

32.4 Reconciliation of payable to / (receivable from) defined benefit plan

	Note	2018	2017
		(Rupees in '000)	
Present value of obligation	32.6	**50,177**	42,980
Fair value of plan assets	32.7	**(49,916)**	(47,083)
Payable / (receivable)		**261**	(4,103)

32.5 Movement in defined benefit obligations

	Note	2018	2017
Obligations at the beginning of the year		**(4,103)**	(6,481)
Current service cost	32.8.1	**6,327**	5,688
Actual contributions by the Company		**(2,224)**	–
Benefits paid by the Company to outgoing members		**–**	(7,746)
Re-measurement loss recognised in OCI		**261**	4,436
Obligation at the end of the year		**261**	(4,103)

32.6 Movement in payable under defined benefit scheme

	Note	2018	2017
Opening balance		**42,980**	42,363
Charge for the year		**6,652**	6,277
Interest cost on defined benefit obligation		**3,741**	4,232
Re-measurement gain recognised in OCI during the year	32.8.2	**(3,196)**	(2,146)
Benefits paid by the Company to outgoing members		**–**	(7,746)
Closing balance		**50,177**	42,980

32.7 Movement in fair value of plan assets

	Note	2018	2017
Fair value at the beginning of the year		**47,083**	48,845
Interest income on plan assets		**4,066**	4,820
Contribution by the Company - net		**2,224**	–
Actual benefits paid from the fund during the year		**–**	–
Re-measurements: Net loss on plan assets over interest income	32.8.2	**(3,457)**	(6,582)
Fair value at the end of the year		**49,916**	47,083

32.8 Charge for defined benefit plan

32.8.1 Cost recognised in profit and loss account

	Note	2018	2017
Current service cost		**6,652**	6,277
Net interest income on defined benefit asset / liability		**(325)**	(589)
		6,327	5,688

32.8.2 Re-measurements recognised in OCI during the year

	Note	2018	2017
Loss / (gain) on obligation			
- financial assumptions		**1,099**	(247)
- experience adjustments		**(4,295)**	(1,899)
		(3,196)	(2,146)
Return on plan assets over interest income		**3,457**	6,582
Total re-measurements recognised in OCI		**261**	4,436

32.9 Components of plan assets

	Note	2018	2017
		(Rupees in '000)	
Cash and cash equivalents - net		**31**	549
Government securities		**42,246**	37,482
Mutual funds		**7,639**	9,052
		49,916	47,083

32.9.1 Description of risks

The defined benefit plan exposes the Holding Company to the following risks:

Withdrawal risks - This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks - This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks - This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - This is the risk that the final salary at the time of cessation of service is greater than what was assumed.

32.10 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	2018	2017
	(Rupees in '000)	
1% increase in discount rate	**(4,480)**	(4,267)
1% decrease in discount rate	**5,169**	4,985
1 % increase in expected rate of salary increase	**5,360**	5,156
1 % decrease in expected rate of salary increase	**(4,714)**	(4,483)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

32.11 Expected contributions to be paid to the funds in the next financial year 6,925

32.12 The expected charge for the next financial year commencing January 1, 2019 works out to Rs. 6.925 million (2017: Rs. 6.327 million).

32.13 Maturity profile

The weighted average duration of the obligation is 9 years (2017: 10 years).

32.14 Funding policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

33 DEFINED CONTRIBUTION PLANS

33.1 The Holding Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 10% per annum (2017: 10% per annum) of basic salaries are made both by the Holding Company and employees. Contributions made to the provident fund during the year are as follows:

	2018	2017
	(Rupees in '000)	
Contribution made by the Company	**7,500**	7,128
Contribution made by employees	**7,500**	7,128
	15,000	14,256

33.2 Details in respect of defined contributions plans of the subsidiaries are provided in note 4.15.2.

34 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF THE GROUP

	(Rupees in '000)							
	Chief Executive of the Holding Company		Chief Executives of the Subsidiaries		Directors		Executives*	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Fee for attending meetings	**–**	–	**–**	–	**4,585**	3,679	**–**	–
Managerial remuneration	**22,992**	22,828	**16,352**	9,407	**–**	–	**85,864**	70,435
Performance bonus	**–**	6,522	**7,022**	6,052	**–**	–	**–**	16,016
Charge for defined benefit plan	**1,073**	1,031	**2,205**	3,103	**–**	–	**4,852**	3,612
Contribution to defined contribution plan	**1,349**	1,349	**–**	–	**–**	–	**4,702**	3,991
Utilities	**425**	309	**–**	–	**–**	–	**3,012**	2,267
Medical allowance	**663**	712	**151**	39	**–**	–	**3,176**	3,360
Travelling allowance	**586**	413	**–**	–	**–**	–	**337**	194
Vehicle allowances	**–**	–	**–**	–	**–**	–	**–**	–
Other allowances	**–**	–	**4,788**	5,679	**–**	–	**9,371**	4,738
	27,088	33,164	**30,518**	24,280	**4,585**	3,679	**111,314**	104,613
Number of persons	**1**	1	**3**	3	**7**	5	**19**	18

* Executives mean employees, other than the Chief Executive Officer and directors, whose basic salary exceed Rs. 1.2 million (previously Rs. 0.5 million in a financial year). Prior year comparatives have been presented in line with the revised threshold applicable this year.

34.1 The Chief Executives are provided with Group maintained car.

34.2 In addition to the fees for attending the meetings, the directors are also provided with related travelling and accommodation.

35 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

35.1 Fair value of financial assets

The Group 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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates / sukuks certificates	Investments in listed debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the prices announced by the Pakistan Stock Exchange Limited.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

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 measurement is categorised:

	(Rupees in '000)				
	2018				
	Carrying / notional value	**Level 1**	**Level 2**	**Level 3**	**Total**
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	**19,491,541**	**–**	**19,491,541**	**–**	**19,491,541**
Shares	**1,514,207**	**1,514,207**	**–**	**–**	**1,514,207**
Non-Government debt securities	**2,406,173**	**–**	**2,406,173**	**–**	**2,406,173**
Units of mutual funds	**677,643**	**677,643**	**–**	**–**	**677,643**
Off-balance sheet financial instruments - measured at fair value					
Commitments in respect of repo transactions	**5,004,044**	**–**	**5,004,044**	**–**	**5,004,044**

	(Rupees in '000)				
	2017				
	Carrying / notional value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	3,250,330	–	3,250,330	–	3,250,330
Shares	742,338	742,338	–	–	742,338
Non-Government debt securities	1,273,225	–	1,273,225	–	1,273,225
Units of mutual funds	473,155	473,155	–	–	473,155
Off-balance sheet financial instruments - measured at fair value					
Commitments in respect of forward government securities transactions	1,722,024	–	1,722,024	–	1,722,024

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

(Rupees in '000)

	2018				
	Corporate finance	Trading and sales	Commercial banking	Asset management	Total
Profit and Loss Account					
Net mark-up / return / profit	109,299	67,758	734,544	–	911,601
Non mark-up / return / interest income	196,490	(17,503)	–	–	178,987
Total income	305,789	50,255	734,544	–	1,090,588
Segment direct expenses	120,186	78,037	275,292	–	473,515
Total expenses	120,186	78,037	275,292	–	473,515
Provisions	–	76,810	24,795	–	101,605
Profit before tax	185,603	(104,592)	434,457	–	515,468
Statement of Financial Position					
Cash and bank balances	231,158	101,748	113,555	–	446,461
Investments	–	24,113,564	–	–	24,113,564
Advances - performing	752,346	484,405	20,094,985	–	21,331,736
Advances - non-performing	–	11,304	271,541	–	282,845
Others	184,508	530,673	1,591,306	–	2,306,487
Total assets	1,168,012	25,241,694	22,071,387	–	48,481,093
Borrowings	–	18,579,125	17,728,074	–	36,307,199
Deposits and other accounts	–	365,335	360,068	–	725,403
Others	40,240	612,851	730,825	–	1,383,916
Total liabilities	40,240	19,557,311	18,818,967	–	38,416,518
Equity	1,127,772	5,684,383	3,252,420	–	10,064,575
Total equity and liabilities	1,168,012	25,241,694	22,071,387	–	48,481,093
Contingencies and commitments	–	5,004,044	3,007,608	–	8,011,652

(Rupees in '000)

	2017				
	Corporate finance	Trading and sales	Commercial banking	Asset management	Total
Profit and Loss Account					
Net mark-up / return / profit	54,848	32,215	575,835	7,394	670,292
Non mark-up / return / interest income	73,890	407,647	29,663	3,516	514,716
Total income	128,738	439,862	605,498	10,910	1,185,008
Segment direct expenses	27,153	251,783	99,188	7,353	385,477
Total expenses	27,153	251,783	99,188	7,353	385,477
Provisions	–	99,398	41,757	–	141,155
Profit before tax	101,585	88,681	464,553	3,557	658,376
Statement of Financial Position					
Cash and bank balances	7,566	139,322	540,633	–	687,521
Investments	–	5,675,262	243,598	–	5,918,860
Lendings to financial institutions	30,000	2,420,909	750,000	–	3,200,909
Advances - performing	40,757	300,448	18,324,532	–	18,665,737
Advances - non-performing	–	4,056	662,115	–	666,171
Others	24,821	412,238	454,273	–	891,332
Total assets	103,144	8,952,235	20,975,151	–	30,030,530
Borrowings	–	7,299,857	6,676,226	–	13,976,083
Deposits and other accounts	–	2,481,584	2,269,580	–	4,751,164
Others	3,086	358,202	376,914	–	738,202
Total liabilities	3,086	10,139,643	9,322,720	–	19,465,449
Equity	100,058	(1,187,408)	11,652,431	–	10,565,081
Total equity and liabilities	103,144	8,952,235	20,975,151	–	30,030,530
Contingencies and commitments	–	1,722,024	6,334,058	–	8,056,082

36.2 Segment details with respect to geographical location

The operations of the Group are currently based only in Pakistan.

37 TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / sukuk issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Holding Company is meeting all its obligations and duties in accordance with the provisions of the respective trust documents. The Holding Company is registered as a Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as a DST under the Debt Securities Trustees Regulations, 2017 (DST Regulation, 2017).

Currently, the Holding Company is acting as a trustee to the term finance and sukuk certificates issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, the Bank of Punjab, Engro Fertilizers Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, International Brands Limited, Jahangir Siddiqui and Company Limited, JS Bank Limited, K-Electric Limited, Neelum Jhelum Hydro Power Company Limited, NIB Bank Limited, Pak Electron Limited, Pak Water & Power Development Authority, Pakistan International Airlines Corporation, Silk Bank Limited, Sindh Nooriabad Power Co Phase (II) (Private) Limited, Sindh Nooriabad Power Company (Private) Limited, Soneri Bank Limited, Summit Bank Limited, TPL Trakker (Private) Limited, U Microfinance Bank Limited, WAPDA 3rd Sukuk Company, Dubai Islamic Bank Pakistan Limited, Javedan Corporation Limited, Agha Steel Industries Limited, Pakistan Services Limited, WAPDA Dassu Hydro Power Project, Secure Logistics, TPL Properties (Private) Limited, Khushali Microfinance Bank Limited. The combined value of the debt securities as at December 31, 2018 amounted to Rs.388,088 million (2017: Rs. 350,795 million).

38 RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employees' defined benefit and defined contribution plans, its key management personnel and state controlled entities

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 32 and 33 to these consolidated financial statements and are made in accordance with the actuarial valuations / terms of scheme. Remuneration to chief executive, directors and executives is disclosed in note 34 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

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

(Rupees in '000)

	2018				2017			
	Directors	**Key management personnel**	**Associates**	**Other related parties**	Directors	Key management personnel	Associates	Other related parties
Investments								
Opening balance	–	–	–	–	–	–	4,335,621	–
Investments made during the year	–	–	–	–	–	–	741,985	–
Investments redeemed / disposed off during the year	–	–	–	–	–	–	(4,692,803)	–
Share of profit for the year	–	–	–	–	–	–	60,428	–
Transfer to available-for-sale securities on recharacterisation of investment	–	–	–	–	–	–	(445,231)	–
Closing balance	–	–	–	–	–	–	–	–
Advances								
Opening balance	–	52,409	–	–	–	61,719	–	–
Addition during the year	–	37,302	–	–	–	14,306	–	–
Repaid during the year	–	(14,791)	–	–	–	(8,120)	–	–
Removal / transfer from other related parties	–	–	–	–	–	(15,496)	–	–
Closing balance	–	74,920	–	–	–	52,409	–	–
Other assets								
Others	–	–	–	–	–	–	–	4,103
	–	–	–	–	–	–	–	4,103
Borrowings	–	–	–	–	–	–	–	–
Opening balance	–	–	–	–	–	–	–	–
Borrowings during the year	–	–	–	428,564	–	–	–	–
Settled during the year	–	–	–	(414,218)	–	–	–	–
Closing balance	–	–	–	14,346	–	–	–	–
Other liabilities								
Interest / mark-up payable	–	–	–	114	–	–	–	–
Other liabilities	–	–	–	7,415	–	–	–	4,110
	–	–	–	7,529	–	–	–	4,110

(Rupees in '000)

	2018				2017			
	Directors	**Key management personnel**	**Associates**	**Other related parties**	Directors	Key management personnel	Associates	Other related parties
Income								
Mark-up / return / interest earned	–	2,551	–	–	–	2,395	–	–
Share of profit	–	–	–	–	–	–	60,428	–
Expense								
Operating expenses	4,960	149,423	–	–	4,628	119,214	–	–
Reimbursement of expenses	–	19,072	–	–	–	5,403	–	–
Expenses charged	–	–	–	–	–	–	9,253	7,128

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**600,000,000**	600,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**8,452,473**	10,275,596
Eligible Additional Tier 1 (ADT 1) Capital	**–**	–
Total Eligible Tier 1 Capital	**8,452,473**	10,275,596
Eligible Tier 2 Capital	**–**	–
Total Eligible Capital (Tier 1 + Tier 2)	**8,452,473**	10,275,596
Risk Weighted Assets (RWAs):		
Credit Risk	**22,838,316**	24,734,951
Market Risk	**4,383,671**	2,079,966
Operational Risk	**1,745,474**	1,499,247
Total	**28,967,461**	28,314,164
Common Equity Tier 1 Capital Adequacy ratio	**29.18%**	36.29%
Tier 1 Capital Adequacy Ratio	**29.18%**	36.29%
Total Capital Adequacy Ratio	**29.18%**	36.29%

In order to strengthen the solvency of Banks / Development Financial Institutions (DFIs), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked DFIs to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid-up capital and CAR of the Group stands at Rs. 6 billion and 24.50% of its risk weighted exposure as at December 31, 2018.

The Group uses Standardised approach for calculations of Credit and Market Risk Weighted Assets while Basic Indicator approach is used to calculate Operational Risk Weighted assets.

	2018	2017
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**11.90%**	11.275%

	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**8,452,473**	10,275,596
Total Exposures	**49,873,091**	35,734,734
Leverage Ratio - percentage	**16.95%**	28.76%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**5,625,751**	2,191,876
Total Net Cash Outflow	**8,561,213**	4,526,263
Liquidity Coverage Ratio - percentage	**65.71%**	48.43%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**19,869,638**	18,724,626
Total Required Stable Funding	**21,364,065**	18,462,857
Net Stable Funding Ratio - percentage	**93.00%**	101.42%

39.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pakbrunei.com.pk/wp-content/uploads/2019/03/BaselIII2018Disclosure-Consolidated.pdf

40 RISK MANAGEMENT

The Risk Management Framework (the Framework) of the Group provides principles for identifying, assessing and monitoring risk within the Group. The Framework specifies the key elements of the risk management process in order to maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Group generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Group is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group.

Liquidity risk The risk that the Group is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Operational risk Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.

Reputational risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) of the Holding Company is accountable for overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and in ensuring that these are properly implemented. Furthermore, the Board approves the senior management personnel who are capable of managing the risk activities conducted by the Group.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Holding Company while MOOR function overviews market, liquidity and operational risks of the Holding Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Group, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for Credit Committee members. CRM monitors the credit portfolio of the Holding Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group exposures, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the statement of financial position as a whole. MOOR is responsible for monitoring and reporting of market and liquidity risk as it arises from trading, investing and lending activities. MOOR also conducts Risk and Self Assessment exercises and maintains Company wide risk registers to monitor operational risks embedded in the Holding Company operations and ensure that sufficient controls are in place against such risks.

Different Management Committees have been set up by the Holding Company to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

40.1 Credit risk

Credit risk, i.e. the potential default of one or more debtors, is the largest source of risk for the Group. The Group is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework. The Group has adopted Standardised Approach of Basel II Accord.

“The Group manages 3 principal sources of credit risk: “

i) Sovereign credit risk

When the Group lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk

When the Group lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower’s credit worthiness is analysed on a standalone basis. Two internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits

In the normal course of its business, the Holding Company’s Treasury utilises products such as reverse repos and call lendings to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligations to the Group.

Reflecting a preference for minimizing the exposure to counterparty credit risk, the Group maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Group is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Holding Company manages its lendings and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing

The Holding Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Holding Company and assessing its resulting effect on capital adequacy.

Regular monitoring
Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification
While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

Particulars of the Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

40.1.1 Lendings to financial institutions

(Rupees in '000)

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by public / private sector						
Public / Government	**–**	–	**–**	–	**–**	–
Private	**–**	3,170,909	**–**	–	**–**	–
	–	3,170,909	**–**	–	**–**	–

40.1.2 Investment in debt securities

(Rupees in '000)

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	**157,433**	58,320	**58,320**	58,320	**58,320**	58,320
Textile	**45,514**	45,514	**45,514**	45,514	**45,514**	45,514
Electronics and electrical appliances	**118,000**	168,000	**105,500**	105,500	**105,500**	105,500
Construction	**43,641**	44,215	**43,641**	44,215	**–**	575
Transport, Storage and Communication	**16,391**	18,686	**16,391**	18,686	**16,391**	18,686
Financial	**22,072,404**	4,417,046	**–**	–	**–**	–
	22,453,383	4,751,781	**269,366**	272,235	**225,725**	228,594
Credit risk by public / private sector						
Public / Government	**19,817,801**	3,006,321	**–**	–	**–**	–
Private	**2,635,582**	1,745,460	**269,366**	272,235	**225,725**	228,594
	22,453,383	4,751,781	**269,366**	272,235	**225,725**	228,594

40.1.3 Advances

(Rupees in '000)

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
Credit risk by industry sector						
Agriculture, Forestry, Hunting And Fishing	**804,253**	933,093	**–**	281,250	**–**	131,991
Textile	**4,418,158**	4,183,992	**43,725**	30,457	**36,676**	30,457
Chemical And Pharmaceuticals	**2,084,691**	2,228,434	**54**	261	**54**	65
Cement	**1,400,000**	1,000,000	**–**	–	**–**	–
Sugar	**751,523**	732,965	**21,998**	118,950	**–**	36,581
Automobile And Transportation Equipment	**59,115**	18,372	**196**	391	**98**	98
Electronics And Electrical Appliances	**2,087,974**	2,507,059	**2,059**	2,059	**2,059**	1,029
Construction	**995,989**	428,720	**–**	–	**–**	–
Power (Electricity), Gas, Water, Sanitary	**2,113,525**	2,207,349	**138,073**	138,169	**20,352**	–
Wholesale and retail trade	**117,678**	116,056	**–**	–	**–**	–
Transport, Storage And Communication	**575,427**	327,315	**60,464**	53,895	**27,605**	7,260
Financial	**437,947**	545,964	**–**	–	**–**	–
Services	**993,705**	988,377	**–**	3,646	**–**	912
Individuals	**186,910**	159,381	**–**	–	**–**	–
Packaging	**1,045,809**	388,066	**–**	–	**–**	–
Engineering	**525,632**	625,000	**–**	–	**–**	–
Food & Beverages	**1,108,771**	631,508	**307,859**	307,859	**205,678**	62,373
Steel-Engineering	**1,582,947**	701,344	**6,270**	6,270	**6,270**	6,270
Information Technology	**399,678**	510,787	**10,789**	10,789	**10,789**	10,789
Others	**239,905**	387,360	**1,042**	–	**103**	–
	21,929,637	19,621,142	**592,529**	953,997	**309,684**	287,826
Credit risk by public / private sector						
Public / Government	**50,123**	73,236	**–**	–	**–**	–
Private	**21,879,514**	19,547,906	**592,529**	953,997	**309,684**	287,826
	21,929,637	19,621,142	**592,529**	953,997	**309,684**	287,826

40.1.4 Contingencies and Commitments

	2018	2017
	(Amount in Rs '000)	
Credit risk by industry sector		
Agriculture, Forestry, Hunting And Fishing	**5,000**	15,151
Textile	**1,147,989**	1,192,585
Chemical and pharmaceuticals	**20,650**	350,000
Sugar	**–**	35,000
Electronics and electrical appliances	**–**	130,000
Construction	**965,541**	1,224,308
Power (Electricity), Gas, Water, Sanitary	**513,218**	1,011,378
Transport, storage and communication	**10,300**	–
Financial	**5,004,044**	1,722,024
Services	**11,800**	–
Packaging	**100,450**	625,604
Engineering	**10,170**	52,930
Food and beverages	**2,080**	565,488
Steel and engineering	**205,410**	300,000
Others	**15,000**	489,716
	8,011,652	7,714,184
Credit risk by public / private sector		
Public / Government	**5,004,044**	1,722,024
Private	**3,007,608**	5,992,160
	8,011,652	7,714,184

40.1.5 Concentration of advances

The Group's top 10 exposures on the basis of total funded and non-funded exposures are as following:

	2018	2017
	(Amount in Rs '000)	
Funded	**7,073,746**	7,055,326
Non Funded	**765,541**	551,501
Total Exposure	**7,839,287**	7,606,827

The sanctioned limits against these top 10 exposures aggregated to Rs.7,846 million (2017: Rs.7,695 million).

40.1.6 Advances - Province / Region-wise Disbursement and Utilization

(Rupees in '000)

	2018				
		Utilization			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	**8,573,140**	**8,573,140**	–	–	–
Sindh	**3,218,647**	–	**3,218,647**	–	–
KPK including FATA	–	–	–	–	–
Balochistan	**1,300,000**	–	–	**1,300,000**	–
Islamabad	–	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	**13,091,787**	**8,573,140**	**3,218,647**	**1,300,000**	–

(Rupees in '000)

	2017				
		Utilization			
	Disbursements	Punjab	Sindh	Balochistan	Islamabad
Province / Region					
Punjab	7,854,336	7,854,336	–	–	–
Sindh	3,372,358	–	3,372,358	–	–
KPK including FATA	–	–	–	–	–
Balochistan	2,550,000	–	–	2,550,000	–
Islamabad	500,000	–	–	–	500,000
AJK including Gilgit-Baltistan	–	–	–	–	–
Total	14,276,694	7,854,336	3,372,358	2,550,000	500,000

40.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Group classifies its assets in banking and trading books as per instructions from the SBP. The Group's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking book and are treated as per SBP requirements.

The Group's trading book consists of investments in government securities, listed equities and mutual funds. The Group actively measures, controls and manages market risk in its trading book on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Group measures market risk using various techniques like duration analysis for interest rate risk in banking book, Value-at-Risk for adverse price movement, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Results are also communicated to the Board of Directors every quarter and to Board's Risk Management Committee on a half-yearly basis. Market risk is effectively managed at the portfolio level.

40.2.1 Statement of Financial Position split by trading and banking books

(Rupees in '000)

	2018			2017		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
Cash and balances with treasury banks	**281,404**	**–**	**281,404**	337,751	–	337,751
Balances with other banks	**165,057**	**–**	**165,057**	349,770	–	349,770
Lendings to financial institutions	**54,879**	**–**	**54,879**	3,200,909	–	3,200,909
Investments	**2,430,173**	**21,683,391**	**24,113,564**	1,696,635	4,222,225	5,918,860
Advances	**21,614,581**	**–**	**21,614,581**	19,331,908	–	19,331,908
Fixed assets	**28,477**	**–**	**28,477**	24,988	–	24,988
Intangible assets	**6,871**	**–**	**6,871**	3,315	–	3,315
Deferred tax assets	**314,708**	**–**	**314,708**	189,506	–	189,506
Other assets	**1,901,552**	**–**	**1,901,552**	673,523	–	673,523
	26,797,702	**21,683,391**	**48,481,093**	25,808,305	4,222,225	30,030,530

40.2.2 Foreign exchange risk

Foreign exchange risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	2018				2017			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	**6**	**–**	**–**	**6**	5	–	–	5
	6	**–**	**–**	**6**	5	–	–	5

(Rupees in '000)

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in foreign exchange rates on - Profit and loss account	0.00043	–	0.00045	–

40.2.3 Equity position risk

Equity position risk is the risk that the fair value will fluctuate as a a result of changes in prices of individual stocks or the levels of equity indices. The Group's equity investments are either classified as available-for-sale (AFS) and held for trading (HFT). The objective of the AFS portfolio is to maintain a medium term view of capital gains and dividend income while the Group takes advantage of short-term capital gains through its HFT portfolio investments. It is managed by the Group through its internal investment policy which is duly approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The Holding Company also applies stress tests on the equity portfolio which is part of the Group overall market risk exposure limit on the banking book.

	(Rupees in '000)			
	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	**–**	**–**	–	(1,141)
- Other comprehensive income	**–**	**(141,831)**	–	(109,956)

40.2.4 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity dates and for off-balance sheet instruments is based on settlement dates. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the Group also conducts interest rate sensitivity analysis in the banking book using the Duration Gap analysis based on its interest rate sensitive assets and interest rate sensitive liabilities. The Group also uses parallel shift in interest rates to determine the impact of adverse rate changes on investments in government securities.

- Interest rate sensitivity of assets and liabilities is measured based on actual re-pricing / maturity behavior of all interest rate sensitive assets and liabilities.

- Duration GAP is calculated based on interest rate re-pricing of assets and liabilities and is used to determine impact of adverse interest rate movements on the Company's equity. Such an analysis is conducted every month and results are reported to the ALCO and RMC on a monthly and quarterly basis respectively.

	(Rupees in '000)			
	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	**(3,568)**	**–**	(3,523)	–
- Other comprehensive income	**–**	**(355,814)**	–	(4,659)

40.2.5 Mismatch of interest rate sensitive assets and liabilities

(Rupees in '000)

	Effective yield/ interest rate %	Total	2018 Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	5.00% to 6.15%	281,404	120,055	–	–	–	–	–	–	–	–	161,349
Balances with other banks	3.40% to 8.50%	165,057	160,077	–	–	–	–	–	–	–	–	4,980
Lendings to financial and other institutions		54,879	6,000	–	–	48,879	–	–	–	–	–	–
Investments	7.00% to 12.00%	24,113,564	1,480,892	18,030,515	1,066,594	1,306,937	–	2,772	–	10,004	–	2,215,850
Advances	2.00% to 20.00%	21,614,581	6,490,180	4,613,005	3,804,199	507,613	1,136,034	1,100,762	2,045,747	1,747,700	–	169,341
Other assets		1,245,554	–	–	–	–	–	–	–	–	–	1,245,554
		47,475,039	8,257,204	22,643,520	4,870,793	1,863,429	1,136,034	1,103,534	2,045,747	1,757,704	–	3,797,074
Liabilities												
Borrowings	2.00% to 11.30%	36,307,199	6,160,572	20,442,454	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	–
Deposits and other accounts	10.00% to 10.50%	725,403	225,000	500,403	–	–	–	–	–	–	–	–
Other liabilities		1,248,959	–	–	–	–	–	–	–	–	–	1,248,959
		38,281,561	6,385,572	20,942,857	4,169,854	391,627	942,198	960,300	1,537,979	1,702,215	–	1,248,959
On-balance sheet gap		9,193,478	1,871,632	1,700,663	700,939	1,471,802	193,836	143,234	507,768	55,489	–	2,548,115
Non financial net assets		871,097										
Total net assets		10,064,575										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,101,343	–	–	68,478	237,000	30,324	765,541	–	–	–	–
Commitments in respect of:												
- forward foreign exchange contracts		–	–	–	–	–	–	–	–	–	–	–
- forward lendings		1,906,265	72,620	–	798,660	1,034,985	–	–	–	–	–	–
- repo transactions		5,004,044	5,004,044	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		8,011,652	5,076,664	–	867,138	1,271,985	30,324	765,541	–	–	–	–
Total yield / interest risk sensitivity gap			6,948,296	1,700,663	1,568,077	2,743,787	224,160	908,775	507,768	55,489	–	2,548,115
Cumulative yield / interest risk sensitivity gap			6,948,296	8,648,959	10,217,036	12,960,823	13,184,983	14,093,758	14,601,526	14,657,015	14,657,015	17,205,130

(Rupees in '000)

	Effective yield/ interest rate %	Total	2017 Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	5.15%	337,751	200,130	–	–	–	–	–	–	–	–	137,621
Balances with other banks	1.73% to 5.00%	349,770	349,719	–	–	–	–	–	–	–	–	51
Lendings to financial and other institutions	5.8% to 7.30%	3,200,909	3,170,909	–	–	–	–	–	–	–	–	30,000
Investments	5.90% to 12.09%	5,918,860	1,310,944	2,333,144	775,006	1,132	23,395	–	3,129	12,036	–	1,460,074
Advances	6.20% to 18.00%	19,331,908	4,351,933	6,018,375	3,843,166	469,595	1,007,214	894,883	1,289,557	1,409,025	20,000	28,160
Other assets		463,232	6,595	1,545	–	–	–	–	–	–	–	455,092
		29,602,430	9,390,230	8,353,064	4,618,172	470,727	1,030,609	894,883	1,292,686	1,421,061	20,000	2,110,998
Liabilities												
Borrowings	2.00% to 8.40%	13,976,083	711,535	3,564,060	5,552,049	282,633	638,225	697,164	1,151,854	1,378,563	–	–
Deposits and other accounts	6.20% to 6.50%	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–	–
Other liabilities	–	629,200	–	–	–	–	–	–	–	–	–	629,200
		19,356,447	711,535	7,815,224	5,802,049	532,633	638,225	697,164	1,151,854	1,378,563	–	629,200
On-balance sheet gap		10,245,983	8,678,695	537,840	(1,183,877)	(61,906)	392,384	197,719	140,832	42,498	20,000	1,481,798
Non financial net assets		319,098										
Net assets		10,565,081										
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		2,008,754	–	1,087,000	551,501	370,253	–	–	–	–	–	–
Commitments in respect of:												
- forward government securities transactions		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
- forward lendings		3,983,406	750,000	700,000	935,020	1,598,386	–	–	–	–	–	–
- repo transactions		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,714,184	2,472,024	1,787,000	1,486,521	1,968,639	–	–	–	–	–	–
Total yield / interest risk sensitivity gap			11,150,719	2,324,840	302,644	1,906,733	392,384	197,719	140,832	42,498	20,000	1,481,798
Cumulative yield / interest risk sensitivity gap			11,150,719	13,475,559	13,778,203	15,684,936	16,077,320	16,275,039	16,415,871	16,458,369	16,478,369	17,960,167

40.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events

The Holding Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Holding Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry's best practices. The Holding Company also gathers operational risk losses to determine strengths and sufficiency of its internal controls.

The Holding Company has developed a Business Continuity Plan applicable to all its functional areas and the plan is rehearsed at least twice in a year.

Furthermore, the Holding Company's operations are relatively simple as compared to a large scale commercial bank. The Holding Company only operates with its head office in Karachi with a liaison office in Lahore. Given simple operations and small scale, the Holding Company uses Basic Indicator Approach (BIA) to determine capital charge under Basel II.

40.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Group's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Group's main funding source is the inter-bank money market. Changes in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding sources. Efficient and accurate planning plays a critical role in liquidity management. The Group's MIS provides information on expected cash inflows / outflows which allows the Group to take timely decisions based on future requirements. The Group monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio, etc. Other sources are also identified for which early warning indicators have been created and are being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

40.4.1 Maturities of assets and liabilities - based on contractual maturities of assets and liabilities of the Company

(Rupees in '000)

2018	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	281,404	1,301	9,108	9,108	140,883	121,004	–	–	–	–	–	–	–	–
Balances with other banks	165,057	487	15,886	2,610	111,393	34,681	–	–	–	–	–	–	–	–
Lendings to financial institutions	54,879	–	6,000	–	–	–	–	–	–	48,879	–	–	–	–
Investments	24,113,564	–	16,632	–	1,231,542	139,074	287,168	620,253	135,711	2,238,575	1,123	1,115	855,290	18,587,081
Advances	21,614,581	19,329	539,639	1,048,378	1,665,178	398,732	424,006	2,555,497	1,385,195	1,062,066	3,501,584	3,066,698	3,427,336	2,520,943
Fixed assets	28,477	432	505	513	732	719	1,937	4,968	2,553	2,629	5,233	3,297	4,959	–
Intangible assets	6,871	15	114	116	264	264	264	764	764	632	2,182	1,492	–	–
Deferred tax assets	314,708	2,804	4,672	4,672	5,875	78,764	16,834	43,074	63,179	63,179	23,265	3,557	4,833	–
Other assets	1,901,552	102	207,344	13,031	340,418	628,115	119,563	106,948	43,500	277,553	161,376	602	–	3,000
	48,481,093	24,470	799,900	1,078,428	3,496,285	1,401,353	849,772	3,331,504	1,630,902	3,693,513	3,694,763	3,076,761	4,292,418	21,111,024
Liabilities														
Borrowings	36,307,199	–	3,568,714	5,301	4,661,557	6,243,560	1,123,894	11,332,368	–	1,616,614	2,742,198	1,460,300	1,850,478	1,702,215
Deposits and other accounts	725,403	–	–	–	225,000	–	500,403	–	–	–	–	–	–	–
Other liabilities	1,383,916	–	420,400	47,199	172,071	195,887	123,734	79,528	29,452	41,262	141,686	106,588	24,623	1,486
	38,416,518	–	3,989,114	52,500	5,058,628	6,439,447	1,748,031	11,411,896	29,452	1,657,876	2,883,884	1,566,888	1,875,101	1,703,701
Net assets	10,064,575	24,470	(3,189,214)	1,025,928	(1,562,343)	(5,038,094)	(898,259)	(8,080,392)	1,601,450	2,035,637	810,879	1,509,873	2,417,317	19,407,323
Share capital	6,000,000													
Reserves	1,406,995													
Unappropriated profit	3,328,566													
Deficit on revaluation of assets	(673,212)													
Total equity attributable to the equity holders of the Holding Company	10,062,349													
Non-controlling interest	2,226													
	10,064,575													

(Rupees in '000)

2017	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	337,751	4,915	7,768	7,768	214,094	103,206	–	–	–	–	–	–	–	–
Balances with other banks	349,770	601	12,577	4,208	276,426	55,958	–	–	–	–	–	–	–	–
Lendings to financial and other institutions	3,200,909	–	2,420,909	–	–	756,000	–	6,000	6,000	6,000	6,000	–	–	–
Investments	5,918,860	–	–	–	1,406,718	90,773	2,560,920	320,353	83,814	326,799	60,118	50,127	63,474	955,764
Advances	19,331,908	42,104	60,655	449,789	1,344,481	1,301,777	1,429,379	1,872,606	1,691,780	808,653	2,577,058	2,246,938	3,182,689	2,323,999
Fixed assets	24,988	154	583	583	2,015	2,366	1,381	4,003	2,030	2,028	6,043	1,897	1,905	–
Intangible assets	3,315	414	494	494	627	785	18	41	52	52	210	128	–	–
Deferred tax assets	189,506	(29)	(206)	(206)	(1,527)	7,977	–	(1,389)	61,706	61,706	37,903	16,899	19,193	(12,521)
Other assets	673,523	168	1,175	1,175	43,737	26,895	138,134	236,156	61,299	60,920	99,964	750	–	3,150
	30,030,530	48,327	2,503,955	463,811	3,286,571	2,345,737	4,129,832	2,437,770	1,906,681	1,266,158	2,787,296	2,316,739	3,267,261	3,270,392
Liabilities														
Borrowings	13,976,083	–	703,353	–	8,182	2,302,971	1,261,089	1,452,312	–	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565
Deposits and other accounts	4,751,164	–	–	–	–	–	4,251,164	250,000	–	250,000	–	–	–	–
Other liabilities	738,202	168	2,500	3,500	196,424	34,057	58,716	107,074	55,773	83,658	98,992	51,582	43,439	2,319
	19,465,449	168	705,853	3,500	204,606	2,337,028	5,570,969	1,809,386	55,773	1,716,152	2,687,092	1,798,746	1,195,292	1,380,884
Net assets	10,565,081	48,159	1,798,102	460,311	3,081,965	8,709	(1,441,137)	628,384	1,850,908	(449,994)	100,204	517,993	2,071,969	1,889,508
Share capital	6,000,000													
Reserves	1,351,812													
Unappropriated profit	3,412,835													
Deficit on revaluation of assets	(201,744)													
Total equity attributable to the equity holders of the Holding Company	10,562,903													
Non-controlling interest	2,178													
	10,565,081													

40.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

(Rupees in '000)

	2018									
	Total	**Upto 1 month**	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**
Assets										
Cash and balances with treasury banks	**281,404**	**160,400**	**121,004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances with other banks	**165,057**	**130,376**	**34,681**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lendings to financial and other institutions	**54,879**	**6,000**	**–**	**–**	**48,879**	**–**	**–**	**–**	**–**	**–**
Investments	**24,113,564**	**1,248,174**	**426,242**	**620,253**	**2,374,286**	**1,123**	**1,115**	**855,290**	**18,587,081**	**–**
Advances	**21,614,581**	**3,272,524**	**822,738**	**2,555,497**	**2,447,261**	**3,501,584**	**3,066,698**	**3,427,336**	**2,520,943**	**–**
Fixed assets	**28,477**	**2,182**	**2,656**	**4,968**	**5,182**	**5,233**	**3,297**	**4,959**	**–**	**–**
Intangible assets	**6,871**	**509**	**528**	**764**	**1,396**	**2,182**	**1,492**	**–**	**–**	**–**
Deferred tax assets	**314,708**	**18,023**	**95,598**	**43,074**	**126,358**	**23,265**	**3,557**	**4,833**	**–**	**–**
Other assets	**1,901,552**	**560,895**	**747,678**	**106,948**	**321,053**	**161,376**	**602**	**–**	**3,000**	**–**
	48,481,093	**5,399,083**	**2,251,125**	**3,331,504**	**5,324,415**	**3,694,763**	**3,076,761**	**4,292,418**	**21,111,024**	**–**
Liabilities										
Borrowings	**36,307,199**	**8,235,572**	**7,367,454**	**11,332,368**	**1,616,614**	**2,742,198**	**1,460,300**	**1,850,478**	**1,702,215**	**–**
Deposits and other accounts	**725,403**	**225,000**	**500,403**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other liabilities	**1,383,916**	**639,670**	**319,621**	**79,528**	**70,714**	**141,686**	**106,588**	**24,623**	**1,486**	**–**
	38,416,518	**9,100,242**	**8,187,478**	**11,411,896**	**1,687,328**	**2,883,884**	**1,566,888**	**1,875,101**	**1,703,701**	**–**
Net assets	**10,064,575**	**(3,701,159)**	**(5,936,353)**	**(8,080,392)**	**3,637,087**	**810,879**	**1,509,873**	**2,417,317**	**19,407,323**	**–**
Share capital	**6,000,000**									
Reserves	**1,406,995**									
Unappropriated profit	**3,328,566**									
Deficit on revaluation of assets	**(673,212)**									
Total equity attributable to the equity holders of the Holding Company	**10,062,349**									
Non-controlling interest	**2,226**									
	10,064,575									

(Rupees in '000)

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	337,751	234,545	103,206	–	–	–	–	–	–	–
Balances with other banks	349,770	293,812	55,958	–	–	–	–	–	–	–
Lendings to financial and other institutions	3,200,909	2,420,909	756,000	6,000	12,000	6,000	–	–	–	–
Investments	5,918,860	1,406,718	2,651,693	320,353	410,613	60,118	50,127	63,474	955,764	–
Advances	19,331,908	1,897,029	2,731,156	1,872,606	2,500,433	2,577,058	2,246,938	3,182,689	2,323,999	–
Fixed assets	24,988	3,335	3,747	4,003	4,058	6,043	1,897	1,905	–	–
Intangible assets	3,315	2,029	803	41	104	210	128	–	–	–
Deferred tax assets	189,506	(1,968)	7,977	(1,389)	123,412	37,903	16,899	19,193	(12,521)	–
Other assets	673,523	46,255	165,029	236,156	122,219	99,964	750	–	3,150	–
	30,030,530	6,302,664	6,475,569	2,437,770	3,172,839	2,787,296	2,316,739	3,267,261	3,270,392	–
Liabilities										
Borrowings	13,976,083	711,535	3,564,060	1,452,312	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565	–
Deposits and other accounts	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–
Other liabilities	738,202	202,592	92,773	107,074	139,431	98,992	51,582	43,439	2,319	–
	19,465,449	914,127	7,907,997	1,809,386	1,771,925	2,687,092	1,798,746	1,195,292	1,380,884	–
Net assets	10,565,081	5,388,537	(1,432,428)	628,384	1,400,914	100,204	517,993	2,071,969	1,889,508	–
Share capital	6,000,000									
Reserves	1,351,812									
Unappropriated profit	3,412,835									
Deficit on revaluation of assets	(201,744)									
Total equity attributable to the equity holders of the Holding Company	10,562,903									
Non-controlling interest	2,178									
	10,565,081									

41 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2018 of Rs. **0.50** per share (2017: Re.0.50 per share), amounting to Rs. **300** million (2017: Rs.300 million) at their meeting held on **March 18, 2019,** for approval of the members at the annual general meeting to be held on **April 29, 2019** . The consolidated financial statements for the year ended December 31, 2018 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

42 GENERAL

42.1 Figures in these consolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.

42.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary, to facilitate comparison and better presentation. No significant reclassifications were made during the current year except for those mentioned in note 4.1 and 42.3.

42.3 An amount of Rs. 200.130 million (2016: Nil) pertaining to balances maintained as at December 31, 2017 in the local currency deposit account with National Bank of Pakistan has been reclassified from “Balance with other banks” to “Cash and balances with treasury banks”.

43 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **March 18, 2019,** by the Board of Directors of the Holding Company.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Annexure - I

Statement showing written-off loans or any other financial relief of rupees five hundred thousand or above provided

During the year ended December 31, 2018

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ mark-up	Other than Interest/ mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	OK Feed Mills (Private) Limited 39-C, Ahmed Block, New Garden Town Lahore	Directors' Syed Mushahid Shah 35202-6321378-9 Mrs. Nageen Mushahid 35202-5141026-6	 Syed Mushahid Shah Syed Mushahid Shah	281,250	24,232	6,203	311,685	–	17,064	6,203	23,267

Design: Creative Unit (Pvt) Ltd.