PakLibya

Directors' Review

The Board of Directors (the Board) is pleased to present the condensed interim financial statements of Pak Libya Holding Company (Private) Limited (the Company) for the period ended 30 September 2017 together with Directors' review thereon.

Performance review

The Company earned a profit before tax of PKR 136.69 million during the period under review as against PKR 205.66 million, excluding impact of reversal of provision due to acquisition of Kamoki Energy Limited (KEL) assets, in the corresponding period last year.

Gross mark-up income during the period was PKR 1,023.80 million, an increase of approx. 4.6% compared to same period last year however, the interest income has decreased due to declining interest rates. The significant contributor to the profitability was the capital gain on disposal of the government securities and equity shares whilst, in corresponding period, the significant increase in profitability reflects the success in securing the assets of KEL.

During the period, the Company utilised net cash flows in operating activities of PKR 858.45 million due to repayment of expensive borrowings. The total assets of the Company have increased to PKR 20,621 million – an increase of around PKR 1,726 million compared to financial yearend 2016.

The summarised financial results for the period are as follows:

Description	Nine months ended 30 September 2017	Nine months ended 30 September 2016
	PKR '000	
Profit before taxation	136,685	1,073,472
Taxation	64,070	114,907
Profit after taxation	72,616	958,565
Earnings per share (Rupees)	118.23	1,560.73

Future prospects

A cautious stance is being maintained towards further asset growth. To improve the performance, the management is focusing on all possible avenues for profitable operations of the Company with an objective to expand its loan book including SME financing activities and disposal of non-banking assets.

In relation to KEL (non-banking assets), as per the approved management plan, the business team has started marketing and sales related activities to structure the deal for ultimate disposal of these non-banking assets.

Considering the favourable performance of the Company, initial capital injection requirement of PKR 4 billion, agreed by the shareholders, has been reduced to PKR 2 billion. Both the shareholders in the AGM held on 15 April 2016 has given their approval for the same. Management has been following up with both the shareholders to amicably finalise the arrangement in terms of mutually agreed timeline and is hopeful of a positive outcome on the matter.

In view of the overall efforts being made by the management, we are confident of positive business prospects for the Company.

PakLibya

Acknowledgments

On behalf of the Board, we would like to express gratitude to our shareholders for their continued support and trust. We are also thankful to the employees of the Company for their hard work and dedication.

For and on behalf of the Board

Khalid Joma Ezarzor
Deputy Managing Director

Abid Aziz
Managing Director & CEO

20 October 2017

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks		20,717	20,420
Balances with other banks		73,199	72,705
Lendings to financial institutions	6	3,250,000	950,000
Investments	7	12,088,134	13,183,821
Advances	8	3,514,656	2,837,523
Operating fixed assets	9	93,640	87,697
Deferred tax asset - net	10	65,695	26,419
Other assets	11	1,514,964	1,716,856
		20,621,005	18,895,441
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	12	15,520,685	13,391,904
Deposits and other accounts	13	239,000	463,117
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities		-	-
Other liabilities		221,267	279,005
		15,980,952	14,134,026
NET ASSETS		4,640,053	4,761,415
REPRESENTED BY			
Share capital		6,141,780	6,141,780
Reserves		316,618	302,094
Accumulated losses		(1,716,616)	(1,774,710)
		4,741,782	4,669,164
(Deficit) / surplus on revaluation of assets - net of tax		(101,729)	92,251
		4,640,053	4,761,415

CONTINGENCIES AND COMMITMENTS 14

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director & CEO

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Note	Quarter ended 30 September 2017	Nine months ended 30 September 2017	Quarter ended 30 September 2016	Nine months ended 30 September 2016
		(Rupees in '000)			
Mark-up / return / interest earned		240,263	742,834	287,133	899,839
Mark-up / return / interest expensed		186,550	540,368	209,450	666,242
Net mark-up / interest income		53,713	202,466	77,683	233,597
(Reversal) / provision against non-performing advances - net	8.2	3,309	1,333	(198)	(1,057,225)
Provision / (reversal) for diminution in the value of investments - net	7.2.4	(12,500)	(4,801)	(83,169)	(138,699)
Reversal of provision against lendings to financial institutions		(2,504)	(2,504)	-	-
Bad debts written off directly		-	-	-	-
		(11,695)	(5,972)	(83,367)	(1,195,924)
Net mark-up / interest / income after provisions		65,408	208,438	161,050	1,429,521
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,961	15,044	2,253	11,311
Dividend income		9,106	28,514	5,650	37,104
Gain from trading in securities - net	15	16,777	234,807	(29,095)	25,790
Income from dealing in foreign currencies		-	-	-	-
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		-	-	(265)	(488)
Other income		524	2,605	2,407	5,101
Total non mark-up / interest income		28,368	280,970	(19,050)	78,818
		93,776	489,408	142,000	1,508,339
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		91,769	339,664	87,218	293,324
Other provisions / write offs	16	-	-	2,298	118,298
Other charges		2,495	13,058	8,615	23,245
Total non mark-up / interest expenses		94,264	352,722	98,131	434,867
		(488)	136,686	43,869	1,073,472
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		(488)	136,686	43,869	1,073,472
Taxation - current		4,438	55,539	12,821	61,770
- prior period		-	-	-	-
- deferred		1,115	8,531	7,034	53,137
	17	5,553	64,070	19,855	114,907
PROFIT AFTER TAXATION		(6,041)	72,616	24,014	958,565
Basic and diluted earnings per share (Rs.)	18	(9.84)	118.23	39.10	1,560.73

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director & CEO

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Quarter ended 30 September 2017	Nine months ended 30 September 2017	Quarter ended 30 September 2016	Nine months ended 30 September 2016
	---------- (Rupees in '000) ----------			
Profit after taxation	(6,041)	72,616	24,014	958,565
Other comprehensive income - net				
Items that are not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Items that may be reclassified to profit or loss in subsequent periods	-	-	-	-
Comprehensive income transferred to equity	(6,041)	72,616	24,014	958,565
Components of comprehensive income not reflected in equity				
(Deficit)/ surplus on revaluation of 'available-for-sale securities' - net of tax*	(96,982)	(193,980)	(2,774)	102,391
Total comprehensive income	(103,023)	(121,364)	21,240	1,060,956

* Surplus / (deficit) arising on revaluation of 'Available-for-sale securities' - net of tax has been shown in the condensed interim statement of comprehensive income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on 26 June 2014.

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer | **Managing Director & CEO**

Director | **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total
		Statutory reserve*	Accumulated losses	
	(Rupees in '000)			
Balance as at 01 January 2016	6,141,780	143,861	(2,411,692)	3,873,949
Total comprehensive income for the nine months ended 30 September 2016				
Profit for the period	-	-	958,565	958,565
Other comprehensive income for the period	-	-	-	-
	-	-	958,565	958,565
Transfer to statutory reserve	-	191,713	(191,713)	-
Balance as at 30 September 2016	6,141,780	335,574	(1,644,840)	4,832,514
Total comprehensive income for the year ended 31 December 2016				
Loss for the period	-	-	(167,395)	(167,395)
Other comprehensive income for the period	-	-	4,045	4,045
	-	-	(163,350)	(163,350)
Transfer to statutory reserve	-	(33,479)	33,479	-
Balance as at 31 December 2016	6,141,780	302,094	(1,774,710)	4,669,164
Total comprehensive income for the nine months ended 30 September 2017				
Profit for the period	-	-	72,616	72,616
Other comprehensive income for the period	-	-	-	-
	-	-	72,616	72,616
Transfer to statutory reserve	-	14,523	(14,523)	-
Balance as at 30 September 2017	6,141,780	316,618	(1,716,616)	4,741,780

* Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director & CEO

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Note	30 September 2017	30 September 2016
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		136,686	1,073,472
Dividend income		(28,514)	(37,104)
		108,172	1,036,368
Adjustments for non-cash items			
Depreciation		22,166	18,383
Amortisation		848	484
Charge / Reversal against non-performing loans and advances - net	8.2	1,333	(1,057,225)
Short term advances written-off		-	(34,690)
Reversal of provision against lendings to financial institution		(2,504)	-
Unrealised loss / (gain) on revaluation of investments classified as held-for-trading		-	488
Reversal for diminution in the value of investments - net	7.2.4	(4,801)	(138,699)
Other provisions / write offs		-	(236,042)
Gain on sale of operating fixed assets		(15)	(1,905)
		17,027	(1,449,206)
		125,199	(412,838)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,297,496)	70,000
Investment classfied as held-for-trading		-	652,562
Advances	8	(678,468)	1,227,097
Other assets		217,747	(807,367)
		(2,758,217)	1,142,292
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions	12	2,128,781	3,131,124
Deposits and other accounts	13	(224,117)	(1,298,264)
Other liabilities		(57,738)	52,146
		1,846,926	1,885,006
Cash (used in) / generated from operations		(786,092)	2,614,460
Income tax paid		(72,361)	(103,047)
Net cash generated from operating activities		(858,453)	2,511,413
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments - net		858,700	(2,502,899)
Dividends received		29,483	32,128
Operating fixed assets purchased		(28,954)	(36,119)
Sale proceeds from operating fixed assets disposal		15	1,872
Net cash generated from / (used in) investing activities		859,244	(2,505,019)
Increase in cash and cash equivalents		791	6,395
Cash and cash equivalents at beginning of the period		93,125	96,193
Cash and cash equivalents at end of the period	21	93,916	102,588

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director & CEO

Director

Director

1. STATUS AND NATURE OF BUSINESS

1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure for further thirty years upto 14 October 2038. The objectives of the Company interalia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company had two sales and service centers located at Lahore and Islamabad. Effective 05 August 2012, activities of Islamabad sales and service centre have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs. 6 billion. The paid-up capital of the Company (free of losses) as of 30 September 2017 amounted to Rs. 4.425 billion (31 December 2016: Rs. 4.367 billion).

The Board of Directors (BOD) of the Company in its meeting held on 09 December 2012 and 10 December 2012, recommended the shareholders for increase in paid-up capital by Rs. 4 billion in the year 2013. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company.

Further, the Chairman of the Company (Libyan Nominee) in the Board meeting held on 26 April 2014 informed that BOD of Libyan Foreign Investment Company (LAFICO) has given approval for the capital injection of Rs. 2 billion with a condition of simultaneous injection of additional capital by Government of Pakistan (GOP).

In this regard, SBP has been reviewing the progress and performance of the Company and the Company has been following up the matter of additional capital injection with the Ministry of Finance (MOF). Considering the performance of the Company, both Shareholders in the Annual General Meeting (AGM) held on 15 April 2016 revisited the required additional capital and agreed to reduce the capital injection from Rs. 4 billion to Rs. 2 billion (Rs.1 billion by each shareholder).

The SBP vide its letter no. BPRD/BA&CP/657/134/2017 dated 03 January 2017 has granted further extension in the exemption for meeting the minimum paid-up capital (free of losses) requirement till June 30, 2017 and has advised the Company to pursue the matter of capital injection with Finance Division and provide specific timeline for equity injection by the GOP in the Company by 31 March 2017. However, GOP have not injected capital in the Company till 30 September 2017. Further, the Company has applied to SBP for further extension for injection of capital in the Company.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements of the Company for the nine months ended 30 September 2017 have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance), the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). The approved accounting standards comprise of International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board (IASB). Wherever the requirements of the Ordinance, the Banking Companies Ordinance, 1962 or the directives issued by SECP and SBP differ with the requirements of IFRSs, the requirements of the Ordinance or the said directives prevail.

2.2 The SBP through its BSD Circular No. 11 dated 11 September 2002 has deferred the implementation of International Accounting Standards (IAS) 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has deferred the applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.3 The disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated 12 May 2004 and IAS 34 'Interim Financial Reporting' and do not include all the disclosures required for annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value and compensated absences at present value.

These condensed interim financial statements have been presented in Pak Rupees, which is the Company's functional and presentation currency.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing these condensed interim financial statements, the estimates / judgments and associated assumptions made by management in applying the Company's accounting policies and reported amounts of assets, liabilities, income and expenses are the same as those applied in the annual audited financial statements as at and for the year ended 31 December 2016, except as disclosed in note 5 below.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2016 other than those disclosed below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following accounting standards and the amendments and interpretations of IFRSs which became effective during the period:

	Effective date (annual periods beginning on or after)
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017

Following new standards / interpretations will be effective based on their applicability in the relevant period:

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

Based on the initial assessment, the above standards/amendments will not have any effect on the condensed interim financial statements.

5.1 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended 31 December 2016.

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
6. LENDINGS TO FINANCIAL INSTITUTIONS			
Placements		33,064	35,568
Term deposit receipts	6.1	3,250,000	950,000
		3,283,064	985,568
Less: Provision against placements		(33,064)	(35,568)
		3,250,000	950,000

6.1 Term deposit receipts carry mark-up ranging from 6.55 to 8.00 (31 December 2016: 7.1 to 7.5) percent per annum and are due for maturity latest by September 2018.

	Note	Held by Company	Given as collateral	Total
		---------------- (Rupees in '000) ----------------		
7. INVESTMENTS				
Balance as at 30 September 2017 (Un-audited)	7.1	**3,297,230**	**8,790,904**	**12,088,134**
Balance as at 31 December 2016 (Audited)		3,274,853	9,908,968	13,183,821
Balance as at 30 September 2016 (Un-audited)		3,520,542	9,513,180	13,033,722

7.1 Investments by types

	Held by Company	Given as collateral	Total
	---------------- (Rupees in '000) ----------------		
Available-for-sale securities	4,121,575	8,773,419	12,894,994
Held-to-maturity securities	193,636	-	193,636
Investment in a joint venture			
Kamoki Energy Limited, a related party	409,867	-	409,867
	4,725,078	8,773,419	13,498,497
Less: Provision for diminution in value of investments	(1,291,935)	-	(1,291,935)
Investments (net of provisions)	3,433,143	8,773,419	12,206,562
Less: (Deficit)/surplus on revaluation of investments classified as:			
- held-for-trading securities	-	-	-
- available-for-sale securities	(135,913)	17,485	(118,428)
Balance as at 30 September 2017	3,297,230	8,790,904	12,088,134

7.2 Investments by segments

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
Federal government securities			
Market treasury bills		6,066,469	299,161
Pakistan investment bonds		3,495,717	10,591,982
Fully paid-up ordinary shares / certificates			
Listed	7.2.1	1,146,757	921,364
Unlisted		53,191	93,341
Investment in subsidiary - unlisted {Kamoke Powergen (Private) Limited}		5,000	-
Fully paid-up preference shares			
Listed		25,000	25,000
Unlisted - Kamoki Energy Limited (KEL), a related party	7.2.2	300,000	300,000
Term Finance Certificates (TFCs)			
Listed		450,782	455,641
Unlisted	7.2.3	1,090,068	1,012,429
Participation term certificates - unlisted		6,366	6,366
Strategic investment in a joint venture			
Unlisted ordinary shares			
Kamoki Energy Limited, a related party	7.2.2	404,867	404,867
Other investments			
Mutual fund units - listed		-	-
Commercial Paper		187,270	-
Sukuks - unlisted		267,010	247,046
Total investments		13,498,497	14,357,197
Less: Provision for diminution in value of investments	7.2.4	(1,291,935)	(1,296,736)
Investments - net of provisions		12,206,562	13,060,461
Add: Unrealized loss on revaluation of 'held-for-trading' securities		-	-
(Deficit)/Surplus on revaluation of 'available-for-sale' securities		(118,426)	123,360
Total investments at market value		12,088,136	13,183,821

7.2.1 Additional 1,008,787 ordinary shares of Agritech Limited (Agritech) at Rs. 35 per share were purchased at a total consideration of Rs. 35.31 million, under a buy-back arrangement, signed by the investors in year 2012, during first quarter of the financial year 2016. The SBP vide its letter No.BPRD/BPD (Policy)/ 2016-14898 dated 14 June 2016 has granted relaxation to the investors for recording impairment on this investment upto 30 June 2017 in phases. Pursuant to the requirement of this letter, impairment equivalent to 100% of the required amount has been recorded by the Company as at 30 June, 2017.

7.2.2 As at 30 September 2017, the Company has the investments / exposures in Kamoki Energy Limited (KEL) which was a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental power generation plant. KEL could not commence its commercial operations.

On 30 March 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Honorable Court taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL had filed a review petition against the decision of the Court which is pending adjudication.

Keeping in view of the above, the Board of Directors in their meeting, held on 09 December 2012 and 10 December 2012, had deliberated upon different alternatives in detail with respect to the exposure in KEL and thereafter decided to take exit from KEL. The Board advised the management to explore options, to sell the project to a third party.

Consequent to filing of winding up petition, for KEL, by Ameejee Valejee & Sons (Private) Limited along with certain shareholders of KEL from Tapal Family, Honorable Sindh High Court (HCS) has ordered liquidation of KEL and appointed an Official Assignee.

As per the order of Honorable Sindh High Court, M/s. Joseph Lobo (Private) Limited was appointed to carry out fresh valuation of the KEL. Subsequently, the first and second auctions were held on 29 November 2014 and 08 April 2015 respectively under the jurisdiction of Official Assignee, which, however, remained uneventful. Consequently, the Honorable Court of Sindh (HCS) passed an order dated 28 April 2015 to set off the assets of KEL to the extent of forced sale value of Rs. 1,134 million against claim of the Company. Later, the HCS vide its letter dated 27 May 2015 directed that the assets of KEL be handed over to the Company. Subsequent to the said order of HCS certain claimants filed their claims, amounting to Rs. 116.423 million before official assignee, the final outcome of which is still pending.

	30 September 2017 (Un-audited)		
Nature of assets / exposures	**Book value before provision**	**Provision held**	**Book value after provision**
	(Rupees in '000)		
Preference shares*	**300,000**	**(300,000)**	**-**
Ordinary shares**	**404,867**	**(404,867)**	**-**
Total funded exposure	**704,867**	**(704,867)**	**-**
As at 31 December 2016 (Audited)	704,867	(704,867)	-

* These are unlisted preference shares issued by KEL. The entire issue (100%) of these preference shares was subscribed by the Company during the year 2011. These have been fully provided due to the reasons stated above.

** This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above. The book value represents cost of investment amounting to Rs. 500 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment was designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

7.2.3 No provision has been made against the investment on the basis of exposure being guaranteed by the Government as stated in Annexure V "Guidelines in the matter of classification and provisioning of assets" of Prudential Regulations R-8 of Corporate / Commercial Banking.

SBP vide its letter no. BPRD/BPD(Policy)/2015-7848 dated 04 April 2015 has allowed relaxation to the investors for their restructured debt (including this PPTFC issue) from the requirements of Prudential Regulation R-8 of Corporate / Commercial Banking upto 31 December 2015. The investment has been restructured through a TFC Investor Agreement effective from 06 May 2015.

	Note	(Un-audited) 30 September 2017	(Audited) 31 December 2016
		------- (Rupees in '000) -------	
7.2.4 Particulars of provision			
Opening balance		1,296,736	1,437,217
Add: adjustments during the period / year		-	1,151
Charge for the period / year		15,021	22,085
Less: Reversal during the period / year		(12,500)	-
Net charge for the period / year		2,521	22,085
Less: Reversal on disposal		(7,322)	(163,717)
Net reversal		(4,801)	(141,632)
Closing balance		1,291,935	1,296,736

8. ADVANCES

	Note	30 September 2017	31 December 2016
In Pakistan			
Loans		4,364,028	3,614,162
Net investment in finance lease		218,709	209,308
Consumer loans and advances		85,416	96,675
Staff loans		130,223	150,973
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility - (LTFF)		175,000	223,790
Advances - gross	8.1	5,033,555	4,355,087
Less: Provision against			
- Non-performing advances - specific provision		1,518,589	1,516,914
- Consumer loans and advances - general provision		310	650
	8.2	1,518,899	1,517,564
Advances - net of provision		3,514,656	2,837,523

8.1 Advances include amounts aggregating to Rs. 1,613.98 million (31 December 2016: Rs. 1,637.11) million which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	---------- (Rupees in '000) ----------				
OAEM	2,486	-	2,486	-	-
Substandard	3,508	-	3,508	877	877
Doubtful	53,895	-	53,895	26,948	26,948
Loss	1,554,095	-	1,554,095	1,490,764	1,490,764
30 September 2017	1,613,984	-	1,613,984	1,518,589	1,518,589

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
OAEM	2,453	-	2,453	-	-
Substandard	54,734	-	54,734	13,682	13,682
Doubtful	1,636	-	1,636	818	818
Loss	1,578,286	-	1,578,286	1,502,414	1,502,414
31 December 2016	1,637,109	-	1,637,109	1,516,914	1,516,914

8.2 **Particulars of provision against non-performing advances:**

	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**1,516,914**	650	**1,517,564**	2,571,231	892	2,572,123
Charge for the period	**25,476**	-	**25,476**	333,661	-	333,661
Reversals	**(23,801)**	(340)	**(24,141)**	(1,353,288)	(242)	(1,353,530)
Net charge / (reversals)	**1,675**	(340)	**1,335**	(1,019,627)	(242)	(1,019,869)
Less: Amount written off	-	-	-	(34,690)	-	(34,690)
Closing balance	**1,518,589**	310	**1,518,899**	1,516,914	650	1,517,564

8.2.1 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. 4.8 million (31 December 2016: Rs. 17.342 million) in respect of consumer financing, and Rs. 58.532 million (31 December 2016: Rs. 58.532 million) being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

9. OPERATING FIXED ASSETS	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
Capital work-in-progress	**6,104**	5,713
Property and equipment	**84,331**	79,256
Intangible assets	**3,205**	2,728
	93,640	87,697

9.1 Additions during the nine months period ended 30 September 2017 amounted to Rs. 28.565 million (excluding CWIP) while disposal had a total cost of Rs. 1.551 million (net book value of Rs. Nil).

10. DEFERRED TAX ASSET - net	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
Deferred credit arising in respect of:		
Net investment in finance leases	**(36,084)**	(29,867)
Accelerated tax depreciation	**1,158**	(50)
Deferred debits arising in respect of:		
Provision for compensated absences	**3,681**	4,527
Provision for advances, investments and other assets	**80,242**	82,917
Unrealized gain on quoted shares/ government securities	-	-
Share of loss in joint venture	-	-
	48,997	57,527
Deferred tax liability on surplus on revaluation of available-for-sale investments - net	**16,698**	(31,108)
	65,695	26,419

10.1 As at 30 September 2017, the Company has available provision for advances, investments and other assets (including provision against investment in KEL) amounting to Rs. 1,764.88 million (31 December 2016: Rs. 1,775.19 million) and unused tax losses upto 30 September 2017 amounting to Rs. 2,082.99 million (31 December 2016: Rs. 2,103.12 million). However, the management has prudently recognised the deferred tax asset only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections.

11. OTHER ASSETS

Other assets include non-banking assets acquired under satisfaction of claim in relation to KEL's exposure (refer note 7.2.2 for further details). These assets comprise of land measuring 14.125 acre, building structure and power plant. The project is situated at Kamoki, District Gujranwala, Punjab, Pakistan.

Considering the strategic importance of KEL, consequent to transfer of the said assets in Company's name the management presented a Management Plan, highlighting all aspects, regarding the power project assets to the Board of Directors. In continuation to the efforts made for the disposal, management appointed M/s. Iqbal A. Nanjee for a new valuation as at December 2016. As per the new valuation the market value of these assets was Rs. 1.799 billion whilst forced sale value was Rs. 1.286 billion.

The management has also submitted a time-bound action plan to SBP for the disposal of the said non-banking assets. As per the said action plan, management is confident to dispose off the assets and structure a deal viable for the Company before financial year ending 2017.

12. BORROWINGS FROM FINANCIAL INSTITUTIONS	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing of exports oriented projects (LTF-EOP)		-	-
Long-term financing facility (LTFF)	12.1	175,000	211,904
Repurchase agreement borrowings - REPO	12.2	6,823,185	1,950,000
Privately placed term finance certificates		-	-
Borrowings from financial institutions	12.3	5,772,500	11,070,000
		12,770,685	13,231,904
Unsecured			
Clean borrowings		2,750,000	160,000
		15,520,685	13,391,904

12.1 The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 2.5 (31 December 2016: 2.5) and (2016: 8.40 to 10.10) percent per annum.

12.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by 07 July 2017 (31 December 2016: 06 January 2017). The rate of mark-up on these facilities is 5.89 (31 December 2016: 5.9) percent per annum.

12.3 This includes borrowings from financial institutions as under:

Rs. 3,912 million (31 December 2016: Rs. 3,075 million) representing long term borrowings from certain financial institutions which are secured by way of pari passu charge over assets of the Company with 25 and 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 0.25 percent to 1.00 percent per annum payable on semi-annual basis (31 December 2016: six months KIBOR plus 0.35 percent to 1.00 percent per annum payable on semi-annual basis). As at 30 September 2017, the applicable interest rates were 6.40 to 7.16 (31 December 2016: 6.52 and 7.15) percent per annum. These borrowings are due for maturity latest by May 2022 (31 December 2016: December 2021).

This represents short term borrowings (running finance and money market line) from certain financial institutions for period ranging from overnight to 12 months for running finance and 1 month to 6 months for money market line. They carry mark-up rate between one month to three months KIBOR minus 0.10 to minus 0.20 percent per annum (KIBOR minus 0.10 to 1.25 percent per annum). Of the total short term borrowings, facilities amounting to Rs. 1,860 million (31 December 2016: 6,795 million) are secured by way of hypothecation on all present and future loans and lease receivables and pledge of government securities with 10 percent margin on the facility amount.

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
13. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Certificates of investment - in local currency	13.1	239,000	463,117

13.1 The profit rates on these Certificates of Investment (COIs) range from 6.1 to 6.5 (31 December 2016: 6.15 to 6.50) percent per annum. These COIs are due for maturity on various dates latest by September 2017.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

In financial year 2014, the Company received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Company's rectification application, a rectified order was issued which resulted in a refund of Rs. 122.777 million. The tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.

For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs. 84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.v70.53 million for the tax year 2011 through a revised tax return; however, it did not recognise the said additional refund on a prudent basis. The Company filed an appeal with Commissioner Inland Revenue Appeals on 14 October 2013. The CIRA disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIRA confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIRA has been filed in addition to a rectification application.

For the tax year 2013, the Company received a tax demand of Rs. 24.3 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the tax department did not consider the payment of tax of Rs. 13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs. 13.198 million. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIRA disposed the appeal vides his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIRA confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIRA has been filed in addition to a rectification application.

For the tax year 2014, the ACIR passed an order wherein he demanded tax of Rs. 57.866 million disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIRA disposed the appeal vides his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIRA confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIRA has been filed.

The Company is in the process of filing a suit/application against the applicability of SWWF. The potential impact of SWWF, upto 31 December 2016, amounted to Rs. 30.085 million

No provision has been made in these condensed interim financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters.

		30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------- (Rupees in '000) -------	
14.2	**Commitments**		
	Direct credit substitutes		
	Contingent liabilities in respect of guarantees given favouring:		
	- Others	859,600	860,487
14.3	**Trade - related contingent liabilities**		
	Contingent liabilities in respect of letters of credit favouring:		
	- Others	241,500	241,500
14.4	**Commitments to extent credit**	641,549	737,675
14.5	**Commitments for acquisition of operating fixed assets**	1,279	2,530
14.5	**Commitments against other services**	14,514	24,198
14.6	**Unsettled investment transactions for:**		
	Purchase of PIBs	-	219,781
	Sale/purchase of listed ordinary shares - net	-	89,705
		-	309,486

14.7 Claims not acknowledged as debt as referred to in note 7.2.2 to the financial statements.

15. GAIN FROM TRADING IN SECURITIES - NET

This includes net gain from trading in government securities amounting to Rs. 89.469 million (30 September 2016: Rs. 148.894 million).

		Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
			------- (Rupees in '000) -------	
16.	**OTHER PROVISIONS / WRITE OFFS**			
	Charge / (reversal) of provision against non-banking assets acqired in satisfaction of claims - net	16.1	-	116,000
	Others		-	2,298
			-	118,298

16.1 As explained in note 7.2.2, the Company has acquired non-banking assets of KEL in satisfaction of its secured credit of Rs.1,250 million. These assets were acquired under the order of the High Court of Sindh at the forced sale value of Rs. 1,134 million, whereas the market value of these assets amount to Rs. 1,417.60 million based on valuation dated 11 October 2014 conducted by M/s. Joseph Lobo (Private) Limited.

17. TAXATION

Due to current year tax loss, the Company has made provision for applicable minimum and fixed taxes. Therefore, relationship between tax expense and accounting profit for the period has not been presented.

	Quarter ended 30 September 2017	Nine Months ended 30 September 2017	Quarter Ended 30 September 2016	Nine Months ended 30 September 2016
18. BASIC AND DILUTED EARNINGS PER SHARE	---------- (Rupees in '000) ----------			
Profit after taxation	(6,041)	72,616	24,014	958,565
	---------- (Number of shares) ----------			
Weighted average number of ordinary shares	614,178	614,178	614,178	614,178
	---------- (Rupees) ----------			
Earnings per share	(9.84)	118.23	39.10	1,560.73

19. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Company Secretary and Head of Departments.

Transactions and balances with related parties are as follows:

	(Un-audited) 30 September 2017					(Audited) 31 December 2016				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
19.1 Balances										
Bank balance	-	-	-	20,711	-	-	-	-	20,344	-
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Placements / reverse repo made during the period	-	-	-	350,000	-	-	-	-	3,648,161	-
Placements / reverse repo matured during the period	-	-	-	-	-	-	-	-	(3,648,161)	-
Closing balance	-	-	-	350,000	-	-	-	-	-	-
Investments										
Opening balance	-	-	704,867	11,201,958	500	-	-	704,867	9,062,104	500
Investment made during the period	-	-	-	12,555,812	-	-	-	-	10,689,453	-
Investment redeemed / disposed off during the period	-	-	-	(13,911,001)	-	-	-	-	(8,549,599)	-
Closing balance	-	-	704,867	9,846,769	500	-	-	704,867	11,201,958	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Surplus/(deficit) on revaluation of investments	-	-	-	7,438	-	-	-	-	110,373	-
Advances										
Opening balance***	-	59,882	-	-	-	-	44,118	1,284,690	-	-
Addition during the period	-	5,680	-	-	-	-	24,717	-	-	-
Repaid / adjusted during the period	-	(32,918)	-	-	-	-	(8,953)	(1,284,690)	-	-
Closing balance	-	32,644	-	-	-	-	59,882	-	-	-

	(Un-audited) 30 September 2017					(Audited) 31 December 2016				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Other assets										
Mark-up receivable on term loan										
- Gross	-	627	-	15,677	-	-	494	-	267,933	-
- Suspended / provided	-	-	-	(3,205)	-	-	-	-	(2,762)	-
Closing balance	-	627	-	12,472	-	-	494	-	265,171	-
Amount receivable from defined contribution plan	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Advance taxation	-	-	-	199,363	-	-	-	-	182,539	-
Other advances										
Opening	-	25,548	-	-	-	-	550	-	-	-
Additions during the period****	-	897	-	-	-	-	25,783	-	-	-
Repaid during the period	-	(25,637)	-	-	-	-	(785)	-	-	-
Closing balance	-	808	-	-	-	-	25,548	-	-	-
Provision against other assets	-	-		-	-	-	-	-	-	-
Borrowings from financial Institutions										
Opening	-	-	-	2,260,256	-	-	-	-	2,080,804	-
Borrowings during the period	-	-	-	173,825,601	-	-	-	-	217,366,003	-
Settled during the period	-	-	-	(174,677,505)	-	-	-	-	(217,186,551)	-
Closing balance	-	-	-	1,408,352	-	-	-	-	2,260,256	-
Deposits and other accounts										
Opening balance	-	-	-	200,000	-	-	-	-	745,000	150,000
Additions during the period	-	-	-	439,000	-	-	-	-	700,000	170,000
Repayments during the period	-	-	-	(400,000)	-	-	-	-	(1,245,000)	(320,000)
Closing balance	-	-	-	239,000	-	-	-	-	200,000	-
Other liabilities										
Mark-up payable	-	-	-	6,587	-	-	-	-	7,070	-
Amount payable to retirement benefit funds	-	-	-	-	5,173	-	-	-	-	5,173
Others / departing bonus payable	-	-	1,008	122	-	-	18,478	1,008	110	-
	-	-	1,008	6,709	5,173	-	18,478	1,008	7,180	5,173

	(Un-audited) 30 September 2017					(Audited) 31 December 2016				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Contingencies and commitments										
Letter of guarantee	-	-	860,524	-	-	-	-	860,487	-	-
Commitment to extend credit	-	17,675	-	-	-	-	17,675	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	-	-	-	-	-	244,537	-
	-	17,675	860,524	-	-	-	17,675	860,487	244,537	-

	(Un-audited) 30 September 2017					(Un-audited) 30 September 2016				
	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
19.2 Transactions, income and expenses										
Mark-up / return / interest earned -net	-	342	-	481,407	-	-	522	-	448,300	-
Mark-up / return / interest expensed	-	-	-	365,897	-	-	18	-	184,563	5,320
Gain / (loss) on sale of securities - net				110,951	-	-	-	-	153,277	-
Dividend income				6,495		-	-	-	11,212	-
Contribution to defined contribution plan	-	-	-	-	5,454	-	-	-	-	4,335
Contribution to defined benefit plan	-	-	-	-	7,558	-	-	-	-	8,086
Non-executive directors' fee and remuneration	1,743	-	-	-	-	2,640	-	-	-	-
Remunerations	-	178,228	-	-	11,385	-	120,543	-	-	9,818

* Key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

** Fee based income to be recorded on cash receipt basis.

*** The opening balance include Rs. 25 million, grandfathered, loan obtained by the then SEVP during FY 2009-2010 before becoming the managing director (executive director) of the Company in FY 2012. As per the terms approved by the board, the SEVP was given relaxation in certain employee loan related terms. Additionally, he was allowed to pay the entire Rs. 25 million (principal) upon completion of his employment term. However, he has been paying only interest on the said loan. The loan was due for repayment on 21 February 2017 which has been settled during the first quarter.

**** During the year 2016, the (former) deputy managing director obtained an advance amounting to PKR 25 million. As per employment terms of the managing director and deputy managing director (the executive directors), the managing director/deputy managing director is entitled to 3 months salary as advance, without interest, repayable in 12 months; however, the (former) deputy managing director requested for PKR 25 million. Considering this being a related party transaction, the board of directors approved the transaction as an interest free advance repayable within 12 months against his end of service benefits. The Company marked a lien on end of service benefit against this advance as security. The advance was due for repayment on 06 April 2017 however, has been settled at first quarter end consequent to conclusion of his directorship.

20. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Un-audited)					
	Corporate Finance	Treasury	Capital Markets	SME & Retail Banking	Others	Total
	(Rupees in '000)					
30 September 2017						
Total income	241,495	601,410	157,790	20,502	2,605	1,023,802
Total expenses	122,982	428,921	19,875	41,811	273,527	887,116
Net income / (loss)	118,513	172,489	137,915	(21,309)	(270,922)	136,686
Segment assets (gross)	7,310,071	13,164,175	904,929	431,511	1,653,908	23,464,594
Segment non-performing loans	1,544,402	-	-	69,582	-	1,613,984
Segment non-performing investments & lendings	1,353,777	42,435	-	-	-	1,396,212
Segment provision required and held on loan	1,458,922	-	-	59,665	-	1,518,587
Segment provision on investments	1,282,565	42,435	-	-	-	1,325,000
Segment liabilities	2,073,220	13,163,865	907	421,594	321,366	15,980,954
Net assets						4,640,053
Segment return on net assets (ROA)						3.93%
Segment cost of funds (%)						6.15%

	(Audited)					
	Corporate Finance	Treasury	Capital Markets	SME & Retail Banking	Others	Total
	(Rupees in '000)					
31 December 2016						
Total income	1,323,774	1,025,617	96,520	6,953	6,165	2,459,029
Total expenses	(333,055)	(716,098)	(27,570)	(17,499)	(332,988)	(1,427,210)
Net income / (loss)	990,719	309,519	68,590	(10,546)	(326,823)	1,031,459
Segment assets (gross)	6,639,915	12,500,279	682,924	323,000	1,599,192	21,745,310
Segment non-performing loans	1,568,192	-	-	68,917	-	1,637,109
Segment non-performing investments	1,391,783	41,934	-	-	-	1,433,717
Segment provision required and held on loan	1,469,239	-	-	48,326	-	1,517,565
Segment provision on investments	1,290,370	41,934	-	-	-	1,332,304
Segment liabilities	1,354,523	12,329,283	1,114	312,794	136,312	14,134,026
Net assets	-	-	-	-	-	4,761,415
Return on net assets						3.44%*
Cost of funds (%)						6.19%

	(Un-audited)					
	Corporate Finance	Treasury	Capital Markets	Consumer Banking	Others	Total
	(Rupees in '000)					
30 September 2016						
Total income	1,182,516	810,372	53,243	5,073	5,079	2,056,283
Total expenses	(155,820)	(559,455)	(23,173)	(12,689)	(231,693)	(982,830)
Net income / (loss)	1,026,696	250,917	30,070	(7,596)	(226,614)	1,073,473
Segment assets (gross)	6,879,999	11,686,687	629,831	118,487	1,720,683	21,035,687
Segment non-performing loans	1,490,507	-	-	69,298	-	1,559,805
Segment non-performing investments	1,402,735	41,934	-	-	-	1,444,669
Segment provision required and held on loan	1,431,976	-	-	48,232	-	1,480,208
Segment provision on investments	1,293,304	41,934	-	-	-	1,335,238
Segment liabilities	1,678,012	11,441,519	137	113,467	31,407	13,264,542
Net assets	2,476,707	203,234	629,694	(43,212)	1,689,276	4,955,699
Return on net assets						6.71%*
Cost of funds (%)						6.20%

* To ensure comparability, this return on net assets has been adjusted by excluding the gain of Rs. 867.81 million from the net income as well as net assets as this gain pertains to settlement of loan and advances of KEL, which is a one off event (refer note 7.2.2).

	30 September 2017 (Un-audited)	30 September 2016 (Un-audited)
	(Rupees in '000)	
21. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	20,717	25,177
Balances with other banks	73,199	77,411
	93,916	102,588

22. CREDIT RATING

In its latest rating announcement (June 2017), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA- (Double A Minus) in the long term and A1+ (A One Plus) in the short term (with negative outlook).

23. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 20 OCT 2017 by the Board of Directors of the Company.

24. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.

Chief Financial Officer

Managing Director & CEO

Director

Director