



KPMG Taseer Hadi & Co.

Chartered Accountants

PAK CHINA INVESTMENT COMPANY LIMITED

Financial Statements

For the year ended

31 DECEMBER 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Pak China Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pak China Investment Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the 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 statement of financial position, profit and loss account, statement of comprehensive income, the statement of changes in equity and the 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 31 December 2018 and of the profit and comprehensive income, 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 *Auditors' Responsibilities for the Audit of the 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.



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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.



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- 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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 statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the 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) investments 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).



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The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

A handwritten signature in black ink, appearing to read 'Atif Zamurrad Malik', written in a cursive style.






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

**Islamabad
15 March 2019**

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017
-----Rupees-----			
ASSETS			
Cash and balances with treasury banks	5	62,586,073	26,529,844
Balances with other banks	6	1,553,209,315	2,168,944,684
Lendings to financial institutions		-	-
Investments	7	9,976,198,978	13,848,108,959
Advances	8	7,620,187,771	7,899,991,599
Fixed assets	9	187,345,540	174,023,393
Intangible assets	10	239,762	339,104
Deferred tax assets	11	36,897,187	104,637,929
Other assets	12	325,569,633	198,390,647
		19,762,234,259	24,420,966,159
LIABILITIES			
Bills payable		-	-
Borrowings	13	4,180,682,821	9,576,859,910
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	220,251,158	175,535,989
		4,400,933,979	9,752,395,899
NET ASSETS		15,361,300,280	14,668,570,260
REPRESENTED BY			
Share capital	15	9,116,400,000	9,116,400,000
Reserves		1,232,830,002	1,110,843,079
Surplus on revaluation of assets	16	83,041,146	245,740
Unappropriated profit		4,929,029,132	4,441,081,441
		15,361,300,280	14,668,570,260
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 41 form an integral part of these financial statements

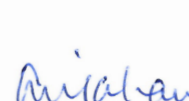
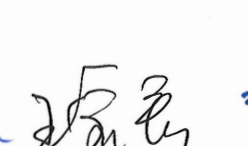
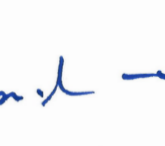

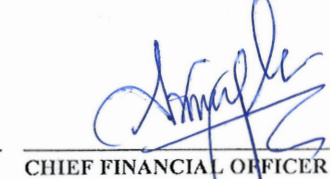






CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		-----Rupees-----	
Mark-up/ return/ interest earned	18	1,244,513,786	1,622,936,468
Mark-up/ return/ interest expensed	19	(162,160,116)	(669,157,259)
Net mark-up/ interest income		1,082,353,670	953,779,209
NON MARK-UP/INTEREST INCOME			
Fee and commission income	20	44,253,123	178,242,678
Dividend income		743,593	-
Foreign exchange income		-	-
Exchange gain		298,950,711	58,884,810
Gain on securities	21	48,718,060	29,579,687
Other income	22	12,328,131	10,082,117
Total non-markup/ interest income		404,993,618	276,789,292
Share in profit of associated companies		36,482,128	46,631,684
Total income		1,523,829,416	1,277,200,185
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	23	386,374,334	378,146,467
Other charges	24	120,000	-
Total non-markup/interest expenses		386,494,334	378,146,467
Profit before provisions		1,137,335,082	899,053,718
Provisions and write offs - net	25	225,577,170	(70,749,142)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		911,757,912	969,802,860
Taxation	26	292,937,769	299,207,957
PROFIT AFTER TAXATION		618,820,143	670,594,903
Basic and diluted earnings per share	27	0.68	0.74

The annexed notes 1 to 41 form an integral part of these financial statements

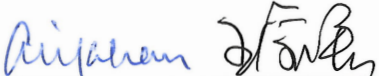







CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER


PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018


	2018	2017
	------(Rupees in '000)-----	
Profit after taxation for the year	618,820,143	670,594,903
Other comprehensive income		
Items that will not be reclassified to profit and loss account in subsequent periods:		
Re-measurement loss on defined benefit plan - net of tax	(5,942,837)	(2,643,386)
Share of other Comprehensive profit /(loss) from Associate	(3,469,609)	(571,350)
Related tax	526,917	12,786
	(2,942,692)	(558,564)
Items that may be reclassified to profit and loss account in subsequent periods:		
Net change in fair value of available-for-sale securities - net of tax	82,838,573	(124,906,010)
Company's share of equity accounted investees' OCI:		
Available-For-Sale securities financial assets - Net change in fair value	(43,167)	(85,231)
	82,795,406	(124,991,241)
Total comprehensive income	692,730,020	542,401,712


The annexed notes 1 to 41 form an integral part of these financial statements


CHAIRMAN


MANAGING DIRECTOR


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2018

	Share capital	Statutory reserve	Surplus on revaluation of assets	Unappropriated profit	Total
	(Rupees)				
Balance as at January 01, 2017	9,116,400,000	977,364,488	125,151,750	3,907,167,079	14,126,083,317
Profit after taxation for the year	-	-	-	670,594,903	670,594,903
Other comprehensive income	-	-	(124,906,010)	(3,201,950)	(128,107,960)
Total comprehensive income	-	-	(124,906,010)	667,392,953	542,486,943
Transfer to statutory reserve	-	133,478,591	-	(133,478,591)	-
Balance as at 31 December 2017	9,116,400,000	1,110,843,079	245,740	4,441,081,441	14,668,570,260
Profit after taxation	-	-	-	618,820,143	618,820,143
Other comprehensive income	-	-	82,795,406	(8,885,529)	73,909,877
Total comprehensive income	-	-	82,795,406	609,934,614	692,730,020
Transfer to statutory reserve	-	121,986,923	-	(121,986,923)	-
Balance as at 31 December 2018	9,116,400,000	1,232,830,002	83,041,146	4,929,029,132	15,361,300,280

According to BPD Circular No. 15, dated 31 May 2004, issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund, till such time the reserve fund equals the amount of the paid-up capital of the Company, and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve.

The annexed notes 1 to 41 form an integral part of these financial statements *Wing A*



CHAIRMAN



MANAGING DIRECTOR



DIRECTOR



DIRECTOR







CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
AS AT 31 DECEMBER 2018

	Note	2018	2017
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		911,757,912	969,802,860
Less: Dividend income		(743,593)	-
Share of profit from associate companies		(36,482,128)	(46,631,684)
		874,532,191	923,171,176
Adjustments for:			
Depreciation	23	10,392,066	9,760,409
Amortization	23	231,757	301,944
Provision for gratuity		12,306,829	10,339,900
Provision against non-performing loans and advances		69,660,800	(32,062,293)
Provision for diminution in the value of investments		-	(71,805,000)
Impairment loss on available-for-sale investments		155,916,370	33,118,151
(Gain) / loss on sale of fixed assets		(1,230,719)	122,528
Exchange gain		(298,950,711)	(58,884,810)
		(51,673,608)	(109,109,171)
		822,858,583	814,062,005
(Increase)/ Decrease in operating assets			
Lendings to financial institutions		-	2,647,918,347
Advances		210,143,029	(1,828,109,805)
Others assets (excluding advance taxation)		(102,924,337)	444,554,365
		107,218,692	1,264,362,907
Increase/ (decrease) in operating liabilities			
Other liabilities		1,491,317	(35,587,372)
Borrowings from financial institutions		(5,396,177,089)	1,380,405,044
		(5,394,685,772)	1,344,817,672
Contribution to plan assets		(9,276,487)	(12,666,855)
Income tax paid		(261,613,768)	(310,592,223)
Net cash flow (used in) / from operating activities		(4,735,498,752)	3,099,983,506
CASH FLOW FROM INVESTING ACTIVITIES			
Investment realized / (used in) during the period - net		3,868,780,776	(6,144,784,198)
Dividends received		10,704,035	21,172,149
Capital expenditure		(23,847,293)	(7,244,805)
Proceeds from sale of fixed assets		1,231,383	-
Net cash flow from / (used in) investing activities		3,856,868,901	(6,130,856,854)
CASH FLOW FROM FINANCING ACTIVITIES			
		-	-
Effects of exchange rate changes on cash and cash equivalents		298,950,711	58,884,810
Decrease in cash and cash equivalents		(579,679,140)	(2,971,988,538)
Cash and cash equivalents at beginning of the year	28	2,195,474,528	5,167,463,066
Cash and cash equivalents at end of the year	28	1,615,795,388	2,195,474,528

The annexed notes 1 to 41 form an integral part of these financial statements

CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July, 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance, respectively. The main objective of the Company is to invest in the financial sector and infrastructure projects.

The Company commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on 10 January 2008.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the format prescribed by SBP's BPRD Circular No. 2 dated 25 January 2018.

2.1 STATEMENT OF COMPLIANCE

2.2 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of :

- International Financial Reporting Standards (IFRS) 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 as are notified under the Companies Act, 2017;
- Provisions of and directives under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

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

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.


IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 2 dated 25 January 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. The management of the Company believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

SBP vide circular letter no BPRD/R&PD/2018/17232 dated 8 August 2018 has deferred the requirement for additional disclosure on governance and remuneration till 31 Decemebr 2019. Accordingly, the disclosure on governance & remuneration practices has not been made part of thses financial statements.

The SBP has prescribed fromat of financial statements for Banks / DFIs vide BPRD Circular 02 of 2018, therefore, requirements of the Fifth Scheule of the Companies Act, 2017 have not been followed in presentation of these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Copany is in the process of assessing the impact of this standards. 

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 *Income Taxes* - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Company's financial statements.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are revalued to their fair values, the defined benefit plan which is measured at present value and investments at associates which are stated using equity accounting.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3.1 Critical accounting estimates and judgments

3.1.1 Provision against non-performing loans and advances

The management reviews the loan portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by SBP, payment status of mark-up and principal, expected future cash flows of the business and security position are taken into account.

3.1.2 Classification / valuation of investments

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

3.1.3 Impairment of investments

The management determines that 'available-for-sale' listed equity investments are impaired, when there has been a significant or prolonged decline in market value/ fair value below its cost. Further unquoted investments are impaired when the investee's breakup value per share falls below the per share cost of investment. In making this judgment, the management considers, among other factors, the decline in market price below cost by 20%, as significant, and if the decline in market price persists for 9 months, as prolonged. For debt securities impairment loss is determined on the basis of the Prudential Regulations of SBP. Management reviews other instruments for identification of impairment and for annual estimate of recoverable amount to assess the amount of impairment.

3.1.4 Provision for income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues, and the appeals of the department, pending at various levels with the tax authorities.


3.1.5 Operating fixed assets

The Company reviews the useful lives and residual value of fixed assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets, with a corresponding effect on the depreciation charge/ amortization and impairment.

3.1.6 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

3.1.7 Provision for gratuity

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognized gains and losses. 

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated below.

The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks/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 has not resulted in significant reclassification of comparative information and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has not been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in changes as disclosed in note 40.2.

4.1 Functional and presentation currencies

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash and balance with treasury banks and balance with other banks.

4.3 Lendings to / borrowings from financial institutions

The Company enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of financial position, and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between the sale and repurchase price, is amortized as an expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased under agreement to resell (reverse repo) are included in lending to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income. *Kamran*

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Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowing from financial institutions.

Other borrowings

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lendings

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipt basis.

4.4 Investments

Investments of the Company are classified as held to maturity and available for sale.

Investment in associates

Interests in equity-accounted investees: The Company's interests in equity-accounted investees comprise of interests in associate and a joint venture. Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence or joint control ceases.

Held-To-Maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Company has a positive intent and ability to hold till maturity.

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity, and investment in associate categories. *Ganga*

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Initial measurement

All regular way purchases and sales of investments are recognized on the trade date .i.e., the date that the Bank commits to purchase or sell the investment. Regular way purchases or sales of investment that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which includes transaction costs.

Subsequent measurement

Held-To-Maturity

These are measured at original recorded amounts less any subsequent impairment loss.

Available-For-Sale

Quoted securities classified as available for sale investments are measured at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to profit and loss account when realized 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. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account. Investment in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by SBP. Provision for diminution in the value of other securities are made for impairment, if any.

4.5 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

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4.6 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in profit or loss.

Capital work-in-progress


Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

Intangible assets

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

4.7 Impairment

Impairment of available for sale equities investments

Available for sale quoted equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price. 

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Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account.

4.8 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and any adjustments to any tax payable, relating to prior years.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization, or settlement, of the carrying amount of assets and liabilities. Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets 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 assets and unused tax losses can be utilized.

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

4.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. *Kang*

PAK CHINA INVESTMENT COMPANY LIMITED
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4.10 Revenue recognition

Advances and investments

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized on time proportion method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

Gain / (loss) on sale of securities, is recognized in the profit and loss account at the time of sale of relevant securities.

Dividend income

Dividend income is recognized when the right to receive the dividend is established.

Fee, brokerage and commission income

Fee, commission and brokerage income is recognized as the services are rendered.

Rental income

Rental income is recognized over the period of the rent agreement.

4.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2018. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and any changes in the effect of the asset ceiling are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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PAK CHINA INVESTMENT COMPANY LIMITED
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Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

The Company recognizes the following changes in the defined benefit obligation under 'administrative expenses' in the profit and loss account:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- interest expense

Defined contribution plan

The Company also operates a recognized provident fund scheme for all its regular employees. Equal monthly contributions are made, both by the Company and by the employees, at the rate of 10% of the basic salary of the employee. Contributions made by the Company are charged to the profit and loss account.

4.12 Foreign currency translation

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are reported in Rupees, at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

4.13 Offsetting of financial assets and financial liabilities

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

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4.14 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 37.

4.15 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.

4.16 Dividend and appropriations to reserves

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognized as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

4.17 Segment information

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

Business Segments

(a) Corporate Finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

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(b) Trading and Sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Others

Others includes functions which cannot be classified in any of the above segments.

Geographical Segments

All the Company's business segments operate only in Pakistan.

	Note	2018	2017
5		-----Rupees-----	
CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		30,880	11,721
With State Bank of Pakistan in			
Local currency current account	5.1	61,128,823	25,442,262
With National Bank of Pakistan in			
Local currency current account		1,426,370	1,075,861
		62,586,073	26,529,844

5.1 This mainly represents the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21, dated 5 October 2012.

		2018	2017
6		-----Rupees-----	
BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account - Local Currency	6.1	56,444,160	1,014,069,478
In deposit account - Foreign Currency	6.2	1,496,765,155	1,154,875,206
		1,553,209,315	2,168,944,684

6.1 These carry interest at rates ranging from 2.4% to 8% (2017: 2.4% to 4.13%) per annum. This also includes Term Deposit Receipt amounting to NIL (2017: Rs. 1 billion carrying interest rate of 6.70%).

6.2 This represents a foreign currency term deposit of USD 10,799,171 (2017: USD 10,470,300) carrying mark-up at a rate of 7.55% (2017: 3.20%) per annum, and will mature on 28 June 2019.

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PAK CHINA INVESTMENT COMPANY LIMITED
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7 INVESTMENTS

7.1 Investments by type

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Note	Rupees				Rupees			
Available-for-sale securities								
Federal Government Securities	5,872,787,000	-	75,803,375	5,948,590,375	11,628,856,700	-	(21,950)	11,628,834,750
Shares	54,786,014	-	828,298	55,614,312	57,625,911	-	-	57,625,911
Non Government Debt Securities	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658	1,133,836,133	(369,434,062)	376,033	764,778,104
	8,981,130,056	(369,434,062)	97,700,351	8,709,396,345	12,820,318,744	(369,434,062)	354,083	12,451,238,765
Associates	1,266,802,633	-	-	1,266,802,633	1,396,870,194	-	-	1,396,870,194
Total Investments	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978	14,217,188,938	(369,434,062)	354,083	13,848,108,959

7.2 Investments by segments

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Federal Government Securities								
Market Treasury Bills	4,935,287,000	-	(166,000)	4,935,121,000	10,978,856,700	-	(21,950)	10,978,834,750
Ijarah Sukuks	937,500,000	-	75,969,375	1,013,469,375	650,000,000	-	-	650,000,000
	5,872,787,000	-	75,803,375	5,948,590,375	11,628,856,700	-	(21,950)	11,628,834,750
Shares:								
Listed Companies	54,786,014	-	828,298	55,614,312	57,625,911	-	-	57,625,911
Non Government Debt Securities								
Listed	261,165,000	-	-	261,165,000	-	-	-	-
Unlisted	2,792,392,042	(369,434,062)	21,068,678	2,444,026,658	1,133,836,133	(369,434,062)	376,033	764,778,104
	3,053,557,042	(369,434,062)	21,068,678	2,705,191,658	1,133,836,133	(369,434,062)	376,033	764,778,104
Associates								
Pakistan Stock Exchange Limited	969,610,517	-	-	969,610,517	1,119,551,591	-	-	1,119,551,591
Central Depository Company of Pakistan Limited	297,192,116	-	-	297,192,116	277,318,603	-	-	277,318,603
Total Investments	10,247,932,689	(369,434,062)	97,700,351	9,976,198,978	14,217,188,938	(369,434,062)	354,083	13,848,108,959

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7.2.1 Investments given as collateral

Market treasury bills

2018	2017
-----Rupees-----	
<u>2,814,011,200</u>	<u>5,250,320,320</u>

7.3 Provision for diminution in value of investments

- 7.3.1 Opening balance
 Reversal for the year
 Closing Balance

369,434,062	441,239,062
-	(71,805,000)
<u>369,434,062</u>	<u>369,434,062</u>

7.3.2 Particulars of provision against debt securities
 Category of classification

Domestic
 Other assets especially mentioned
 Substandard
 Doubtful
 Loss
 Total

2018		2017	
-----Rupees-----			
NPI	Provision	NPI	Provision
-	-	-	-
-	-	-	-
-	-	-	-
<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>
<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>	<u>369,434,062</u>

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7.4 Investment in Pakistan Stock Exchange Limited

Pakistan Stock Exchange Limited (PSX) is an associate of the Company due to common directorship. The Company acquired 40,073,830 ordinary shares of PSX on 06 March 2017 and one of the Company's directors was appointed on the board of PSX on 10 March 2017. Investment of the Company in PSX is being accounted for under the equity method of accounting in accordance with International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Pakistan Stock Exchange is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, mudarbah certificates, stocks, bonds, debentures stock, government papers, loans and any other instruments and securities of like nature including but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorized by the Government of Pakistan.

The reconciliation of carrying amount is as follows:

	2018	2017
	-----Rupees-----	
Purchase of ordinary shares	<u>1,122,067,240</u>	<u>1,122,067,240</u>
Opening balance	1,119,551,591	-
Share of profit for the year	7,189,341	10,092,750
Dividend from associate	(2,003,692)	(12,022,149)
	5,185,649	(1,929,399)
Share of other comprehensive income / (loss)	(2,050,250)	(586,250)
Impairment	(153,076,473)	-
Closing balance	<u>969,610,517</u>	<u>1,119,551,591</u>
Share of other comprehensive income		
Unrealized deficit on available for sale securities - net of tax	7,550	(14,900)
Actuarial loss of employee gratuity fund of associate - net of tax	(2,057,800)	(571,350)
	<u>(2,050,250)</u>	<u>(586,250)</u>

The following table summarizes the financial information of PSX as included in its financial statements for the unaudited condensed financial information for the period ended 31 December 2018, adjusted for difference in accounting policies in respect of revaluation of fixed assets. The financial year-end of PSX is 30 June.

	2018	2017
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	9,849,894,000	9,507,986,020
Total liabilities	<u>1,817,804,000</u>	<u>1,538,604,000</u>
Net assets	8,032,090,000	7,969,382,020
Company's share of net assets (5%)	401,604,500	398,469,101
Excess of cost over net assets at the date of investment	721,082,490	721,082,490
Impairment loss	(153,076,473)	-
Carrying amount of interest in associates	<u>969,610,517</u>	<u>1,119,551,591</u>
Net income	410,346,000	753,650,000
Profit after tax (100%)	<u>143,786,820</u>	<u>201,855,000</u>
Company's share of net profit for the year (5%)	<u>7,189,341</u>	<u>10,092,750</u>
Other Comprehensive Income (OCI):		
- Profit/(loss) on re-measurement of defined benefit liability	(41,156,000)	(11,427,000)
- change in surplus on revaluation of available-for-sale investments	151,000	(298,000)
Total OCI (100%)	<u>(41,005,000)</u>	<u>(11,725,000)</u>
Company's share of OCI (5%)	<u>(2,050,250)</u>	<u>(586,250)</u>

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The market value of PSX as at 31 December 2018 was Rs. 13.57 per share, which is below the purchase price of Rs. 28 per share. The management believes that the decline in market value as at the reporting date is significant. The management has conducted an impairment assessment of its equity investment as at December 31, 2018. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions.

The following table sets out the key assumptions which were used for the determination of value-in-use of equity investment:

	2018
Terminal value growth rate (%)	3%
Discount rate (%)	15.18%
Budgeted EBITDA growth rate (average of next five years)	>30%

The discount rate was pre-tax measure based on the rate of 12.83%, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specified investment.

Five years of cash flows were included in the discounted cash flow model.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account future expectations.

Following the impairment loss recognised, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

7.5 Investment in Central Depository Company of Pakistan Limited (CDC)

Central Depository Company of Pakistan Limited (CDC) is an associate of the Company due to common directorship. During 2016, the Company acquired 3,250,000 ordinary shares of CDC from Citi Overseas Investment Corporation at Rs. 76.92 per share. Subsequently, the Company also received 4,249,781 as bonus shares. Due to appointment of the Company's nominee director on the board of the CDC the investment has been accounted for under the equity method of accounting with International Accounting Standard 28, (IAS 28) "Accounting for Investments in Associates".

CDC is recognized as the infrastructure backbone of the Pakistan's capital market and it is the sole securities depository in the country. In the past two decades, CDC has also evolved as one of the leading and most prestigious infrastructure institutions in Pakistan with a focus on the capital market. CDC is principally engaged in to act as a depository of securities, open securities accounts and act as a registrar to issues of securities.

The reconciliation of carrying amount is as follows:

	2018	2017
	-----Rupees-----	
Carrying value as at 1 January	277,318,603	178,195,000
Reversal on reclassification of CDC to equity-accounted associate	-	71,805,000
	277,318,603	250,000,000
Opening balance/ Transfer from available-for-sale investment	277,318,603	250,000,000
Share of profit for the year	29,292,787	36,538,934
Dividend from associate	(7,956,750)	(9,150,000)
	21,336,037	27,388,934
Share of other comprehensive income:		
Unrealized deficit on assets - net of tax	(1,462,524)	(70,331)
Closing balance	297,192,116	277,318,603

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The following table summarizes the financial information of CDC included in its financial statements for the year ended 31 December 2018. The financial year-end of CDC is 30 June.

	2018	2017
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	4,379,028,898	3,914,276,898
Total liabilities	809,769,491	742,193,925
Net assets	3,569,259,407	3,172,082,973
Company's share of net assets (5%)	178,462,970	158,604,149
Excess of cost over net assets at the date of investment	118,729,146	118,714,454
Carrying amount of interest in associates	297,192,116	277,318,603
Net income	928,085,489	2,045,440,850
Profit after tax (100%)	585,855,744	730,778,693
Company's share of net profit (5%)	29,292,787	36,538,935
Other Comprehensive Income (OCI):		
- change in surplus on revaluation of available-for-sale investments	293,850	(1,406,627)
- Profit/(loss) on re-measurement of defined benefit liability	(29,544,320)	-
Total OCI (100%)	(29,250,470)	(1,406,627)
Company's share of OCI (5%)	(1,462,524)	(107,607)
7.6 Quality of Available for Sale Securities (At cost)		
<i>Details regarding Available for sales securities are as follows:</i>	2018	2017
Federal Government Securities - Government guaranteed	-----Rupees-----	
- Market Treasury Bills	4,935,287,000	10,978,856,700
- Ijarah Sukuks	937,500,000	650,000,000
	5,872,787,000	11,628,856,700
Shares		
- Chemical (Listed Company)	54,786,014	57,625,911
Non Government Debt Securities		
<i>Categorised based on long term rating by Credit Rating Agency</i>		
Listed		
- AA+, AA, AA-	261,165,000	-
Unlisted		
- AAA	500,000,000	200,132,248
- AA+, AA, AA-	1,374,785,000	174,895,000
- A+, A, A-	388,455,664	262,089,492
- CCC and below	369,434,062	369,434,062
- Unrated	159,717,316	127,285,331
	2,792,392,042	1,133,836,133
Equity Securities		
Pakistan Stock Exchange - Listed	969,610,517	1,119,551,591
Central Depository Company - Unlisted	297,192,116	277,318,603
	1,266,802,633	1,396,870,194

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8 ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
-----Rupees-----						
Loans, cash credits, running finances, etc.	6,963,590,249	7,646,838,681	815,163,564	313,163,564	7,778,753,813	7,960,002,245
Islamic Financing and related assets	384,739,215	413,633,811	-	-	384,739,215	413,633,811
Advances - gross	7,348,329,464	8,060,472,492	815,163,564	313,163,564	8,163,493,028	8,373,636,056
Provision against advances						
- Specific	-	-	397,439,324	313,163,564	397,439,324	313,163,564
- General	145,865,933	160,480,893	-	-	145,865,933	160,480,893
	145,865,933	160,480,893	397,439,324	313,163,564	543,305,257	473,644,457
Advances - net of provision	7,202,463,531	7,899,991,599	417,724,240	-	7,620,187,771	7,899,991,599

8.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
-----Rupees-----								
Lease rentals receivable	-	-	-	-	44,698,152	118,768,783	-	163,466,935
Residual value	-	-	-	-	-	-	-	-
Minimum lease payments	-	-	-	-	44,698,152	118,768,783	-	163,466,935
Financial charges for future periods	-	-	-	-	(15,526,506)	(31,253,842)	-	(46,780,348)
	-	-	-	-	(15,526,506)	(31,253,842)	-	(46,780,348)
Present value of minimum lease payments	-	-	-	-	29,171,646	87,514,941	-	116,686,587

8.2 Particulars of advances (Gross)
In local currency

	2018	2017
-----Rupees-----		
	8,163,493,028	8,373,636,056
	8,163,493,028	8,373,636,056

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8.3 Advances include Rs.815.164 million (2017: Rs.313.163 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
-----Rupees-----				
Domestic				
Substandard	190,000,000	47,500,000	-	-
Doubtful	312,000,000	36,775,760	-	-
Loss	313,163,564	313,163,564	313,163,564	313,163,564
	<u>815,163,564</u>	<u>397,439,324</u>	<u>313,163,564</u>	<u>313,163,564</u>

8.3.1 Particulars of provision against advances

	2018			2017		
	Specific	General (Note 8.3.2)	Total	Specific	General	Total
-----Rupees-----						
Opening balance	313,163,564	160,480,893	473,644,457	383,163,564	122,543,186	505,706,750
Charge for the year	84,275,760	-	84,275,760	-	37,937,707	37,937,707
Reversals	-	(14,614,960)	(14,614,960)	(70,000,000)	-	(70,000,000)
	84,275,760	(14,614,960)	69,660,800	(70,000,000)	37,937,707	(32,062,293)
Closing balance	<u>397,439,324</u>	<u>145,865,933</u>	<u>543,305,257</u>	<u>313,163,564</u>	<u>160,480,893</u>	<u>473,644,457</u>

8.3.2 General Provision is maintained at the rate of 2% of performing portfolio of advances.

8.3.3 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
-----Rupees-----						
In local currency	397,439,324	145,865,933	543,305,257	313,163,564	160,480,893	473,644,457
	<u>397,439,324</u>	<u>145,865,933</u>	<u>543,305,257</u>	<u>313,163,564</u>	<u>160,480,893</u>	<u>473,644,457</u>

8.3.4 Details and impact of Forced Sale Value (FSV) benefit

The net FSV benefit availed during the year is Rs. 119.2 million (2017:NIL), which has resulted in reduced charge for the year by the same amount. Had the FSV benefit not availed, before and after tax profit would have been lower by Rs. 119.2 million (2017:NIL) and Rs. 84.63 million (2017:NIL) respectively. Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

8.4 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 financial relief of Rs. NIL (2017:Rs.20.5 million allowed to Mr. Abdul Rashid Director of Maymar Holding) allowed to a person(s) during the year ended 31 December 2018.

8.5 Advances written off during the year amounted to Rs. NIL (2017: NIL) *Amir*

PAK CHINA INVESTMENT COMPANY LIMITED
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9	FIXED ASSETS	Note	2018	2017
			Rupees	
	Capital work-in-progress	9.1	4,500,000	4,500,000
	Property and equipment	9.2	182,845,540	169,523,393
			<u>187,345,540</u>	<u>174,023,393</u>
9.1	Capital work-in-progress			
	Advances to suppliers		4,500,000	4,500,000
9.2	Property and Equipment		<u>4,500,000</u>	<u>4,500,000</u>

2018								
Note	Freehold land	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Lease Hold Improvement	Total
	Rupees							
At January 1, 2018								
Cost	136,000,000	39,951,307	14,641,214	5,519,035	46,762,021	43,158,609	12,276,865	298,309,051
Accumulated depreciation	-	(16,204,308)	(14,212,072)	(5,519,034)	(40,628,732)	(40,034,977)	(12,186,535)	(128,785,658)
Net book value	<u>136,000,000</u>	<u>23,746,999</u>	<u>429,142</u>	<u>1</u>	<u>6,133,289</u>	<u>3,123,632</u>	<u>90,330</u>	<u>169,523,393</u>
Year ended December 2018	136,000,000	22,148,947	350,764	1	3,480,708	20,865,121	-	182,845,541
Opening net book value as at January 1, 2018	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	90,330	169,523,393
Additions- Cost	-	-	81,284	-	2,225,166	21,408,428	-	23,714,878
Disposals- Cost	-	-	-	-	(2,534,003)	(1,445,051)	-	(3,979,054)
Depreciation charge	-	(1,598,052)	(159,662)	-	(4,877,083)	(3,666,939)	(90,330)	(10,392,066)
Accumulated depreciation on disposals	-	-	-	-	2,533,339	1,445,051	-	3,978,390
Closing net book value	<u>136,000,000</u>	<u>22,148,947</u>	<u>350,764</u>	<u>1</u>	<u>3,480,708</u>	<u>20,865,121</u>	<u>-</u>	<u>182,845,541</u>
At December 31, 2018								
Cost	136,000,000	39,951,307	14,722,498	5,519,035	46,453,184	63,121,986	12,276,865	318,044,875
Accumulated depreciation	-	(17,802,360)	(14,371,734)	(5,519,034)	(42,972,476)	(42,256,865)	(12,276,865)	(135,199,334)
Net book value	<u>136,000,000</u>	<u>22,148,947</u>	<u>350,764</u>	<u>1</u>	<u>3,480,708</u>	<u>20,865,121</u>	<u>-</u>	<u>182,845,541</u>
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	20%	

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2017							
	Free hold land	Building on Free hold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leaschold Improvements	Total
	-----Rupees-----							
At January 1, 2017								
Cost	136,000,000	39,951,307	14,293,256	5,519,035	44,277,589	40,431,609	12,219,340	292,692,136
Accumulated depreciation	-	(14,635,935)	(13,824,512)	(5,519,034)	(37,577,044)	(36,670,340)	(12,219,338)	(120,446,203)
Net book value	136,000,000	25,315,372	468,744	1	6,700,545	3,761,269	2	172,245,933
Year ended December 2017	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	90,330	169,523,393
Opening net book value January 1, 2017	136,000,000	25,315,372	468,744	1	6,700,545	3,761,269	2	172,245,933
Additions- Cost	-	76,500	347,958	-	2,726,368	3,914,786	94,785	7,160,397
Disposals- Cost	-	(76,500)	-	-	(241,936)	(1,187,786)	(37,260)	(1,543,482)
Depreciation charge	-	(1,598,437)	(387,560)	-	(3,292,169)	(4,477,786)	(4,457)	(9,760,409)
Accumulated depreciation on disposals	-	30,064	-	-	240,481	1,113,149	37,260	1,420,954
Closing net book value as at December 31, 2017	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	90,330	169,523,393
At December 31, 2017								
Cost	136,000,000	39,951,307	14,641,214	5,519,035	46,762,021	43,158,609	12,276,865	298,309,051
Accumulated depreciation	-	(16,204,308)	(14,212,072)	(5,519,034)	(40,628,732)	(40,034,977)	(12,186,535)	(128,785,658)
Net book value	136,000,000	23,746,999	429,142	1	6,133,289	3,123,632	90,330	169,523,393
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	20%	

9.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 22 of these financial statements.

9.2.2 Included in the cost of property and equipment, are fully depreciated items still in use and with costs of:

	2018	2017
	-----Rupees-----	
Leasehold improvements	12,276,865	12,276,865
Electrical fittings	5,519,035	5,519,035
Furniture and fixtures	14,573,214	12,732,374
Computers and office equipment	39,562,163	34,676,584
Vehicles	38,986,558	40,431,609
	110,917,835	105,636,467

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9.2.3 Following disposals were made to Key management personnel.

Particulars of the asset	Cost	Book Value	Sale Price	Mode of Disposal	Particulars of purchaser
		-----Rupees-----			
Laptop	120,910	1	12,091	Sold per Company approved policy	Yasmin Akbar (Group Head Risk Management)
Laptop	120,910	1	12,091	Sold per Company approved policy	Syed Nabeel Abbas (Head of Treasury)
Laptop	119,982	1	11,998	Sold per Company approved policy	Tariq Mehmood (Group Head IBG)
Laptop	119,982	1	12,000	Sold per Company approved policy	Sohail Khan (Group Head Administration & IT)
Laptop	119,982	1	11,998	Sold per Company approved policy	Shazia Akhtar (Company Secretary)
Laptop	119,982	1	11,998	Sold per Company approved policy	Munir ul Hassan Barlas (Head of Internal Audit)
Mobile (Samsung Galaxy S-III)	58,590	1	5,859	Sold per Company approved policy	Yasmin Akbar (Group Head Risk Management)
Mobile (Samsung Galaxy S-III)	58,590	1	5,859	Sold per Company approved policy	Tariq Mehmood (Group Head IBG)
Mobile (Samsung Galaxy S-III)	44,999	1	5,859	Sold per Company approved policy	Shazia Akhtar (Company Secretary)
	<u>883,927</u>	<u>9</u>	<u>89,753</u>		

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	
		Note	Computer Software
			Rupees
10	INTANGIBLE ASSETS		
	At January 1, 2018		
	Cost		5,580,292
	Accumulated amortisation		(5,241,188)
	Net book value		339,104
	Year ended December 2018		239,762
	Opening net book value January 1, 2018		339,104
	Additions- Cost (Directly Purchased)		132,415
	Disposals- Cost		-
	Amortisation charge	23	(231,757)
	Closing net book value		239,762
	At December 31, 2018		
	Cost		5,712,707
	Accumulated amortisation		(5,472,945)
	Net book value		239,762
	Rate of amortisation (percentage)		33%
	Useful life (Years)		3
			2017
			Computer Software
			Rupees
	At January 1, 2017		
	Cost		5,580,292
	Accumulated amortisation and impairment		(4,939,244)
	Net book value		641,048
	Year ended December 2017		339,104
	Opening net book value January 1, 2017		641,048
	Additions- Cost		-
	Disposals- Cost		-
	Amortisation charge	23	(301,944)
	Closing net book value		339,104
	At December 31, 2017		
	Cost		5,580,292
	Accumulated amortisation and impairment		(5,241,188)
	Net book value		339,104
	Rate of amortisation (percentage)		33%
	Useful life (Years)		3

10.1 Cost of fully amortized intangibles assets still in use amounts to Rs. 4.6 million (2017:Rs. 4.2 million)

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAX ASSETS

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.
- Impairment loss on available for sale investments

Taxable Temporary Differences on

- Surplus on revaluation of investments
- Accrued Interest on T- Bills
- Share of profit of associated companies
- Unrealized exchange gain

Deductible Temporary Differences on

- Post retirement employee benefits
- Provision for diminution in the value of available-for-sale investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.
- Impairment loss on available for sale investments

Taxable Temporary Differences on

- Surplus on revaluation of investments
- Share of profit of associated companies
- Unrealized exchange gain

Note	2018			
	01 January, 2018	Recognised in profit and loss Account	Recognised in OCI	31 December, 2018
	----- Rupees in 000 -----			
	2,896,502	730,921	2,206,207	5,833,630
	110,830,219	(7,388,682)	-	103,441,537
	5,807,959	(687,691)	-	5,120,268
	20,582,659	18,132,848	-	38,715,507
	48,037,000	20,554,175	-	68,591,175
	188,154,339	31,341,571	2,206,207	221,702,117
	(23,112)	-	(14,507,696)	(14,530,808)
	-	(7,121,550)	-	(7,121,550)
	(6,981,967)	(1,580,745)	526,915	(8,035,797)
	(76,511,331)	(78,605,444)	-	(155,116,775)
	(83,516,410)	(87,307,739)	(13,980,781)	(184,804,930)
	104,637,929	(55,966,168)	(11,774,574)	36,897,187
	----- Rupees in 000 -----			
Note	2017			
	01 January, 2017	Recognised in profit and loss Account	Recognised in OCI	31 December, 2017
	2,461,709	(698,087)	1,132,880	2,896,502
	125,191,219	(14,361,000)	-	110,830,219
	6,128,938	(320,979)	-	5,807,959
	14,800,931	5,781,728	-	20,582,659
	45,282,054	2,754,946	-	48,037,000
	193,864,851	(6,843,392)	1,132,880	188,154,339
	(5,391,544)	-	5,368,432	(23,112)
	-	(6,994,753)	12,786	(6,981,967)
	(57,204,105)	(19,307,226)	-	(76,511,331)
	(62,595,649)	(26,301,979)	5,381,218	(83,516,410)
	131,269,202	(33,145,371)	6,514,098	104,637,929

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2018	2017
12 OTHER ASSETS		-----Rupees-----	
Income / mark-up accrued in local currency		217,170,834	150,790,603
Income / mark-up accrued in foreign currency		313,905	513,277
Advances, deposits, advance rent and other prepayments		43,361,810	14,512,812
Receivable against Consultancy Services		4,172,474	7,672,741
Advance against shares		11,000,000	-
Advance taxation (payments less provisions)		48,105,802	23,463,634
Receivable from Provident fund		1,349,047	-
Others		95,761	1,437,580
		<u>325,569,633</u>	<u>198,390,647</u>

13 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Financing facility for storage of agricultural produce		-	8,221,059
Renewable Energy Power Projects	13.1	<u>123,475,281</u>	<u>150,317,731</u>
		123,475,281	158,538,790
Repurchase agreement borrowings	13.2	2,813,207,540	5,248,321,120
Other borrowings	13.3	200,000,000	-
Total secured		<u>3,136,682,821</u>	<u>5,406,859,910</u>

Unsecured

Call money borrowing from financial institutions	13.4	1,044,000,000	4,170,000,000
Total unsecured		<u>1,044,000,000</u>	<u>4,170,000,000</u>
		<u>4,180,682,821</u>	<u>9,576,859,910</u>

- 13.1 This represents a SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme shall be payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.
- 13.2 These are secured against pledge of Government securities having maturity upto 2 days (2017: 4-7 days). These carry markup at the rate of 10.10% to 10.15% (2017: 5.90% to 6.00%). per annum.
- 13.3 This represents first draw down from Term Loan Facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of maximum of 2 years. Markup payable is on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts/ receivables of the Company for amount of Rs. 2,667 million inclusive of 25% margin.
- 13.4 These carry markup at the rate of 10.10% (2017: 5.90%) per annum having maturity upto 2 days (2017: 4 to 7 days).

	2018	2017
13.5 Particulars of borrowings with respect to Currencies	-----Rupees-----	
In local currency	<u>4,180,682,821</u>	<u>9,576,859,910</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
14	OTHER LIABILITIES	Note	-----Rupees-----
	Mark-up / return / interest payable in local currency		164,566,067 136,514,970
	Accrued expenses		31,847,425 26,284,810
	Retention money payable		7,627 7,128
	Withholding tax / sales tax payable		987,089 1,776,219
	Payable to defined benefit plan		20,834,393 9,655,007
	Payable to Employees Old Age Benefit Institution		29,640 -
	Others		1,978,917 1,297,855
			<u>220,251,158</u> <u>175,535,989</u>
15	SHARE CAPITAL		
15.1	Authorized Capital		
	2018 2017	2018 2017	
	Number of shares	-----Rupees-----	
	<u>1,214,000,000</u> <u>1,214,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,140,000,000</u> <u>12,140,000,000</u>
15.2	Issued, subscribed and paid up capital		
	2018 2017	2018 2017	
	Number of shares	-----Rupees-----	
	<u>911,640,000</u> <u>911,640,000</u>	Ordinary shares of Rs. 10 each, issued for cash	<u>9,116,400,000</u> <u>9,116,400,000</u>
15.3	The Ministry of Finance, Government of Pakistan, and the China Development Bank on behalf of the Government of China, each hold 455,820,000 (2017: 455,820,000) ordinary shares of the Company, respectively.		
	Note	2018 2017	
16	SURPLUS ON REVALUATION OF ASSETS	-----Rupees-----	
	Surplus on revaluation of		
	Available for sale securities	7.1	97,700,351 354,083
	Deferred tax on surplus on revaluation of:		
	Available for sale securities		(14,530,807) (23,112)
	Company's share of equity-accounted investees' OCI:		
	Change in fair value of available-for-sale financial assets - net of tax		(128,398) (85,231)
			<u>83,041,146</u> <u>245,740</u>
17	CONTINGENCIES AND COMMITMENTS		
	Gaurantees	17.1	816,765,400 645,000,000
	Commitments	17.2	2,872,062,860 6,322,591,859
			<u>3,688,828,260</u> <u>6,967,591,859</u>
17.1	Gaurantees		
	Financial gaurantees		<u>816,765,400</u> <u>645,000,000</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
17.2 Commitments		-----Rupees-----	
Documentary credits and short term trade related transactions			
Letter of credit		14,563,142	122,958,539
Commitments in respect of:			
Government Securities transactions - Purchase		2,814,011,200	5,250,320,320
Others	17.1.1	41,988,518	947,813,000
Commitment for acquisition of intangible assets		1,500,000	1,500,000
		<u>2,872,062,860</u>	<u>6,322,591,859</u>
17.1.1 Commitments to extend credits			
The company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs. 41.989 million (2017: Rs. 947.813 million)			
For tax related contingencies, please refer note 26.2 of these financial statements.			
18 MARK-UP/RETURN/INTEREST EARNED			
On loans and advances		703,838,074	576,981,352
On Investments		386,547,815	877,728,298
On Lendings to financial institutions		21,370	-
On deposits with banks		62,029,412	117,344,751
On Securities purchased under resale agreement		92,077,115	50,882,067
		<u>1,244,513,786</u>	<u>1,622,936,468</u>
19 MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		-	1,356,164
Borrowings		71,360,555	528,539,469
Securities sold under repurchase agreements		90,799,561	139,261,626
		<u>162,160,116</u>	<u>669,157,259</u>
20 FEE & COMMISSION INCOME			
Commission on loan and advances		17,186,903	47,050,756
Commission on letter of credits		11,691,586	12,122,419
Commission on guarantees		495,000	1,888,875
Investment Banking fees		14,879,634	117,180,628
		<u>44,253,123</u>	<u>178,242,678</u>
21 GAIN ON SECURITIES			
Realised	21.1	<u>48,718,060</u>	<u>29,579,687</u>
21.1 Realised gain on:			
Federal Government Securities		185,445	26,030,640
Shares		48,531,761	3,020,053
Non Government Debt Securities		854	528,994
		<u>48,718,060</u>	<u>29,579,687</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	-----Rupees-----	
22 OTHER INCOME			
Rent on property		10,965,544	10,153,282
Gain/(Loss) on sale of fixed assets-net		1,230,719	(122,528)
Others		131,868	51,363
		<u>12,328,131</u>	<u>10,082,117</u>
23 OPERATING EXPENSES			
Total Compensation expenses	23.1	261,675,097	222,112,879
Property expense			
Rent and taxes		32,235,790	31,151,315
Insurance		88,120	65,948
Utilities cost		4,648,496	4,350,659
Security		3,074,372	2,978,104
Repair and maintenance		3,413,380	1,098,413
Depreciation		1,688,382	1,602,894
		45,148,540	41,247,333
Information technology expenses			
Software maintenance		982,417	2,405,306
Amortisation		231,757	301,944
Network charges		540,000	540,000
		1,754,174	3,247,250
Other operating expenses			
Directors' fees and allowances		2,688,411	1,050,123
Legal and professional charges		8,926,195	56,061,916
Outsourced services costs	23.2	6,620,913	5,745,284
Travelling and conveyance		27,868,507	19,375,719
Insurance		2,329,743	2,134,446
Repair and maintenance		1,277,632	717,531
Depreciation		8,703,684	8,157,515
Training and development		2,565,450	2,065,987
Utilities		694,380	491,896
Communication		2,922,638	3,589,017
Stationery and printing		2,353,371	2,763,805
Marketing, advertisement and publicity		2,205,964	1,572,181
Auditors remuneration	23.3	1,665,000	1,548,400
Bank Charges		309,412	230,009
Entertainment		3,576,733	1,878,591
Miscellaneous		3,088,490	4,156,585
		77,796,523	111,539,005
		<u>386,374,334</u>	<u>378,146,467</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		-----Rupees-----	
23.1 Total Compensation expenses			
Managerial Remuration			
i) Fixed		181,313,150	157,038,652
ii) Variable			
-Cash Bonus		19,610,587	13,832,913
		200,923,737	170,871,565
Charge for defined benefit plan		12,306,829	10,339,900
Contribution to defined contribution plan		8,619,142	7,247,061
EOBI		289,900	263,900
Medical		8,775,934	5,857,024
Leave fair assistance		12,437,020	9,083,072
Leave encashment		1,853,477	2,133,408
Allowances	23.1.1	15,908,976	15,631,976
Others		560,082	684,973
		<u>261,675,097</u>	<u>222,112,879</u>
23.1.1 This mainly includes overseas and vehicle allowance of Rs. 5.9 million (2017: 7.7 million) and Rs. 9.2 million (2017: 7.3 million) respectively.			
23.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 6.6 million (2017: Rs 5.7 million). All of it pertains to payment to companies incorporated in Pakistan. These include the payments made to Professional Employers against the salary expenses for the support staff other than Janitorial staff.			
23.3 Auditors' remuneration		2018	2017
		-----Rupees-----	
Annual audit fee		660,000	600,000
Half year review		200,000	200,000
Fee for other statutory certifications		110,000	100,000
Internal Control over Financial Reporting		550,000	500,000
Out-of-pocket expenses		145,000	148,400
		<u>1,665,000</u>	<u>1,548,400</u>
24 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		120,000	-
25 PROVISIONS and WRITE OFFS - NET			
Provisions for diminution in value of investments	7.3.1	-	(71,805,000)
Provisions against loans & advances	8.3.1	69,660,800	(32,062,293)
Impairment loss		155,916,370	33,118,151
		<u>225,577,170</u>	<u>(70,749,142)</u>
26 TAXATION			
For the Year			
Current		204,940,698	183,405,985
Deferred		55,966,169	33,145,371
For the prior year			
Current		32,030,902	82,656,601
	26.1	<u>292,937,769</u>	<u>299,207,957</u>

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	2018	2017
26.1 Relationship between current tax expense and accounting profit	-----Rupees-----	
Accounting Profit before taxation	911,757,912	969,802,860
Applicable tax rate	29%	30%
Tax on accounting profit at applicable rate	264,409,794	290,940,858
Rate change impact	5,122,414	4,526,709
Impact of permanent difference	(23,837,102)	(78,916,211)
Super tax	15,211,761	-
Prior year current tax charge	32,030,902	82,656,601
	292,937,769	299,207,957

26.2 Tax status

26.2.1 For the Tax Year 2011, a tax demand of Rs. 109.219 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an installment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.109 million under protest and preferred an appeal before CIR(A). The CIR (A) decided the appeal in the favor of the Company and the tax deposited under protest returned to refund. The instant refund was adjusted against tax demand for tax year 2014. However, the department has filed an appeal before ATIR against appellate order of CIR(A). The hearing of this appeal is yet to be fixed by ATIR.

26.2.2 For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR (A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR (A) and ATIR upheld the contentions of the appellate orders of the CIR (A). Returned refund of Rs. 15 million pertaining to tax year 2012 was adjusted against the instant demand and PCICL paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.

26.2.3 For the Tax Year 2014 and 2015, assessment was amended by the ACIR in terms of Section 122 of the Ordinance, creating an aggregate tax demand amounting PKR 128 million on Provisions, Apportionment, super tax and default surcharge. PCICL submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. The PCICL filed appeal before ATIR and obtained stay against recovery after payment of 30% demand amounting to Rs. 38.45 million. After expiry of stay from ATIR, PCICL filed writ petition for interim relief before High court. The High Court has granted the stay recovery for outstanding demand and also restrained the tax department to take extreme measures. However, the main appeal is pending for fixation by ATIR.

26.2.4 For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended markup, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits is remanded back. Therefore, an appeal effect order from the assessing officer is awaited.

26.2.5 On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these financial statements.

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PAK CHINA INVESTMENT COMPANY LIMITED
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27	BASIC and DILUTED EARNINGS/ (LOSS) PER SHARE	2018	2017
	Profit for the year - Rupees	618,820,143	670,594,903
	Weighted average number of ordinary shares - Numbers	911,640,000	911,640,000
	Basic earnings per share - Re	0.68	0.74
28	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	62,586,073	26,529,844
	Balance with other banks	1,553,209,315	2,168,944,684
		1,615,795,388	2,195,474,528
		2018	2017
29	STAFF STRENGTH	-----Number-----	
	Permanent	45	43
	The Company's own staff strength at the end of the year	45	43
	Outsourced	10	10
	Total staff strength	55	53

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30 DEFINED BENEFIT PLAN

30.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2018.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month’s last drawn gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

30.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are 45 (2017: 43).

30.3 Principal actuarial assumptions

	2018	2017
Discount rate	9.50%	9.50%
Expected rate of return on plan assets	13.25%	9.50%
Expected rate of Salary increase	13.25%	9.50%
Average remaining working lives of employees	5.6 years	5.3 years
Normal retirement age	60 years	60 years

30.4 Reconciliation of amount payable to defined benefit plan

	Note	2018	2017
		-----Rupees-----	
Present value of defined benefit obligation	30.5	61,243,789	47,806,901
Fair value of plan assets	30.7	(40,409,396)	(38,151,894)
		20,834,393	9,655,007

30.5 Movement in the present value of the defined benefit obligation

Opening balance	47,806,901	35,722,683
Current service cost	11,830,237	9,928,469
Interest cost	4,101,022	3,162,940
Benefits paid	(9,276,487)	(4,857,160)
Changes in financial assumptions	483,206	-
Remeasurement gain	6,298,910	3,849,969
Closing balance	61,243,789	47,806,901

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	-----Rupees-----	
30.6 Movement in payable to defined benefit plan		
Opening balance	9,655,007	8,205,696
Charge for the year	12,306,829	10,339,900
Remeasurements loss chargeable to the other comprehensive income	8,149,044	3,776,266
Benefits paid	(9,276,487)	(4,857,160)
Company's contributions for the year	-	(7,809,695)
	<u>20,834,393</u>	<u>9,655,007</u>
30.7 Movement in the fair value of plan assets		
Opening balance	38,151,894	27,516,987
Contributions	9,276,487	12,666,855
Interest income on plan assets	3,624,430	2,751,509
Benefits paid	(9,276,487)	(4,857,160)
Return on plan assets excluding interest income	(1,366,928)	73,703
Closing balance	<u>40,409,396</u>	<u>38,151,894</u>
Actual return on plan assets	<u>2,257,502</u>	<u>2,825,212</u>
30.8 The amounts recognized in profit and loss are as follows:		
Current service cost	11,830,237	9,928,469
Interest cost	4,101,022	3,162,940
Interest income on plan assets	(3,624,430)	(2,751,509)
	<u>12,306,829</u>	<u>10,339,900</u>
30.9 The amounts recognized in the other comprehensive income are as follows:		
Remeasurement (loss) / gain:		
Actuarial (loss) - experience adjustment	(6,298,910)	(3,849,969)
Actuarial (loss) - Changes in financial assumptions	(483,206)	-
Return on plan assets, excluding interest income	(1,366,928)	73,703
	<u>(8,149,044)</u>	<u>(3,776,266)</u>
30.10 Components of plan assets	2018	2017
	-----%-----	
National Savings Certificates	99.84	99.92
Bank balances	0.16	0.08
	<u>100.00</u>	<u>100.00</u>
	40,344,504	38,122,441
	64,892	29,453
	<u>40,409,396</u>	<u>38,151,894</u>
30.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation		
Current liability	61,243,789	47,806,901
Discount rate +100 bps	56,042,596	(43,518,844)
Discount rate -100 bps	67,248,896	52,787,784
Average salary increase +100 bps	67,326,744	52,849,598
Average salary increase -100 bps	55,877,709	43,382,497

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30.12 Based on actuarial advice, the management estimates that P&L charge for the next year would be Rs. 17.29 million.

30.13 Expected contributions to be paid to the funds in the next year would be Rs. 20.8 million.

	2018	2017
30.13 Maturity profile	-----Rupees-----	
Particulars	Undiscounted payments	
Year 1	5,652,961	4,369,102
Year 2	6,147,346	4,803,923
Year 3	10,577,850	5,003,442
Year 4	6,791,292	8,553,003
Year 5	7,248,426	5,178,213
Year 6 to Year 10	81,748,498	32,319,978
Year 11 and above	1,394,036,568	674,056,251

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 10 years (2017: 10 years).

30.14 Risk associated with defined benefit plan

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

Investment

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

Mortality

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Salary

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Withdrawal

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

31 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2017: 10% per annum) of the employees' basic salary. During the year the company contributed Rs. 8.619 million (2017: Rs. 7.247 million) in respect of this fund.

31.1 Funding Policy

Contributions made to the provident fund, during the year, are as follows:

	2018	2017
	-----Rupees-----	
Contribution from the Company	8,619,142	7,247,061
Contribution from the employees	8,619,142	7,247,061
	<u>17,238,284</u>	<u>14,494,122</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31.2 Provident fund trust

	2018 (Unaudited)	2017 (Audited)
Size of the trust (Rupees)	70,203,614	71,995,835
Cost of investments made (Rupees)	69,111,000	63,331,376
Percentage of investment made (%)	98.44%	87.96%
Fair value of investment made (Rupees)	69,111,000	63,331,376

	2018	2017	2018	2017
Break-up of investments	-----%-----		-----Rupees-----	
With a scheduled bank	0.00	5.85	-	4,212,406
In savings accounts	84.91	82.11	59,611,000	59,118,970
With a microfinance bank	13.53	0.00	9,500,000	-
	98.44	87.96	69,111,000	63,331,376


31.3 Investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	-----Rupees-----					
Fee	-	-	2,688,411	1,050,123	-	-
Managerial remuneration	36,027,593	35,258,225	28,337,011	23,233,607	190,488,762	138,746,928
Charge for defined benefit plan	222,787	1,345,037	1,630,335	1,541,868	10,453,707	7,374,871
Contribution to defined contribution plan	1,102,954	971,077	1,277,760	1,275,887	6,238,428	4,992,523
Rent and house maintenance	1,910,129	1,264,728	-	-	-	-
Utilities	473,129	231,791	810,406	566,335	-	-
Medical	1,072,536	247,557	881,667	411,891	6,821,731	5,140,456
Travelling and conveyance	4,956,669	2,372,725	1,747,245	937,895	-	-
Boarding and lodging	105,704	469,247	429,971	288,999	-	-
Daily allowance	1,449,240	615,500	412,200	67,500	-	-
Others	1,633,195	690,613	5,192,248	698,923	-	-
	48,953,936	43,466,500	43,407,254	30,073,028	214,002,628	156,254,778

Number of persons	1	1	3	3	43	45
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32.1 The Chief Executive and a Director are also provided with free use of Company maintained cars.

32.2 Executive represents all staff of the Company with gross salary exceeding Rs. 500,000. 

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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33 FAIR VALUE MEASUREMENTS

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, cash & bank balances and borrowings can not be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

33.1 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).

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

33.2 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:

		2018			
	Carrying value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		-----Rupees-----			
Financial assets - measured at fair value					
Investments					
Federal Government Securities	5,948,590,375	-	5,948,590,375	-	5,948,590,375
Shares	55,614,312	55,614,312	-	-	55,614,312
Non-Government Debt Securities	1,157,018,678	261,165,000	895,853,678	-	1,157,018,678
	7,161,223,365	316,779,312	6,844,444,053	-	7,161,223,365
Financial assets - disclosed but not measured at fair value					
Investments					
	1,917,607,042	-	-	-	-
	9,078,830,407	316,779,312	6,844,444,053	-	7,161,223,365
		2017			
	Carrying value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		-----Rupees-----			
Financial assets - measured at fair value					
Investments					
Federal Government Securities	11,628,834,750	-	11,628,834,750	-	11,628,834,750
Shares	57,625,911	57,625,911	-	-	57,625,911
Non-Government Debt Securities	637,492,773	-	637,492,773	-	637,492,773
	12,323,953,434	57,625,911	12,266,327,523	-	12,323,953,434
Financial assets - disclosed but not measured at fair value					
Investments					
	496,719,393	-	-	-	-
	12,820,672,827	57,625,911	12,266,327,523	-	12,323,953,434

33.3 Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed Securities	Market Prices
Non-Government Debt Securities	MUFAP 

PAK CHINA INVESTMENT COMPANY LIMITED
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34 SEGMENT INFORMATION

34.1 Segment Details with respect to Business Activities

	2018			
	Corporate Finance	Trading & Sales	Others	Total
Profit & Loss	-----Rupees-----			
Net mark-up/return/profit	860,535,963	219,901,020	1,916,687	1,082,353,670
Inter segment revenue - net	-	-	-	-
Non mark-up income	130,142,472	299,135,731	12,197,543	441,475,746
Total Income	990,678,435	519,036,751	14,114,230	1,523,829,416
Segment direct expenses	(115,911,288)	(15,080,606)	(255,502,440)	(386,494,334)
Provisions	(225,577,170)	-	-	(225,577,170)
Profit before tax	649,189,977	503,956,145	(241,388,210)	911,757,912

As at 31 Decemebr 2018 management has conducted an impairment analysis for equity invesment in PSX and recognised an impairment loss of Rs 120,000,000 (2017: nil). The impairment loss is charged to Corporate finance segment.

	Corporate Finance	Trading & Sales	Others	Total
Balance Sheet	-----Rupees-----			
Cash & Bank balances	1,623,814	1,614,140,694	30,880	1,615,795,388
Investments	5,041,077,978	4,935,121,000	-	9,976,198,978
Advances				
Performing	6,749,327,835	-	55,696,372	6,805,024,207
Non-performing	815,163,564	-	-	815,163,564
Others	237,319,207	315,890	312,417,025	550,052,122
Total Assets	12,844,512,398	6,549,577,584	368,144,277	19,762,234,259
Borrowings	323,475,281	3,857,207,540	-	4,180,682,821
Others	163,497,009	1,069,058	55,685,091	220,251,158
Total liabilities	486,972,290	3,858,276,598	55,685,091	4,400,933,979
Equity	-	-	15,361,300,280	15,361,300,280
Total Equity & liabilities	486,972,290	3,858,276,598	15,416,985,371	19,762,234,259
Contingencies & Commitments	3,688,828,260	-	-	3,688,828,260

	2017			
	Corporate Finance	Trading & Sales	Others	Total
Profit & Loss	-----Rupees-----			
Net mark-up/return/profit	676,686,605	275,652,296	1,440,308	953,779,209
Non mark-up income	227,894,415	85,449,674	10,076,887	323,420,976
Total Income	904,581,020	361,101,970	11,517,195	1,277,200,185
Segment direct expenses	(128,006,727)	(14,221,244)	(235,918,496)	(378,146,467)
Provisions	70,749,142	-	-	70,749,142
Profit before tax	847,323,435	346,880,726	(224,401,301)	969,802,860

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	Corporate Finance	Trading & Sales	Others	Total
Balance Sheet	-----Rupees-----			
Cash & Bank balances	6,861,593	2,188,601,214	11,721	2,195,474,528
Investments	2,219,274,209	11,628,834,750	-	13,848,108,959
Advances				
Performing	7,549,736,616	-	37,091,419	7,586,828,035
Non-Performing	313,163,564	-	-	313,163,564
Others	153,853,300	1,080,400	322,457,373	477,391,073
Total Assets	10,242,889,282	13,818,516,364	359,560,513	24,420,966,159
Borrowings	158,538,790	9,418,321,120	-	9,576,859,910
Others	131,933,587	4,581,383	39,021,019	175,535,989
Total liabilities	290,472,377	9,422,902,503	39,021,019	9,752,395,899
Equity	-	-	14,668,570,260	14,668,570,260
Total Equity & liabilities	290,472,377	9,422,902,503	14,707,591,279	24,420,966,159
Contingencies & Commitments	6,967,591,859	-	-	6,967,591,859

34.2 Segment details with respect to geographical locations
GEOGRAPHICAL SEGMENT ANALYSIS

	2018		
	In Pakistan	Out Side Pakistan	Total
Profit & Loss	-----Rupees-----		
Net mark-up/return/profit	1,082,353,670	-	1,082,353,670
Non mark-up / return / interest income	441,475,746	-	441,475,746
Total Income	1,523,829,416	-	1,523,829,416
Total expenses	(386,494,334)	-	(386,494,334)
Provisions	(225,577,170)	-	(225,577,170)
Profit before tax	911,757,912	-	911,757,912
	In Pakistan	Out Side Pakistan	Total
Balance Sheet	-----Rupees-----		
Cash & Bank balances	1,615,795,388	-	1,615,795,388
Investments	9,976,198,978	-	9,976,198,978
Advances			
Performing	6,805,024,207	-	6,805,024,207
Non-performing	815,163,564	-	815,163,564
Others	550,052,122	-	550,052,122
Total Assets	19,762,234,259	-	19,762,234,259
Borrowings	4,180,682,821	-	4,180,682,821
Others	220,251,158	-	220,251,158
Total liabilities	4,400,933,979	-	4,400,933,979
Equity	15,361,300,280	-	15,361,300,280
Total Equity & liabilities	19,762,234,259	-	19,762,234,259
Contingencies & Commitments	3,688,828,260	-	3,688,828,260

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THE YEAR ENDED 31 DECEMBER 2017

	2017		
	In Pakistan	Outside Pakistan	Total
Profit & Loss	-----Rupees-----		
Net mark-up/return/profit	953,779,209	-	953,779,209
Non mark-up / return / interest income	323,420,976	-	323,420,976
Total Income	1,277,200,185	-	1,277,200,185
Segment direct expenses	(378,146,467)	-	(378,146,467)
Provisions	70,749,142	-	70,749,142
Profit before tax	969,802,860	-	969,802,860
	In Pakistan	Outside Pakistan	Total
Balance Sheet	-----Rupees-----		
Cash & Bank balances	2,195,474,528	-	2,195,474,528
Investments	13,848,108,959	-	13,848,108,959
Advances			
Performing	7,586,828,035	-	7,586,828,035
Non-performing	313,163,564	-	313,163,564
Others	477,391,073	-	477,391,073
Total Assets	24,420,966,159	-	24,420,966,159
Borrowings	9,576,859,910	-	9,576,859,910
Deposits & other accounts	-	-	-
Net inter segment borrowing	-	-	-
Others	175,535,989	-	175,535,989
Total liabilities	9,752,395,899	-	9,752,395,899
Equity	14,668,570,260	-	14,668,570,260
Total Equity & liabilities	24,420,966,159	-	24,420,966,159
Contingencies & Commitments	6,967,591,859	-	6,967,591,859

35 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

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36 RELATED PARTY TRANSACTIONS

The Company has related party relationships with entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Transactions with these state-controlled entities are not very significant and impracticable to quantify, for disclosure in these financial statements. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Lendings to financial institutions	Rupees							
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	48,473,938,289	-	-	-	40,748,225,610	-
Repaid during the year	-	-	(48,473,938,289)	-	-	-	(40,748,225,610)	-
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	1,372,067,240	-	-	-	-	-	-
Investment made during the year	-	-	-	-	-	1,372,067,240	-	-
Investment disposed off during the year	-	-	-	-	-	-	-	-
Closing balance	-	1,372,067,240	-	-	-	1,372,067,240	-	-
Advances								
Opening balance	-	14,631,586	-	30,000,000	-	18,546,868	-	70,000,000
Addition during the year	-	11,211,996	-	-	-	1,562,493	-	-
Repaid during the year	-	(1,329,686)	-	(30,000,000)	-	(5,477,775)	-	(40,000,000)
Closing balance	-	24,513,896	-	-	-	14,631,586	-	30,000,000

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	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Other Assets	Rupees							
Interest / mark-up accrued	-	-	-	-	-	-	-	1,423,505
Receivable from staff retirement fund	-	-	-	1,349,047	-	-	-	-
Other receivable	512,277	1,980,186	-	19,468,680	1,000,000	2,186,358	-	-
	512,277	1,980,186	-	20,817,727	1,000,000	2,186,358	-	1,423,505
Borrowings								
Opening balance	-	-	-	1,159,928,000	-	-	-	-
Borrowings during the year	-	-	-	16,645,644,066	-	-	-	12,377,932,939
Settled during the year	-	-	-	(17,805,572,066)	-	-	-	(11,218,004,939)
Closing balance	-	-	-	-	-	-	-	1,159,928,000
Other Liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	566,564
Payable to staff retirement fund	-	-	-	20,834,393	-	-	-	9,655,007
Other liabilities	-	-	112,522	-	-	-	137,898	2,767,170
	-	-	112,522	20,834,393	-	-	137,898	12,988,741
Contingencies and Commitments								
Letter of gaurentee	-	-	-	-	-	-	-	300,000,000
Other contingencies	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	300,000,000

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RELATED PARTY TRANSACTIONS

	2018				2017			
	Director	Key management personnel	Associates	Other related parties	Director	Key management personnel	Associates	Other related parties
	-----Rupees-----							
Income								
Mark-up / return / interest earned	-	851,170	-	30,554,537	-	594,713	-	33,516,071
Fee and commission income	-	-	-	-	-	-	-	6,000,000
Dividend income	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	(71,354)	-	-	-	6,017,000
Share of profit of associates	-	-	36,482,128	-	-	-	46,631,684	-
Expense								
Mark-up / return / interest paid	-	-	-	6,099,113	-	-	-	4,996,015
Operating expenses								
Charge for defined benefit	1,853,122	4,083,174	-	6,370,533	2,886,905	2,336,887	-	5,116,108
Contribution to defined	2,380,714	4,229,368	-	2,009,060	2,246,964	1,460,145	-	3,539,952
Salaries	37,691,026	34,438,752	-	-	34,530,919	29,672,605	-	-
Bonuses	8,922,737	9,783,316	-	-	5,442,131	8,751,849	-	-
Overseas allowances	5,977,653	-	-	-	5,484,238	-	-	-
Leave fair assistance &	3,756,092	3,278,112	-	-	3,689,086	2,435,548	-	-
Tax borne by employer	8,017,096	-	-	-	9,345,458	-	-	-
Others	21,074,340	2,681,215	-	-	8,863,703	2,931,112	-	-
Rent	-	-	-	20,374,200	-	-	-	-
CDC Charges paid	-	-	830,586	-	-	-	1,062,011	-

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37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2018	2017
Minimum Capital Requirement (MCR):	-----Rupees-----	
Paid-up capital (net of losses)	9,116,400,000	9,116,400,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,546,919,000	14,375,183,000
Eligible Tier 2 Capital	-	92,258,000
Total Eligible Capital (Tier 1 + Tier 2)	13,546,919,000	14,467,441,000
Risk Weighted Assets (RWAs):		
Credit Risk	11,158,217,000	11,867,685,800
Market Risk	2,172,891,000	1,774,550,000
Operational Risk	2,186,352,000	1,801,787,000
Total	15,517,460,000	15,444,022,800
Common Equity Tier 1 Capital Adequacy ratio	87.30%	93.08%
Tier 1 Capital Adequacy Ratio	87.30%	93.08%
Total Capital Adequacy Ratio	87.30%	93.68%

37.1 The SBP, vide BSD Circular No.19, dated 05 September, 2008, has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs.6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 11.90% (inclusive of Capital Conservation Buffer - CCB of 1.90%) of its risk weighted assets.

The Basel III framework has been applied in accordance with BPRD Circular No. 6, dated 15 August, 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

	2018	2017
37.2 Leverage Ratio (LR):	-----Rupees-----	
Eligible Tier-1 Capital	13,546,919,000	14,375,273,000
Total Exposures	21,552,090,000	31,391,699,000
Leverage Ratio	62.86%	45.79%
37.3 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,973,038,330	8,636,705,620
Total Net Cash Outflow	833,378,271	3,855,399,880
Liquidity Coverage Ratio	597%	224%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	15,824,253,281	14,617,756,731
Total Required Stable Funding	7,231,224,214	13,577,023,432
Net Stable Funding Ratio	219%	108%

37.4 The SBP, vide BPRD Circular No.08, dated 23 June, 2016, has set the minimum Net Stable Funding Ratio Requirement (NSFR) for Banks / DFIs at 100%. Further, the Company is relaxed from maintaining minimum Liquidity Coverage Ratio (LCR) being a Development Financial Institution (DFI).

The leverage ratio of the Company is 62.86% (2017: 45.79%). The total Tier 1 capital is Rs. 13,546.919 million (2017: 14,375.182 million) and the total exposure is Rs. 21,552.090 million (2017: Rs. 31,391.699 million).

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The liquidity coverage ratio (LCR) of the Company is 597% (2017: 224%). The Total High Quality Liquid Assets are Rs. 4,973.038 million (2017: 8,636.706 million) against Total Net Cash Outflow of Rs. 833.378 million (2017: Rs. 3,855.400 million)

The net stable funding ratio (NSFR) of the Company is 219% (2017: 108%). The Total Available Stable Funding is Rs. 15,824.253 million (2017: 14,617.757 million) against the Total Required Stable Funding of Rs. 7,231.224 million (2017: Rs. 13,577.023 million).

The link to the full disclosure is available at <http://pakchinainvest.com>

38 RISK MANAGEMENT

The Company manages all of its risk proactively through a well-established enterprise risk management practice. The Company is exposed to the following risks in the course of its regular business:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

a) Risk management philosophy and framework

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has the overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the corporate governance structure, to oversee the performance and operations of the Company. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Company's risk management framework:

b) Board Level Committees

Board Risk Management Committee ("BRMC")

The BRMC is responsible for overseeing and regularly monitoring the Company's risk governance framework, enterprise risk management, capital, liquidity and fund planning ensuring an effective system of risk management and controls are implemented. The BRMC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Company's long term strategy.



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c) Senior Management Level Committees

Management Committee ("Mancom")

The Management Committee is responsible for conduct of performance review of overall Company's operation; functions as a forum for communication and exchange of ideas for continuous improvement of Company's performance. Mancom is also responsible for review and deliberate upon Company's strategy policy which need to be submitted to BOD meeting, review and deliberate the compliance of internal and external audit reports and review the performance of ICFR budgetry process.

Risk Review Committee ("RRC")

The RRC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations and recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Company. The RRC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the RRC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Senior Management and the GH-Risk Management in decision-making related to ERM, and report regularly through its Chairperson to the BRMC regarding matters related to its primary purpose and operational risks.

Credit Management Committee ("CMC")

The CMC is responsible for taking credit and investment related decisions within the authority levels established by the Board of Directors. The CMC is also responsible to monitor and review the Company's financing and investment activities within an approved threshold, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

Asset Liability Committee ("ALCO")

The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. The RRC regularly reviews the ALCO effectiveness regarding matters related to market and liquidity risks. ALCO ensures the operational performance of the Company in meeting or exceeding set performance targets and authorizes actions to maintain, enhance or correct service delivery issues. The ALCO is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Company's long term strategy that will maintain and enhance the Company's progress towards its future vision, recommending investment and expenditure in line with that goal.

38.1 Credit Risk

Credit risk is the risk emanating when a counter party of the Company does not fulfill its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, investment and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Company's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is reported under Note # 37.

Following are the risk management policies adopted by the Company to ensure credit quality and minimize the risk of concentration:

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a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Company's asset portfolio and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard alphabetic credit risk-grading system is being used by the Company which is based on the Company's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors. Performing clients are rated on a scale of AAA to C, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated D-1, D-2 and D-3, corresponding to the Substandard, Doubtful and Loss classifications as per State Bank of Pakistan's guidelines issued vide Prudential Regulations. The Company's internal credit grades have also been mapped to external agency ratings for better comparison.

b) Credit approval

All credit and investment exposures to individual counterparties and groups of connected counterparties are reviewed and approved by the Company's Credit Management Committee ("CMC") within the authorities delegated by the Board of Directors.

c) Credit monitoring

The Company regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Risk Review Committee and Board Risk Management Committee, containing information on key variables; portfolio delinquency and financing impairment performance. All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Company has policies in place for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per SBP guidelines.

Based on Business Unit feedback on collection of overdue amounts, CMC decides on whether to retain the relationship under existing Business Group or transferred to Special Assets Management (SAM) Department. All non-performing accounts under litigation for recovery are monitored closely by the SAM Department of the Company directly reporting to the GH-Risk Management. Such accounts are re-evaluated and remedial actions are agreed and monitored.


d) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor.

Collateral types which are eligible for risk mitigation include: cash under lien; mortgage / charge over residential/commercial/industrial property; charge over assets such as plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. CMC controls the approval of collateral types. Collateral is valued in accordance with the SBP guidelines, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

e) Offsetting financial instruments

The Company has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

38.1.1 As of 31 December 2018, there are no lendings to Financial institutions. 

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

38.1.2 Investment in debt securities

Credit risk by industry sector

Chemical and Pharmaceuticals
Financial
Power
Textile
Transport, Storage and Communication
Others

Gross investments		Non-performing investments		Provision held	
2018	2017	2018	2017	2018	2017
-----Rupees-----					
208,233,305	208,233,305	208,233,305	208,233,305	208,233,305	208,233,305
2,157,018,678	375,269,895	-	-	-	-
1,201,925,038	912,089,492	-	-	-	-
161,200,757	161,200,757	161,200,757	161,200,757	161,200,757	161,200,757
159,717,317	127,285,331	-	-	-	-
200,000,000	-	-	-	-	-
4,088,095,095	1,784,078,780	369,434,062	369,434,062	369,434,062	369,434,062

Credit risk by public / private sector

Public/ Government
Private

Gross investments		Non-performing investments		Provision held	
2018	2017	2018	2017	2018	2017
-----Rupees-----					
1,210,080,095	650,000,000	-	-	-	-
2,878,015,000	1,134,078,780	369,434,062	369,434,062	369,434,062	369,434,062
4,088,095,095	1,784,078,780	369,434,062	369,434,062	369,434,062	369,434,062

38.1.3 Advances

Credit risk by industry sector

Textile
Cement
Sugar
Automobile and transportation equipment
Construction
Transport, Storage and Communication
Individuals
Electronics and electrical appliances
Financial
Power
Whole sale and retail trade
Others

Gross advances		Non-performing advances		Provision held	
2018	2017	2018	2017	2018	2017
-----Rupees-----					
61,999,617	187,500,000	-	-	-	-
754,421,668	863,265,000	200,000,000	200,000,000	200,000,000	200,000,000
552,500,000	842,500,000	112,500,000	112,500,000	112,500,000	112,500,000
501,512,253	-	80,000,000	-	17,732,908	-
400,000,000	400,000,000	-	-	-	-
-	915,652,059	-	-	-	-
55,696,372	37,091,419	663,564	663,564	663,564	663,564
1,162,500,000	800,000,000	-	-	-	-
640,000,000	480,000,000	-	-	-	-
2,166,474,310	2,433,030,505	232,000,000	-	19,042,852	-
208,333,332	374,999,999	-	-	-	-
1,660,055,476	1,039,597,074	190,000,000	-	47,500,000	-
8,163,493,028	8,373,636,056	815,163,564	313,163,564	397,439,324	313,163,564

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Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	-----Rupees-----					
Private	8,163,493,028	8,373,636,056	815,163,564	313,163,564	397,439,324	313,163,564
	<u>8,163,493,028</u>	<u>8,373,636,056</u>	<u>815,163,564</u>	<u>313,163,564</u>	<u>397,439,324</u>	<u>313,163,564</u>

38.1.4 Contingencies and Commitments	2018	2017
Credit risk by industry sector	-----Rupees-----	
Financial	400,000,000	300,000,000
Others	21,969,903	467,752,558
Power	451,347,038	931,739,203
Transport	-	16,279,778
	<u>873,316,941</u>	<u>1,715,771,539</u>
Credit risk by public / private sector		
Public/ Government	-	350,000,000
Private	<u>873,316,941</u>	<u>1,365,771,536</u>
	<u>873,316,941</u>	<u>1,715,771,536</u>

38.1.5 Concentration of Advances		
The Company top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs 4,604 million (2017: 5,316 million) are as following:		
Funded	3,787,325,278	5,316,235,691
Non Funded	816,765,000	-
Total Exposure	<u>4,604,090,278</u>	<u>5,316,235,691</u>

The sanctioned limits against these top 10 expsoures aggregated to Rs 4,604 million (2017: 5,316 million)

Total funded classified therein	2018		2017	
	Amount	Provision held	Amount	Provision held
	-----Rupees-----			
OAEM	-	-	-	-
Substandard	190,000,000	47,500,000	-	-
Doubtful	312,000,000	36,775,760	-	-
Loss	313,163,564	313,163,564	313,163,564	313,163,564
Total	<u>815,163,564</u>	<u>397,439,324</u>	<u>313,163,564</u>	<u>313,163,564</u>

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38.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees							
Punjab	2,777,736,325	2,427,736,325	-	-	-	-	350,000,000.00
Sindh	1,961,165,000	-	1,961,165,000	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	378,030,097	-	378,030,097	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	5,116,931,422	2,427,736,325	2,339,195,097	-	-	-	350,000,000

Province/Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees							
Punjab	2,690,013,837	1,840,013,837	350,000,000	-	500,000,000	-	-
Sindh	500,000,000	-	500,000,000	-	-	-	-
KPK including FATA	6,292,828	-	-	6,292,828	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	245,366,587	190,000,000	-	-	-	55,366,587	-
AJK including Gilgit-Baltistan	57,000,000	-	-	-	-	-	57,000,000
Total	3,498,673,252	2,030,013,837	850,000,000	6,292,828	500,000,000	55,366,587	57,000,000

38.2 Market Risk

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices, equity prices and market conditions on the earnings/economic value of an asset held by the Company. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Company.

The Company is exposed to market risk through investments / structural positions parked in the Banking Book. The Company’s market risk is managed by the Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO).

The Company has adopted Standardized Measurement Method to assess and report the market risk.

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38.2.3 Equity position Risk

The Company is exposed to price risk arising from over the counter/publicly traded investments in equities and all instruments that exhibit market behavior similar to equities i.e. equity like TFC's. Such instruments are classified as at fair value through income statement and available-for-sale.

A present value five basis point (PVBPP) increase/decrease in the prices will have an impact of Rs 86 million on the Company's investment portfolio for the year ended 31 December 2018 (31 December 2017: 73 million). The analysis is based on the assumptions that all other variables will remain constant.

Impact of 5% change in equity prices on
- Profit and loss account
- Other comprehensive income

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees			
63,340,132	-	69,843,510	-
15,838,966	-	2,881,296	-
79,179,098	-	72,724,806	-

38.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest/Yield Risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to the floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

The following table summarises the Mis-match of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

Impact of 1% change in interest rates on
- Profit and loss account
- Other comprehensive income

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees			
104,326,932	-	95,000,640	-
-	-	-	-
104,326,932	-	95,000,640	-

38.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2018										Non-interest bearing financial instruments
Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk										
		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		
-----Rupees-----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		62,586,073	-	-	-	-	-	-	-	-	62,586,073	
Balances with other banks	7%	1,553,209,315	56,444,160	-	1,496,765,155	-	-	-	-	-	-	
Investments	11%	9,976,198,978	999,441,000	3,935,715,000	83,110,691	105,821,995	222,918,008	202,619,970	350,700,000	1,136,602,183	1,454,208,280	
Advances	11%	7,620,187,771	397,044,350	376,228,696	1,024,021,546	1,097,228,643	1,527,128,086	1,032,060,650	1,399,024,451	723,795,488	43,655,861	
Other assets		254,907,328	-	-	-	-	-	-	-	-	-	
		19,467,089,465	1,452,929,510	4,311,943,696	2,603,897,392	1,203,050,638	1,750,046,094	1,234,680,620	1,749,724,451	1,860,397,671	1,497,864,141	
Liabilities												
Borrowings	8%	4,180,682,821	3,857,207,540	5,368,490	5,368,490	10,736,980	21,473,960	96,473,960	167,947,920	16,105,481	-	
Other liabilities		220,550,326	-	-	-	-	-	-	-	-	-	
		4,401,233,147	3,857,207,540	5,368,490	5,368,490	10,736,980	21,473,960	96,473,960	167,947,920	16,105,481	-	
On-balance sheet gap		15,065,856,318	(2,404,278,030)	4,306,575,206	2,598,528,902	1,192,313,658	1,728,572,134	1,138,206,660	1,581,776,531	1,844,292,190	1,497,864,141	
Off-balance sheet financial instruments												
Commitments in respect of:												
Government securities		2,814,011,200	2,814,011,200	-	-	-	-	-	-	-	-	
Other Commitments		43,488,518	-	-	-	43,488,518	-	-	-	-	-	
Off-balance sheet gap		2,857,499,718	2,814,011,200	-	-	43,488,518	-	-	-	-	-	

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Total Yield/Interest Risk Sensitivity Gap		(5,218,289,230)	4,306,575,206	2,598,528,902	1,148,825,140	1,728,572,134	1,138,206,660	1,581,776,531	1,844,292,190	1,497,864,141	1,582,004,926
Cumulative Yield/Interest Risk Sensitivity Gap		(5,218,289,230)	(911,714,024)	1,686,814,878	2,835,640,018	4,564,212,152	5,702,418,812	7,284,195,343	9,128,487,533	10,626,351,674	12,208,356,600
2017											
Effective Yield/ Interest Rate	Total	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 years	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											
Rupees											
Assets											
Cash and balances with treasury banks		26,529,844	-	-	-	-	-	-	-	-	26,529,844
Balances with other banks	4%	2,168,944,684	1,014,069,478	-	1,154,875,206	-	-	-	-	-	-
Investments	8%	13,848,108,959	4,038,200,086	6,940,803,050	17,447,166	55,513,245	164,396,111	178,888,008	390,109,962	480,969,895	1,581,781,436
Advances	8%	7,899,991,599	793,924,051	387,007,844	295,203,355	1,426,190,605	1,741,751,664	1,236,338,168	1,152,927,829	835,982,334	30,665,749
Other assets		171,768,842	-	-	-	-	-	-	-	-	171,768,842
		24,115,343,928	5,846,193,615	7,327,810,894	1,467,525,727	1,481,703,850	1,906,147,775	1,415,226,176	1,543,037,791	1,316,952,229	30,665,749
Liabilities											
Borrowings	4%	9,576,859,910	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-
Other liabilities		175,535,989	-	-	-	-	-	-	-	-	175,535,989
		9,752,395,899	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-
On-balance sheet gap		14,362,948,029	(3,585,717,054)	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749
Off-balance sheet financial instruments											
Commitments in respect of:											
Government securities		5,250,320,320	5,250,320,320	-	-	-	-	-	-	-	5,250,320,320
Other Commitments		949,313,000	-	-	16,279,778	834,219,803	98,813,419	-	-	-	-
Off-balance sheet gap		5,250,320,320	5,250,320,320	-	-	-	-	-	-	-	5,250,320,320
Total Yield/Interest Risk Sensitivity Gap		1,664,603,266	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749	6,854,864,453
Cumulative Yield/Interest Risk Sensitivity Gap		1,664,603,266	8,987,045,670	10,449,202,907	11,920,169,776	13,804,843,592	15,198,595,808	16,698,685,679	17,978,058,467	18,008,724,216	24,863,588,669

38.2.6 Reconciliation of financial assets with total assets and liabilities.

	2018	2017
	Rupees	
Total assets as per Balance Sheet	19,762,234,259	24,420,966,159
Fixed assets	187,345,540	174,023,393
Intangible assets	239,762	339,104
Deferred tax assets	36,897,187	104,637,929
Other assets	70,662,305	26,621,805
	295,144,794	305,622,231
Total Assets as per mismatch report	19,467,089,465	24,115,343,928

38.2.7 For details of off balance sheet items included in the commitments, Please refer to note number 17.2 of the financial statements.

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38.2.3 Equity position Risk

The Company is exposed to price risk arising from over the counter/publicly traded investments in equities and all instruments that exhibit market behavior similar to equities i.e. equity like TFCs. Such instruments are classified as at fair value through income statement and available-for-sale.

A present value five basis point (PVBP) increase/decrease in the prices will have an impact of Rs.86 million on the Company's investment portfolio for the year ended 31 December 2018 (31 December 2017: 73 million). The analysis is based on the assumptions that all other variables will remain constant.

Impact of 5% change in equity prices on
- Profit and loss account
- Other comprehensive income

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees			
63,340,132	-	69,843,510	-
15,838,966	-	2,881,296	-
79,179,098	-	72,724,806	-

38.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest/Yield Risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to the floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

The following table summarises the Mis-match of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

Impact of 1% change in interest rates on
- Profit and loss account
- Other comprehensive income

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees			
104,326,932	-	95,000,640	-
-	-	-	-
104,326,932	-	95,000,640	-

38.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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	
		Rupees									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	62,586,073	-	-	-	-	-	-	-	-	-	62,586,073
Balances with other banks	7% 1,553,209,315	56,444,160	-	1,496,765,155	83,110,691	105,821,995	222,918,008	202,619,970	350,700,000	1,136,602,183	1,454,208,280
Investments	11% 9,976,198,978	999,441,000	3,935,715,000	83,110,691	105,821,995	222,918,008	202,619,970	350,700,000	1,136,602,183	1,454,208,280	1,485,061,851
Advances	11% 7,620,187,771	397,044,350	376,228,696	1,024,021,546	1,097,228,643	1,527,128,086	1,032,060,650	1,399,024,451	723,795,488	43,655,861	-
Other assets	254,907,328	-	-	-	-	-	-	-	-	-	254,907,328
	19,467,089,465	1,452,929,510	4,311,943,696	2,603,897,392	1,203,050,638	1,750,046,094	1,234,680,620	1,749,724,451	1,860,397,671	1,497,864,141	1,802,555,252
Liabilities											
Borrowings	8%	4,180,682,821	3,857,207,540	5,368,490	5,368,490	10,736,980	21,473,960	96,473,960	167,947,920	16,105,481	-
Other liabilities		220,550,326	-	-	-	-	-	-	-	-	220,550,326
		4,401,233,147	3,857,207,540	5,368,490	5,368,490	10,736,980	21,473,960	96,473,960	167,947,920	16,105,481	-
On-balance sheet gap		15,065,856,318	(2,404,278,030)	4,306,575,206	2,598,528,902	1,192,313,658	1,728,572,134	1,138,206,660	1,581,776,531	1,844,292,190	1,497,864,141
Off-balance sheet financial instruments											
Commitments in respect of:											
Government securities		2,814,011,200	2,814,011,200	-	-	-	-	-	-	-	-
Other Commitments		43,488,518	-	-	43,488,518	-	-	-	-	-	-
Off-balance sheet gap		2,857,499,718	2,814,011,200	-	-	43,488,518	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap											
		(5,218,289,230)	4,306,575,206	2,598,528,902	1,148,825,140	1,728,572,134	1,138,206,660	1,581,776,531	1,844,292,190	1,497,864,141	1,582,004,926
Cumulative Yield/Interest Risk Sensitivity Gap											
		(5,218,289,230)	(911,714,024)	1,686,814,878	2,835,640,018	4,564,212,152	5,702,418,812	7,284,195,343	9,128,487,533	10,626,351,674	12,208,356,600

100%

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Effective Yield/ Interest Rate	Total	2017									Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 years	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											
Rupees											
Assets											
Cash and balances with treasury banks		26,529,844	-	-	-	-	-	-	-	-	26,529,844
Balances with other banks	4%	2,168,944,684	1,014,069,478	-	1,154,875,206	-	-	-	-	-	-
Investments	8%	13,848,108,959	4,038,200,086	6,940,803,050	17,447,166	55,513,245	164,396,111	178,888,008	390,109,962	480,969,895	1,581,781,436
Advances	8%	7,899,991,599	793,924,051	387,007,844	295,203,355	1,426,190,605	1,741,751,664	1,256,338,168	1,152,927,829	835,982,334	30,665,749
Other assets		171,768,842	-	-	-	-	-	-	-	-	171,768,842
		24,115,343,928	5,846,193,615	7,327,810,894	1,467,525,727	1,481,705,850	1,906,147,775	1,415,226,176	1,543,037,791	1,316,952,229	30,665,749
Liabilities											
Borrowings	4%	9,576,859,910	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-
Other liabilities		175,535,989	-	-	-	-	-	-	-	-	175,535,989
		9,752,395,899	9,431,910,669	5,368,490	5,368,490	10,736,980	21,473,960	21,473,960	42,947,920	37,579,441	-
On-balance sheet gap		14,362,948,029	(3,585,717,054)	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749
Off-balance sheet financial instruments											
Commitments in respect of:											
Government securities		5,250,320,320	5,250,320,320	-	-	-	-	-	-	-	5,250,320,320
Other Commitments		949,313,000	-	-	16,279,778	834,219,803	98,813,419	-	-	-	-
Off-balance sheet gap		5,250,320,320	5,250,320,320	-	-	-	-	-	-	-	5,250,320,320
Total Yield/Interest Risk Sensitivity Gap			1,664,603,266	7,322,442,404	1,462,157,237	1,470,966,870	1,884,673,815	1,393,752,216	1,500,089,871	1,279,372,788	30,665,749
Cumulative Yield/Interest Risk Sensitivity Gap			1,664,603,266	8,987,045,670	10,449,202,907	11,920,169,776	13,804,843,592	15,198,595,808	16,698,685,679	17,978,058,467	18,008,724,216
											24,863,588,669

38.2.6 Reconciliation of financial assets with total assets and liabilities.

	2018	2017
	Rupees	
Total assets as per Balance Sheet	19,762,234,259	24,420,966,159
Fixed assets	187,345,540	174,023,393
Intangible assets	239,762	339,104
Deferred tax assets	36,897,187	104,637,929
Other assets	70,662,305	26,621,805
	295,144,794	305,622,231
Total Assets as per mismatch report	19,467,089,465	24,115,343,928

38.2.7 For details of off balance sheet items included in the commitments, Please refer to note number 17.2 of the financial statements.

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38.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-----Rupees-----					
Cash and balances with treasury banks	62,586,073	-	62,586,073	26,529,844	-	26,529,844
Balances with other banks	1,553,209,315	-	1,553,209,315	2,168,944,684	-	2,168,944,684
Investments	9,976,198,978	-	9,976,198,978	13,848,108,959	-	13,848,108,959
Advances	7,620,187,771	-	7,620,187,771	7,899,991,599	-	7,899,991,599
Fixed assets	187,345,540	-	187,345,540	174,023,393	-	174,023,393
Intangible assets	239,762	-	239,762	339,104	-	339,104
Deferred tax assets	36,897,187	-	36,897,187	104,637,929	-	104,637,929
Other assets	325,569,633	-	325,569,633	198,390,647	-	198,390,647
	<u>19,762,234,259</u>	<u>-</u>	<u>19,762,234,259</u>	<u>24,420,966,159</u>	<u>-</u>	<u>24,420,966,159</u>

38.2.2 Foreign Exchange Risk

Foreign currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through allowing exposures is local currency only. However, where foreign currency exposures are allowed due to compelling reasons, foreign exchange positions are reviewed frequently.

The impact of an 1% increase/decrease in the foreign exchange rates of the Company's net on-balance sheet items is Rs. 15 million on the Company's income statement for the year ended 31 December 2018 (31 December 2017: Rs. 12million). The analysis is based on the assumptions that all other factors will remain constant.

	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
	-----Rupees-----							
United States Dollar	1,496,765,155	-	431,328,542	1,928,093,697	1,154,875,206	-	467,958,539	1,622,833,745
	<u>1,496,765,155</u>	<u>-</u>	<u>431,328,542</u>	<u>1,928,093,697</u>	<u>1,154,875,206</u>	<u>-</u>	<u>467,958,539</u>	<u>1,622,833,745</u>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees-----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	14,967,651	-	11,548,752	-
- Other comprehensive	-	-	-	-
	<u>14,967,651</u>	<u>-</u>	<u>11,548,752</u>	<u>-</u>

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38.3 Operational Risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, people, technology and infrastructure within the Company, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behavior.

The Company has established Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is co-ordinated by Operational Risk Department under supervision of GH-Risk Management, who maintains supervisory oversight and drives improvement.

Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Company recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors. To mitigate these threats, the Company has implemented robust information security framework based on industry best practices.

Business Continuity Management

The Company is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Company has designed and implemented Business Continuity Plan (BCP) by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

38.3.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach (BIA) for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to the operational risk.

38.4 Liquidity Risk

Liquidity risk is the risk that the Company is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term liquidity sources, often repayable on demand or at short notice, and using these short term sources to fund credit facilities over medium to longer periods. The Company has defined the liquidity risk appetite at a level so as to ensure that the Company has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Company's goals, objectives, and risk tolerances into operating standards that are well understood by the Company's staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

Liquidity management and monitoring

The Company's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

Monitoring of the maturity profile of assets and liabilities on a continuous basis;

Stress testing based on the sensitivity analysis of key factors and combined events:

Measuring Key regulatory liquidity indicators e.g. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);

Monitoring of concentration risks in liquidity sources; and

Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

Liquidity Contingency plan

The Company has an established liquidity position available all the times to meet the contingencies. In addition, Company has also entered in to financing agreement with a 'AAA' rated Commercial Bank to meet it's funding requirements.

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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38.4.1. Maturity of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

2018													
Total	Up to 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													
Treasury bank balances	30,680	62,533,193	-	-	-	-	1,496,765,155	-	-	-	-	-	-
Other banks balance	-	56,444,160	-	-	-	-	88,110,691	21,189,330	84,632,665	575,724,436	309,098,182	1,373,549,621	2,593,788,053
Investments	9,976,198,978	999,441,000	-	-	3,933,680,000	308,466,089	1,024,021,546	460,279,268	636,648,374	1,327,128,086	1,032,060,630	1,399,024,452	767,451,349
Advances	7,620,187,771	-	-	10,940,571	67,782,607	853,810	2,561,430	7,061,430	2,561,430	6,536,732	6,524,580	9,632,393	149,886,095
Fixed assets	187,343,540	-	-	853,810	853,810	853,810	50,898	50,898	50,898	36,170	-	-	-
Intangible assets	239,762	-	-	16,966	16,966	16,966	-	-	-	-	-	-	-
Deferred tax assets	36,897,187	36,897,187	-	-	-	-	37,946,921	8,626,964	3,362,439	17,697,115	-	-	-
Other assets	325,569,633	1,985	12,576,095	68,343,302	24,652,338	21,215,606	37,946,921	8,626,964	3,362,439	17,697,115	-	-	-
	19,762,234,239	1,153,339,325	12,576,095	80,156,649	4,028,983,741	331,087,471	2,644,436,641	497,807,890	727,246,806	2,127,142,359	1,347,683,412	2,782,206,466	3,511,073,497
Liabilities													
Borrowings	-	2,813,207,540	-	1,044,000,000	-	5,368,490	5,368,490	5,368,490	5,368,490	21,473,960	96,473,960	167,947,920	16,105,481
Other liabilities	649,226	1,998,698	16,630,670	10,101,184	2,186,544	58,630	29,868,896	-	-	106,478,212	53,239,104	-	-
	649,226	2,814,306,238	16,630,670	1,054,101,184	2,188,544	5,427,120	35,177,386	5,368,490	5,368,490	21,473,960	202,952,172	221,187,024	16,105,481
Net assets	15,110,387	11,658,966,713	(4,054,575)	(973,944,535)	(4,026,779,197)	325,660,351	2,609,279,255	492,439,400	721,888,316	2,105,668,199	1,144,731,240	2,561,019,442	3,494,970,016
Share capital													
Reserves	9,116,400,000	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,232,870,002	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	4,929,029,132	-	-	-	-	-	-	-	-	-	-	-	-
	83,041,146	-	-	-	-	-	-	-	-	-	-	-	-
	15,361,300,260	-	-	-	-	-	-	-	-	-	-	-	-

2017													
Total													
	Up to 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													
Treasury banks balance	26,529,844	-	-	-	-	-	1,154,875,206	-	-	-	-	-	-
Other banks balance	14,069,478	-	-	-	-	-	17,447,166	18,079,958	37,433,287	164,396,111	513,832,522	1,636,946,884	480,969,895
Investments	13,848,108,959	133,286	-	4,038,066,709	2,006,300,000	4,934,503,050	295,203,335	583,655,134	843,135,471	1,741,751,664	1,236,338,168	1,135,927,829	866,648,082
Advances	7,899,991,599	636,188,004	-	43,402,714	77,468,047	309,539,797	2,084,888	1,943,083	1,920,883	4,871,839	1,609,560	3,219,120	151,789,522
Fixed assets	160,523,385	-	-	694,896	694,896	694,896	75,486	4,572,486	75,486	37,168	-	-	-
Intangible assets	4,859,112	-	-	25,162	25,162	25,162	-	-	-	-	-	-	-
Deferred tax assets	106,637,929	-	-	-	106,637,929	-	-	-	-	-	-	-	-
Other assets	198,390,647	356,167	2,143,836	24,459,249	9,104,317	9,104,317	31,949,245	3,860,662	944,988	4,722,250	-	-	-
	24,420,966,159	758,879,389	489,533	4,106,448,713	2,233,883,914	5,233,867,222	1,501,633,146	611,314,325	883,510,113	1,913,779,052	1,731,780,250	2,793,693,833	1,499,407,499
Liabilities													
Borrowings	9,576,859,910	9,423,689,610	-	8,221,059	-	5,368,490	5,368,490	5,368,490	5,368,490	21,473,960	21,473,960	42,947,920	37,579,441
Other liabilities	175,535,989	8,769,651	15,631,112	3,668,643	1,304,983	-	18,276,269	-	-	21,473,960	21,473,960	127,285,531	-
	9,752,395,899	9,432,459,261	15,631,112	11,889,702	1,304,983	5,368,490	24,244,759	5,368,490	5,368,490	21,473,960	21,473,960	170,233,251	37,579,441
Net assets	14,668,570,260	758,879,389	1,102,846,058	4,094,759,011	2,232,578,931	5,248,498,732	1,477,399,387	606,145,835	878,141,623	1,894,305,072	1,730,306,290	2,622,960,582	1,461,828,058
Share capital	9,116,400,000	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,110,843,079	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,441,081,441	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	245,740	-	-	-	-	-	-	-	-	-	-	-	-
	14,668,570,260	-	-	-	-	-	-	-	-	-	-	-	-

12/8/2018

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36.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2018									
	Total	Up to 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										
Treasury bills/balances	62,386,073	56,441,160	-	-	-	-	-	-	-	-
Other bank balances	1,355,209,315	999,441,000	3,315,715,000	83,110,691	1,015,821,995	575,724,436	1,396,765,155	1,373,249,621	1,136,602,181	1,457,115,870
Investments	9,276,198,978	397,044,350	1,705,228,606	1,024,021,566	1,097,128,086	1,327,128,086	1,092,060,183	1,309,020,451	723,795,486	43,655,861
Advances	7,620,187,771	853,810	1,707,680	2,561,470	9,622,860	6,556,732	6,524,580	9,632,193	7,990,259	141,895,856
Fixed assets	187,545,540	16,966	33,932	30,898	101,796	36,170	-	-	-	-
Intangible assets	239,792	-	-	-	-	-	-	-	-	-
Deferred tax assets	16,897,187	16,897,187	16,897,187	37,546,971	11,989,403	17,697,118	-	-	-	-
Other assets	325,509,633	211,548,217	-	-	-	-	-	-	-	-
Liabilities										
Reservings	19,762,234,259	1,727,954,586	4,396,950,399	1,147,691,886	1,234,766,697	2,127,143,562	2,884,448,567	2,782,206,465	1,860,387,930	1,641,687,267
Other liabilities	4,180,682,821	3,887,207,540	3,568,280	5,368,490	10,786,980	21,473,966	96,473,966	182,247,822	16,105,481	-
Net assets	320,251,158	28,330,604	2,045,174	7,413,654	33,475,554	10,786,980	202,582,172	33,239,104	16,105,481	-
	4,409,933,970	3,885,558,144	4,380,556,335	1,112,114,932	1,244,027,217	2,105,668,602	2,641,196,315	2,561,019,441	1,851,282,449	1,641,687,567
	15,361,500,350	12,157,633,580	-	-	-	-	-	-	-	-
Share capital	9,116,400,000	-	-	-	-	-	-	-	-	-
Reserves	1,233,830,000	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,039,020,132	-	-	-	-	-	-	-	-	-
Surplus on revaluation	87,041,150	-	-	-	-	-	-	-	-	-
	15,346,300,280	-	-	-	-	-	-	-	-	-
Assets										
Treasury bills/balances	36,529,824	36,529,824	-	-	-	-	-	-	-	-
Other bank balances	2,168,844,684	1,011,000,478	-	-	-	-	-	-	-	-
Investments	13,845,108,950	4,058,200,060	6,020,893,450	1,154,475,206	55,513,245	164,395,111	513,433,432	1,656,946,884	489,969,095	30,655,749
Advances	7,899,991,500	793,024,051	387,007,844	295,180,605	1,426,180,605	1,741,751,664	1,236,538,168	1,152,927,829	835,982,344	8,023,299
Fixed assets	160,433,185	694,896	1,389,212	2,082,688	3,863,908	4,871,839	1,699,560	3,219,120	8,023,299	143,766,473
Intangible assets	4,839,112	25,162	10,493,212	75,486	4,650,972	37,168	-	-	-	-
Deferred tax assets	106,437,520	106,437,520	106,437,520	45,862,184	4,803,650	4,272,250	-	-	-	-
Other assets	108,302,647	111,051,308	-	-	-	-	-	-	-	-
Liabilities										
Reservings	34,520,964,157	5,984,494,823	7,479,791,153	1,501,653,146	1,495,024,440	1,915,779,032	1,751,780,250	2,793,093,853	1,324,975,278	174,412,222
Other liabilities	9,576,839,910	9,431,310,659	5,368,280	5,368,490	10,786,980	21,473,966	21,473,966	42,947,820	37,279,441	-
Net assets	175,535,898	39,699,406	1,304,933	18,484,269	10,786,980	21,473,966	21,473,966	127,285,331	37,279,441	-
	9,430,380,073	6,673,427	14,471,387	12,344,739	-	-	-	-	-	-
	14,668,570,486	13,473,485,251	7,479,077,664	1,477,290,387	1,484,287,460	1,894,305,072	1,770,506,200	2,622,860,582	1,387,293,817	174,412,222
Share capital	9,116,400,000	-	-	-	-	-	-	-	-	-
Reserves	1,110,685,079	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,341,081,441	-	-	-	-	-	-	-	-	-
Surplus on revaluation	255,240	-	-	-	-	-	-	-	-	-
	14,668,370,360	-	-	-	-	-	-	-	-	-

Manager

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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39 GENERAL

39.1 Events after the reporting date

There are no adjusting events after that the balance sheet date that may have an impact on the financial statements.

39.2 Captions, as prescribed by BSD Circular No. 2, issued by the SBP, for which there are no amounts, have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

39.3 Figures have been rounded off to the nearest Rupees, unless otherwise stated.

39.4 The JCR-VIS has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

40 RECLASSIFICATION OF COMPARATIVE FIGURES

40.1 There have been no significant reclassifications in these financial statements except an amount 401 million for the year ended 31 December 2017, which has been reclassified from Non-Interest Income to Interest Income.

40.2 The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks/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 has not resulted in significant reclassification of comparative information and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has not 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 in the following changes:

- Surplus on revaluation of assets (note 16) amounting to Rs 83 million as at December 31, 2018 (2017: Rs 0.2 million) which were previously shown below equity as required by the repealed Companies Ordinance, 1984 has now been included as part of equity

- Intangibles (note 10) amounting to Rs 0.2 million (2017: Rs 0.3 million) which were previously shown as part of fixed assets (note 9) are now shown separately on the statement of financial position.

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on

15 MAR 2019

[Signature]

[Signature]

CHAIRMAN

[Signature]

MANAGING DIRECTOR

[Signature]

DIRECTOR

[Signature]

DIRECTOR

[Signature]

CHIEF FINANCIAL OFFICER