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INDEPENDENT AUDITOR'S REPORT

To the members of House Building Finance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **House Building Finance Company Limited (the Company)**, which comprise the statement of financial position as at December 31, 2018, and the statement of profit and loss account, 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 December 31, 2018 and of the profit, other 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 *Auditor's 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.

Emphasis of Matter

We draw attention to the following matters, in respect of which our opinion is not qualified;

i) Note 4.1.1 and 14.1 to the financial statements, which explains the impact of change in accounting policy of demand charges as income that were previously recognized as deferred credit; and

ii) Note 17.2.3 to the financial statements, which explains contingency relating to a pending case in respect of pay increase of certain Company employees. The ultimate outcome of the matter cannot presently be determined.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information

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INDEPENDENT AUDITOR'S REPORT

To the members of House Building Finance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **House Building Finance Company Limited (the Company)**, which comprise the statement of financial position as at December 31, 2018, and the statement of profit and loss account, 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 December 31, 2018 and of the profit, other 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 *Auditor's 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.

Emphasis of Matter

We draw attention to the following matters, in respect of which our opinion is not qualified;

i) Note 4.1.1 and 13.2 to the financial statements, which explains the impact of change in accounting policy of demand charges as income that were previously recognized as deferred credit; and

ii) Note 16.3 to the financial statements, which explains contingency relating to a pending case in respect of pay increase of certain Company employees. The ultimate outcome of the matter cannot presently be determined.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information ncluded in the Director's report. Other Information does not include the financial statements and our auditor's report thereon.

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

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

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.

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

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

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

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

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

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, profit and loss account, statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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).

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Deloitte Yousuf Adil
Chartered Accountants

Date: March 25, 2019
Place: Karachi

House Building Finance Company Limited

Financial Statements
For the year ended December 31, 2018

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	2018	(Restated) 2017	(Restated) 2016
		'Rupees in '000		
ASSETS				
Cash and balances with treasury banks	5	34,387	53,531	121,378
Balances with other banks	6	412,020	771,582	650,310
Lendings to financial institutions	7	4,206,891	851,542	400,188
Investments	8	4,010,448	6,489,513	6,841,040
Advances	9	11,681,180	11,512,363	11,816,929
Fixed assets	10	312,517	292,028	314,443
Intangible assets	11	1,503	687	1,018
Deferred tax assets	12	-	-	-
Other assets	13	218,934	358,828	761,165
		20,877,881	20,330,074	20,906,471
LIABILITIES				
Bills payable		-	-	-
Borrowings		-	-	-
Deposits and other accounts		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	14	3,972,657	3,616,650	4,908,344
		3,972,657	3,616,650	4,908,344
NET ASSETS		16,905,224	16,713,424	15,998,127
REPRESENTED BY				
Share capital	15	19,365,000	19,365,000	3,001,000
Reserves		1,246,974	1,038,728	713,662
(Deficit) / surplus on revaluation of assets	16	(20,845)	2,174	(1,686)
Conversion of liabilities into share capital		-	-	16,364,000
Accumulated loss		(3,685,905)	(3,692,477)	(4,078,849)
		16,905,224	16,713,424	15,998,127
CONTINGENCIES AND COMMITMENTS	17			

The annexed notes 1 to 38 and Annexure I form an integral part of these financial statements.

President/Chief Executive | Chief Financial Officer | Director | Director | Director

HOUSE BUILDING FINANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	(Restated) 2017
		Rupees in '000	
Mark-up/return/interest earned	18	2,241,405	2,281,936
Mark-up/return/interest expensed		-	-
Net mark-up/interest income		2,241,405	2,281,936
NON MARK-UP/INTEREST INCOME			
Fee and commission income		-	-
Dividend income		671	-
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	19	(1,838)	(487)
Other income	20	149,009	177,697
Total non-markup / interest income		147,842	177,210
Total Income		2,389,247	2,459,146
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	21	(1,404,297)	(984,643)
Workers' Welfare Fund		(25,602)	(41,016)
Other charges	22	(9,878)	(230)
Total non-markup / interest expenses		(1,439,777)	(1,025,889)
Profit before provisions		949,470	1,433,257
Reversal of provision and write offs - net	23	348,193	678,374
Relief package and reprocessing charges	24	(39,310)	(93,947)
Share of profit from associate	8.6.1	(3,860)	1,430
PROFIT BEFORE TAXATION		1,254,493	2,019,114
Taxation	25	(213,263)	(393,786)
PROFIT AFTER TAXATION		1,041,230	1,625,328
		Rupees	
Earnings per share - basic and diluted	26	0.54	1.16

The annexed notes 1 to 38 and Annexure I form an integral part of these financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	(Restated) 2017
		(Rupees in '000)	
Profit after taxation for the year		1,041,230	1,625,328
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in (deficit) / surplus on revaluation of available for sale securities		(23,018)	3,860
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement loss on defined benefit obligations	29.7.2	(826,412)	(913,890)
Total comprehensive income for the year		191,800	715,298

The annexed notes 1 to 38 and Annexure I form an integral part of these financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Statutory reserve	(Deficit) / Surplus on revaluation of investments	Accumulated losses	Total
	Rupees in '000				
Opening balance (January 1, 2017) - as previously reported	3,001,000	713,662	(1,686)	(5,757,934)	(2,044,958)
Recognition of deferred credit - note 4.1.1	-	-	-	1,679,085	1,679,085
Opening balance (January 1, 2017) - as restated	3,001,000	713,662	(1,686)	(4,078,849)	(365,873)
Profit after taxation for the year 2017 - as restated	-	-	-	1,625,328	1,625,328
Other comprehensive income - as restated	-	-	3,860	(913,890)	(910,030)
Transfer to statutory reserve - as restated	-	325,066	-	(325,066)	-
Transactions with owners recorded directly in equity					
Conversion of liability into share capital	16,364,000	-	-	-	16,364,000
Opening balance - January 01, 2018 - as restated	**19,365,000**	**1,038,728**	**2,174**	**(3,692,477)**	**16,713,424**
Profit after taxation for the year 2018	-	-	-	1,041,230	1,041,230
Other comprehensive income - net of tax	-	-	(23,018)	(826,412)	(849,430)
Transfer to statutory reserve *	-	208,246	-	(208,246)	-
Closing balance - December 31, 2018	**19,365,000**	**1,246,974**	**(20,844)**	**(3,685,905)**	**16,905,224**

* This represents reserve created under BPD circular No. 15 of 2004 which requires the Company to credit to its reserve an amount not less than 20% of its after tax profit till such time the reserve equals the amount of paid-up capital. Thereafter, a sum not less than 5% of its after tax profit shall be credited to the said reserve.

The annexed notes 1 to 38 and Annexure I form an integral part of these financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	(Restated) 2017
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,254,493	2,019,114
Less: Dividend income		(671)	-
		1,253,822	2,019,114
Adjustments:			
Depreciation	10.2	32,970	31,361
Amortization	11	450	331
Reversal of provision and write-offs	23	(331,943)	(681,460)
Gain on sale of fixed assets	20	(1,566)	(33)
Gain on sale of investment in associate		(9,230)	-
Reconciliation adjustments	24	919	7,480
Provision of SWWF		25,602	41,016
Share of loss/(profit) from an associate	8.6.1	3,860	(1,430)
		(278,938)	(602,735)
		974,884	1,416,379
(Increase)/ decrease in operating assets			
Lendings to financial institutions		(3,355,349)	(451,354)
Advances		155,714	1,015,554
Others assets (excluding advance taxation)		43,446	9,388
		(3,156,189)	573,588
(Decrease) in operating liabilities			
Other liabilities (excluding current taxation)		(490,663)	(2,246,602)
		(2,671,967)	(256,635)
Income tax paid		(116,815)	(63,135)
Net cash flow used in operating activities		(2,788,782)	(319,770)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments		2,461,416	382,109
Dividends received		671	-
Investments in operating fixed assets		(56,318)	(9,135)
Proceeds from sale of fixed assets		4,307	221
Net cash flow from investing activities		2,410,076	373,195
(Decrease) / increase in cash and cash equivalents		(378,706)	53,425
Cash and cash equivalents at beginning of the year	26	825,113	771,688
Cash and cash equivalents at end of the year	26	446,407	825,113

The annexed notes 1 to 38 and Annexure I form an integral part of these financial statements.

President/Chief Executive | Chief Financial Officer | Director | Director | Director

1. STATUS AND NATURE OF BUSINESS

House Building Finance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 13, 2006 under the Companies Ordinance, 1984 (now the Companies Act 2017). The registered office of the Company is situated at Finance and Trade Centre Building, Sharah-e-Faisal, Karachi, in the province of Sindh. Pursuant to a vesting order SRO.I/2007 dated July 25, 2007 issued by Finance Division - Government of Pakistan effective from January 1, 2007, the Company had taken over all assets, running business, contracts, liabilities and proceedings of the House Building Finance Corporation established in 1952 under the House Building Finance Corporation Act, 1952 (XVIII of 1952) by the Government of Pakistan from closing of the business on December 31, 2006 and has also changed its name from House Building Finance Corporation Limited to House Building Finance Company Limited in 2010.

The Company is designated as a financial institution by the Federal Government and is providing financing facilities for the purchase, construction and renovation of houses through a network of 50 branch offices and 3 regional offices throughout Pakistan including Azad Jammu and Kashmir. According to credit rating report dated May 18, 2018 of JCR-VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1".

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirement of the annual financial statements issued by State Bank of Pakistan through BPRD circular no. 02 of 2018.

2.1 Statement of compliance

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

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

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

The SBP through its BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' till further instructions. Further, according to the notification of the SECP dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' has not been made applicable for companies engaged in housing finance services. 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 SBP through various circulars.

2.2 Amendments to published approved accounting standards that are effective for the year ended December 31, 2018

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2018

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'. Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

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

2.2.2 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
- IFRS 15 'Revenue from Contracts with Customers'	July 1, 2018
- IFRS 16 'Leases'	January 1, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures	January 1, 2019
- Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement	January 1, 2019
- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019
- Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
- Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 1, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 1, 2020
- IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2020
- IFRS 9 - Financial Instruments	January 1, 2019

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

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 14 - Regulatory Deferral Accounts

IFRS 17 - Insurance Contracts

The management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

The Company is in process of assessing the full impact of these standards

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments classified as held for trading and available-for-sale are measured at fair values, excluding investment in associate which is carried using equity method and staff retirement benefit schemes that are stated at the present value of the obligation.

3.2 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 reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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 the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates were significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

a. Classification of investments

Held-for-trading

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market fluctuations in market prices / interest rate movements and dealer's margin.

Held-to-maturity

In classifying investments as "held-to-maturity" the Company follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and having fixed maturity in which the Company has positive intent and ability to hold to maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments till maturity.

Available-for-sale

The investments which are not classified as "held for trading" or "held to maturity" are classified as "available for sale".

b. Provision against non-performing advances and investments

The Company regularly reviews its loan portfolio to assess the amount of non-performing advances, and provision required there-against. While assessing this requirement various factors including the delinquency in account, financial position of the borrower, forced sale value and requirements of the Prudential Regulations are considered.

The Company determines that available-for-sale and held-to-maturity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in market price (in case of listed securities). In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

c. Operating assets, residual value, depreciation and amortization

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charged and impairment.

d. Employees retirement benefit plans

The liabilities for employees retirement benefits are determined as per actuarial advice using the Projected Unit Credit Method. The actuarial advice involves assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 29.2. Changes in these assumptions in future years may affect the liability / asset under these plans in future years.

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2017 except for change in accounting policy as mentioned below:

4.1 Change in accounting policies

4.1.1 Deferred credit

Until last year, the Company was recording demand charges recovered after June 30, 2000, net of recovery expenses, as deferred credits. Such accounting treatment was followed because of the requirement of section 24(20)(d) of the House Building Finance Corporation (HBFC) Act, 1952 as amended by the HBFC (Amendment) Ordinance, 2001 (HBFC Ordinance). However, as a result of transfer of assets and liabilities of the Corporation to the Company (under Companies Ordinance, 1984) due to SRO dated July 25, 2007 on July 25, 2007, the HBFC Ordinance was not considered applicable. Since the Company was considered a company under Companies Ordinance, 1984 the Board and management considered that the requirements of HBFC Act and HBFC Ordinance was not applicable on the Company since July 25, 2007. In 2016, the Board (after obtaining legal opinion to support the view of the non-applicability of the HBFC Ordinance) vide its resolution dated April 22, 2016 approved the recognition of net demand charges relating to conventional schemes as income.

In this connection, management vide its letter reference HBFCL/HOK/CFO/2016/2231 to SBP dated August 15, 2016 explained the nature of the accounts and asked for approval to adopt the treatment to take these deferred credits (related to conventional schemes) to income. However, SBP vide its letter BPRD/BRP/2016-30100 asked the Company to obtain a legal opinion to evaluate if there are legal restrictions on transfer of this amount. Following submission of information requested and legal opinion, the SBP vide its letter no. BPRD/RPD/21633/2018 dated October 04, 2018 stated that HBFCL is allowed to take up the subject matter with their Board for taking a decision in accordance with the applicable laws, regulations and provisions of SRO 941(1)/2009 dated October 31, 2009, issued by the Finance Division, Ministry of Finance. The Board in its meeting held on October 31, 2018 approved transfer of deferred credit amount pertaining to conventional schemes along with the mark up thereon as of September 30, 2018 amounting to Rs. 1,689,623,398/- to the retained earnings / income whereas the amount pertaining to Flexi Scheme (i.e., under Islamic mode of financing) as of September 30, 2018 amounting to PKR 33,060,757/- shall be kept in the Other obligation account.

Although the SBP has given the direction in the current year, the abovementioned adjustment related to demand charges has been accounted for as a change in accounting policy, as explained above, the Board had felt in previous years that this should have been recognized as income, except for demand charges related to Ghar Asaan Flexi Scheme that is based on Islamic concept of Diminishing Musharakha and Ijarah and as per the advice of a qualified Shariah Scholar, the accumulated amount under such scheme shall be donated for charity purposes.

As stated in note 14.1, the effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2017		
	Previously stated	Change	Restated
	(Rupees in '000')		
Impact on statement of financial position			
Accumulated loss	(5,375,751)	1,683,274	(3,692,477)
Statutory reserve	1,037,680	1,047	1,038,727
Other liabilities	(5,300,971)	1,684,321	(3,616,650)
Impact on profit and loss account			
Other income	172,460	5,236	177,697
Profit after taxation	1,620,091	5,236	1,625,328
Earnings per share	1.16	-	1.16
Impact of Statement of Comprehensive Income	708,374	5,236	713,611
Impact of Cash Flow Statement			
Profit before taxation	2,013,876	5,236	2,019,113
Other liabilities	2,200,348	5,236	2,246,602

	As at December 31, 2016		
	Previously stated	Change	Restated
	(Rupees in '000')		
Impact on statement of financial position			
Accumulated loss	(5,757,934)	1,679,085	(4,078,849)
Other liabilities	(6,587,429)	1,679,085	(4,908,344)

4.1.2 As stated in note 2.2.1, surplus / deficit on investments which was previously shown below equity have now been included as part of equity. These deficit / surplus aggregate to Rs. 20.844 million as at December 31, 2018 (2017: Rs 2.174 million, 2016: Rs. 1.686 million)

4.1.3 As stated in note 2.2.1, reversal of provision against advances and investments amounting to Rs. 325.451 million and Rs. 6.492 million respectively which were previously shown separately in the profit and loss account have now been shown as part of other provisions / write-offs in note 23.

4.2 Bank balances

Cash and cash equivalents

It is carried in the balance sheet at cost and for the purpose of cash flow statement, it consist of cash in hand and balances with the State Bank of Pakistan (SBP) and other banks in current and deposit accounts.

Cash in transit

Collection in transit as on the reporting date received from the borrowers / partners at the branches is treated as cash in transit and included in the bank balances.

4.3 Lendings to / borrowings from financial institutions

The Company enters into transactions of borrowings (repos) from and lending (reverse repos) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligations

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 investment securities. The counterparty liability for amounts received under these agreements is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and is accrued over the term of the related repo agreement.

Purchase under resale obligations

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

Other lendings

These are secured and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on time proportionate basis using effective interest rate method except for mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

4.4 Revenue recognition

- Mark-up / return on regular advances, and investments and deposits is recognized on accrual time proportion basis. Mark -up / return on classified advances and investments is recognized on receipt basis.

- Mark-up income on Ghar Aasan Scheme is recognized on the basis of share in rental income and share in appreciation in value of property.

- Mark-up income on housing finance under Interest Bearing Scheme is not recognized since July, 2000 pursuant to the decision of the Honorable Supreme Court of Pakistan.

- Income from sale of houses under housing projects is recognized using stage of completion of contract.

- Dividend income, except for dividend on investment in associate i.e. accounted for under equity method, is recognized when the right to receive the dividend is established.

- Gain / loss on disposal of investments are recognized in the profit and loss account.

4.5 Advances

Housing finance advance

Advances are stated net of general and specific provisions. The general and specific provisions are made in accordance with the requirements of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and are charged to the profit and loss account.

Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Company determines write-offs in accordance with the criteria prescribed by the SBP.

4.6 Investments

Investments of the Company, other than investment in associate, are classified as held for trading, held-to-maturity and available for sale.

Initial measurement

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

Investments are initially recognized at fair value, which in the case of investments other than held-for-trading, includes transaction costs associated with the investments. Transaction cost on investment held for trading are expensed as incurred

Subsequent measurement

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

(c) Available-for-sale

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account as shown in the statement of financial position as part of equity and charged to the profit and loss account when actually 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. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates and sukuks) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the aging criteria prescribed by the Prudential Regulations issued by the SBP.

(d) Investment in associate

Investment in associate, where the Company has significant influence, is accounted for using equity method of accounting wherein the Company's share of underlying net assets of the investee company is recognized as the carrying amount of such investment. Differences between the amount previously recognized and the amount calculated at each year end is recognized in the profit and loss account as share of profit or loss of associate. Any distribution received out of such profits is credited to the carrying amount of investment in associated undertaking.

Gains and losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

The carrying values of investments are reviewed for impairment at each financial reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the profit and loss account.

4.7 Operating fixed assets

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to income using the 'Straight Line Method' over the useful life of the asset at the rates mentioned in note 10.2. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reported date. Depreciation charge commences from the day when the asset is available for use and continues till the day the asset is discontinued either through disposal or retirement.

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

Any gain or loss on disposal of the assets is included in the profit and loss account in the year of disposal.

Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets comprise of cost of computer software and patents, which are amortized using the 'Straight Line Method' over their useful lives as stated in note 11 Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as an expense when incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the reporting date and represents expenditure incurred on property and equipment in the course of construction / development. These expenditure are transferred to relevant category of property and equipment as and when the assets become available for use.

Impairment of non-financial assets

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the 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 recoverable amount is higher of an asset's fair value less cost to sell and value in use. The resulting impairment loss is taken to profit and loss account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

Deferred

Deferred tax is recognized using the liability method on all temporary differences, at the reporting date between the tax base of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply when the differences are expected to reverse, based on the tax rates that have been enacted or substantially enacted at the financial reporting date.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The carrying amount of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow whole or part of the asset to be utilized.

Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity, if any, in that case it is included in equity.

4.9 Employee benefits

a. Defined benefit plan

Pension Fund

The Company operates an approved funded pension scheme for all its employees who have been in full time employment for at least 10 years. The scheme provides pension based on the employees' last drawn pensionable salary. Contributions are made to the scheme on the basis of actuarial recommendation.

Post retirement medical benefits

The Company provides post retirement medical facility to an employee in the following events:

- Retirement
- Early retirement from service
- Death/disability during or after service

The Company's post retirement medical benefits' structure is as follows:

Executives / officers their spouse and dependent children	**Entitlement**
- for hospitalization	One gross pension
- for consultation/pathological test etc.	One gross pension
- for cost of medicine	One gross pension
Clerical staff	**Entitlement**
- for hospitalization	One gross pension
- for consultation/pathological test etc.	One gross pension
- for cost of medicine	Two gross pension
Non-clerical staff	**Entitlement**
- for hospitalization	One and half gross pension
- for consultation/pathological test etc.	One and half gross pension
- for cost of medicine	Three gross pension

The actuarial gains / losses on re-measurement of defined benefit obligations are recognized in the other comprehensive income.

b. Defined contribution plan

The Company also operates an approved non-contributory Provident Fund scheme for all its employees. Contributions are made to the Fund by the employees at the rate of 12% of their basic salaries in accordance with the Fund's rules.

c. **Employees' compensated absences**

Employees of the Company are entitled to carry forward and accumulate their unavailed leaves. The rules of the leave encashment scheme state that the employee shall be entitled to encash 50% of his balance subject to maximum of 180 days i.e. he is allowed to accumulate his balance up to 365 days. The employees can avail their leave balance in excess of 365 days at any time as the excess balance will not be encashed at retirement and will lapse. The Company provides for employees compensated absences on the basis of actuarial valuation in accordance with the requirements of IAS-19. Actuarial valuation of the scheme is carried out every year and the latest valuation was carried out at December 31, 2018.

d. **Accounting policy - defined benefit plan**

Actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

4.10 Foreign currency transactions and translations

Monetary assets and liabilities in foreign currency are translated into Rupees at the applicable rate of exchange prevailing at the reporting date. Foreign currency transactions during the year are translated into Pakistani Rupee applying the exchange rate at the date of respective transactions. Gains and losses on translation are included in profit and loss account currently.

4.11 Financial Instruments

Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

Off setting

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.12 Provisions

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

4.13 Borrowing costs

Borrowing costs specific to a significant addition of a project during its construction / erection period is capitalized. Other borrowing costs are charged to the profit and loss account as and when incurred.

4.14 Earnings per share

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

4.15 Demand charges

Demand charges (penalties) of flexi scheme on late payment by the partners are credited to 'Deferred Credit' account. This amount is utilized for charity purposes after netting of recovery charges whereas demand charges of conventional schemes is charged to income as approved by the Board.

	Note	2018	2017
		Rupees in '000	
5. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in			
Local currency current account	5.1	34,315	53,462
With National Bank of Pakistan in			
Local currency deposit account	5.2	72	69
		34,387	53,531

5.1 This represents the amount required to be maintained by the Company in accordance with the SBP's regulations.

5.2 The bank account carries mark-up at rate 5.08% (2017: 3.75%) per annum.

	Note	2018	2017
		Rupees in '000	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account	6.1	212,020	271,582
In term deposit receipts	6.2	200,000	500,000
		412,020	771,582

6.1 These bank accounts carry mark-up at rates ranging from 3.78% to 8.5% (2017: 4% to 6%) per annum.

6.2 These term deposit receipts carry mark-up at the rate of 11% (2017:6.50%) per annum.

	Note	2018	2017
		Rupees in '000	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	7.1	605,683	362,175
Repurchase agreement lendings(Reverse Repo)	7.2	3,656,891	551,542
		4,262,574	913,717
Less: provision held against Lending to Financial Institutions	7.3	(55,683)	(62,175)
Lending to Financial Institutions - net of provision		4,206,891	851,542

7.1 Particulars of letters of placement

In local currency

	Note	2018	2017
Habib Metropolitan Bank Ltd (HMB)	7.1.1	300,000	-
Pak Oman Investment Co. Limited (POICL)	7.1.1	100,000	100,000
Pak Brunei Investment Company Limited (PBICL)	7.1.2	150,000	100,000
PAIR Investment Company Limited (PICL)		-	100,000
Trust Investment Bank Limited (TIBL)	7.1.3	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	7.1.4	49,774	56,266
		605,683	362,175

7.1.1 These represent the clean placements made on December 31, 2018 for a period of 2 days at the mark-up rate of 10.30% and 10.40%per annum.

7.1.2 This represents the clean placement made on December 26, 2018 for a period of 36 days at the mark-up rate of 10.95% per annum.

7.1.3 This represents clean placement made on November 17, 2008 for a period of 14 days at the mark-up rate of 28% per annum. The transaction remained unsettled at maturity and rescheduling has been made twice. Mark-up accrued up to February 15, 2012 has been received. The Company filed a suit in the Banking Court for the recovery of outstanding principal along with mark-up. The Banking Court decreed the case in favor of the Company on October 12, 2015. Execution application has been filed by the Company with notice issued to TIBL for attachment of assets of TIBL. However, on prudent basis, the Company has maintained 100% provision against outstanding receivable.

7.1.4 This represents clean placement made on September 12, 2008 for a period of 94 days at the mark-up rate of 17% per annum. The transaction remained unsettled at maturity and consequently the Company filed a suit against FDIBL in the Sindh High Court (SHC) for the recovery of outstanding principal. However, the Company on prudent basis has maintained 100% provision against outstanding receivable amount in its books of accounts. The SHC decreed the case in favor of the Company on November 05, 2010. Supreme Court of Pakistan, ordered to pay the principal and cost of funds to HBFC in twelve monthly installments. FDIBL paid twelve installments with total of Rs. 18.733 million as per their own schedule prepared by FDIBL which was not accepted by HBFC up to March 2017. HBFCL filed Execution application in March 2018 for recovery of Cost of funds of Rs. 77.650 million as well as remaining Principal of Rs.56.266 million. Two applications were filed in the Sindh High Court on 20.03.2018 as rejoinder to Execution No.46 for sale of attached securities and release of Rs. 6 million from NAZIR a/c (as received being proceeds of attached TFC of Ghareebwal Cement Factory on or after 15.10.2015), the matter was argued and reserved for orders in April 2018.

Both applications for sale of attached securities as well as release of Rs. 6 million from the NAZIR account to HBFCL were accepted.

The Company approached the Nazir High Court and received/ realized a cheque of Rs. 6.492 million from NAZIR on 03.08.2018 which reduced the the lending balance of First Dawood Investment Bank to Rs. 49.77 million (principal amount). Further the Company is waiting for next action of NAZIR High Court for selling the unlisted securities already attached.

7.2 Repurchase agreement lendings (Reverse Repo)

	Note	2018	2017
		Rupees in '000	
In local currency			
Pak Oman Investment Company Limited		1,475,879	-
United Bank Limited		1,189,332	-
Samba Bank Limited		499,722	-
Habib Metropolitan Bank Limited		491,958	-
PAIR Investment Company Limited		-	300,840
Pak Libya Holding Company (Pvt) Limited		-	250,702
	7.2.1	3,656,891	551,542

7.2.1 This reverse repo carry mark-up at rate of 10.10% to 10.40% (2017: 6.03%) per annum.

7.2.2 The maturity date of these reverse repo is ranging from January 03, 2019 to February 28, 2019.

7.3 Particulars of provision

	2018	2017
	Rupees in '000	
Opening balance	62,175	63,290
Provision made during the year	-	-
Provision reversed during the year	(6,492)	(1,114)
Closing balance	55,683	62,175

7.4 Securities held as collateral against Lending to financial institutions

	2018 Held by bank	2018 Further given as collateral	2018 Total	2017 Held by bank	2017 Further given as collateral	2017 Total
	Rupees in '000					
Market Treasury Bills	3,656,891	-	3,656,891	-	-	-
Pakistan Investment Bonds	-	-	-	551,542	-	551,542
Total	3,656,891	-	3,656,891	551,542	-	551,542

7.4.1 The market value of securities held as collateral against repurchase agreement lending amounted to Rs. 3.657 billion.

7.5 Category of classification

	2018 Classified Lending	2018 Provision held	2017 Classified Lending	2017 Provision held
	Rupees in '000			
Domestic				
Loss	56,683	56,683	62,175	62,175

8. INVESTMENTS

8.1 Investments by type:

		2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / Amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
		Rupees in '000							
Available-for-sale securities									
Market Treasury Bills	8.1.1	3,357,258	-	(2,276)	3,354,983	6,124,240	-	3,180	6,127,420
Pakistan Investment Bonds	8.1.2	601,147	-	(17,087)	584,060	302,839	-	(1,006)	301,833
Unlisted Ordinary Shares	8.1.3	63,785	(500)	-	63,285	7,175	(500)	-	6,675
Listed Ordinary Shares		9,603	-	(1,483)	8,120	-	-	-	-
		4,031,793	(500)	(20,845)	4,010,448	6,434,255	(500)	2,174	6,435,929
Held-to-maturity securities									
Unlisted Sukuk Bonds	8.1.4	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Term Deposit Receipts		-	-	-	-	2,344	-	-	2,344
Certificate of Investments	8.1.5	45,000	(45,000)	-	-	45,000	(45,000)	-	-
		71,240	(71,240)	-	-	73,584	(71,240)	-	2,344
Associates									
Takaful Pakistan Limited	8.6	-	-	-	-	51,240	-	-	51,240
Total investments		4,103,033	(71,740)	(20,845)	4,010,448	6,559,079	(71,740)	2,174	6,489,513

8.2 Investments by segments:

		2018 Cost/ Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost /Amortised cost	2017 Provision for diminution	2017 Surplus / (Deficit)	2017 Carrying Value
		Rupees in '000							
Market Treasury Bills	8.1.1	3,357,258	-	(2,276)	3,354,983	6,124,240	-	3,180	6,127,420
Pakistan Investment Bonds	8.1.2	601,147	-	(17,087)	584,060	302,839	-	(1,006)	301,833
		3,958,406	-	(19,362)	3,939,043	6,427,080	-	2,174	6,429,254
Fully paid-up ordinary shares:									
Listed Companies		9,603	-	(1,483)	8,120	-	-	-	-
Unlisted Companies	8.1.3	63,785	(500)	-	63,285	7,175	(500)	-	6,675
		73,388	(500)	(1,483)	71,406	7,175	(500)	-	6,675
Term Finance Certificates, Debentures, Bonds & Participation Term Certificates									
Unlisted Sukuk Bonds	8.1.4	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	8.1.5	45,000	(45,000)	-	-	45,000	(45,000)	-	-
Term Deposit Receipts		-	-	-	-	2,344	-	-	2,344
		71,240	(71,240)	-	-	73,584	(71,240)	-	2,344
Associates									
Takaful Pakistan Limited		-	-	-	-	51,240	-	-	51,240
Total investments		4,103,033	(71,740)	(20,845)	4,010,448	6,559,079	(71,740)	2,174	6,489,513

8.1.1 These carry yield at rate 8.80% (2017: 5.99 % to 6.039%) per annum.

8.1.2 These carry mark-up (coupon rate) at rates ranging from 9.25% to 9.32% (2016: 8.75% to 9.25%) per annum.

8.1.3 Unlisted ordinary shares

	Note	2018	2017
		Rupees in '000'	
Resource and Engineering Management Corporation Limited	8.1.3.1	500	500
Pakistan Mortgage Refinance Company Limited	8.1.3.2	6,675	6,675
Takaful Pakistan Limited	8.6.1.1	56,610	-
		63,785	7,175

8.1.3.1 This represent investment in 66,125 ordinary shares of Rs.10 each in Resource and Engineering Management Corporation Limited. Full provision has been made against this investment.

8.1.3.2 This represents payment made for ordinary shares subscription against commitment to take shares for Rs.200 million of newly formed Pakistan Mortgage Refinance Company Limited. 667,500 shares were transferred to the Company on February 13, 2017. The investment is carried at cost.

8.1.4 Particulars of investment in sukuk bonds

Name of issuer	Note	Rating	Mark-up rate	Total nominal value 2018	2017
				Rupees in '000	
Eden Housing Limited (EHL) Outstanding face value: Rs. 656 each Maturity date: June 29, 2014 Chief Executive Officer: Mr. Muhammad Amjad	8.1.4.1	Unrated	3 months KIBOR plus 3%	26,240	26,240

8.1.4.1 As per the original terms of repayment, these sukuk bonds were to be repaid in eight equal semi-annual installments starting from June 2009 till December 2012 along with mark-up of six months KIBOR plus 2.50%.

Eden Housing Limited (EHL) paid two installments of Rs. 25 million each and then defaulted the repayment. On June 30, 2010, EHL entered into a restructuring arrangement according to which outstanding principal of Rs. 150 million to be repaid on quarterly basis along with mark-up of KIBOR plus 2.5% and 3% for the first three years and fourth year, respectively. EHL defaulted for the two coupon mark-up due on March 29, 2014 and June 6, 2014 of Rs.13.120 million each. However, on prudent basis, the Company has maintained full provision of the outstanding principal amount. Matter is pending with Lahore High Court for recovery.

8.1.5 This represents investment in certificates of investment (COIs) of Rs. 200 million for three years and Rs. 25 million for three months in 1996 and 1998 respectively. Bankers Equity Limited (BEL) defaulted the repayment and went under liquidation on April 18, 2001, hence claims of BEL were placed before Sindh High Court (SHC). However, the Company on prudent basis had maintained 100% provision against outstanding principal amount. The Company has received Rs. 22.5 million during the year where as a cumulative sum of Rs. 180 million (80%) has been received up till December 31, 2018 against invested amount, on the directive of SHC.

	2018	2017
	Rupees in '000'	
8.3 Provision for diminution in value of investments		
8.3.1 Opening balance	71,740	96,584
Charge / reversals		
Reversals for the year	-	(24,844)
Reversal on disposals	-	-
	-	(24,844)
Closing balance	71,740	71,740

8.3.2 Particulars of provision against debt securities
Category of classification

	2018 Non performing loan	2018 Provision	2017 Non performing loan	2017 Provision
	Rupees in '000			
Domestic				
Loss	71,240	71,240	71,240	71,240

8.4 **Quality of Available for Sale Securities**

Details regarding quality of Available for Sale (AFS) securities are as follows

	Note	2018 Cost Rupees in '000	2017 Cost Rupees in '000
Federal Government Securities - Government guaranteed			
Market Treasury Bills	8.1.1	3,357,258	6,124,240
Pakistan Investment Bonds	8.1.2	601,147	302,839
		3,958,405	6,427,078
Shares			
Listed Companies			
- Banking		9,603	-
		9,603	-

Unlisted Companies	Note	2018 Cost	2018 Breakup value	2017 Cost	2017 Breakup value
		Rupees in '000			
Entity wise disclosure to be given					
Resource and Engineering Management Corporation Limited	8.1.3	500	-	500	-
Pakistan Mortgage Refinance Company Limited	8.1.3	6,675	6,675	6,675	6,675
Takaful Pakistan Limited		56,610	47,380	-	-
		63,785	54,055	7,175	6,675

8.5 **Particulars relating to Held to Maturity securities are as follows:**

	Note	2018 Cost Rupees in '000	2017 Cost Rupees in '000
Non Government Debt Securities			
Unlisted			
- Unrated (Unlisted Sukuk Bonds of Eden Housing Limited)	8.1.4	26,240	26,240
- Unrated (Term Deposit Receipts of Asset Investment Bank Limited)		-	2,344
- Unrated (Certificate of Investment of Bankers Equity Limited)	8.1.5	45,000	45,000
		71,240	73,584

8.6 **Investment in an associate**

Takaful Pakistan Limited

	2018 Rupees in '000	2017 Rupees in '000
Place of incorporation Pakistan		
Principal business Takaful		
Number of shares held	-	8,699,500
Cost of investment - Rupees in '000	-	87,000
Assets - Rupees in '000	-	478,962
Liabilities - Rupees in '000	-	232,849
Net contribution revenue - Rupees in '000	-	137,707
(Loss)/Profit after tax - Rupees in '000	-	3,132
Percentage of investment	-	29%
Break up value per share - Rupees	-	6.54
Earnings per share - basic and diluted	-	0.04
Latest available financial statements	31-Dec-18	31-Dec-17
Name of Chief Executive	Dr. Syed Tariq Husain	Dr. Syed Tariq Husain

8.6.1 **Carrying value of investment in an associate under equity method**

	Note	2018 Rupees in '000	2017 Rupees in '000
Carrying value of investment at beginning of the year		51,241	50,478
Share of (loss)/profit		(3,860)	1,430
Disposal of investment in associate		(47,380)	(667)
Carrying value of investment at end of the year	8.6.1.1	-	51,241

8.6.1.1 On March 2, 2018, Takaful Pakistan Limited (as associated Company) issued 31,298,905 shares at a discount of Rs. 3.61 per share without offering a right issue to the existing shareholders. The approval for such issue was already obtained from the existing shareholders in prior year. Consequent to the issue of such shares, the shareholding of the Company in the investee reduced from 29% to 14.19%. Due to such reduction in shareholding, the Company lost significant influence over the operating decisions of the investee and accordingly equity method of accounting was discontinued with effect from March 2, 2018. The discontinuation of equity method accounting has resulted in the gain of Rs. 9.23 million (note 20). The remaining interest of 14.19% in the investee is classified as Available for sale at an amount of Rs. 56.61 million (equivalent to breakup value of shares) (note 8.1.3). Breakup value of shares is Rs. 6.5 per share.

9. ADVANCES

	Note	Performing 2018	Performing 2017	Non Performing 2018	Non Performing 2017	Total 2018	Total 2017
		Rupees in '000					
In Pakistan - local currency							
Rental Sharing Schemes	9.1	38,625	46,679	1,479,910	1,530,285	1,518,534	1,576,964
Interest Bearing Schemes	9.2	-	-	99,941	103,714	99,941	103,714
Ghar Aasan Scheme	9.3	887,441	794,032	1,177,713	1,674,138	2,065,154	2,468,170
Gawadar Employees Co-operative Housing Society (GECHS)	9.4	-	-	-	11,268	-	11,268
Shandar Ghar Scheme	9.5	358	966	156,493	190,706	156,851	191,672
Financing facility for Small Builders	9.6	-	-	6,074	6,074	6,074	6,074
Ghar Aasan Flexi Scheme	9.7	8,658,472	6,922,047	1,731,541	3,139,455	10,390,013	10,061,502
Bisma & Saima Projects	9.8	11,447	29,775	19,585	11,170	31,032	40,944
New Small Builders	9.9	23,000	60,255	34,041	(354)	57,041	59,900
		9,619,343	7,853,753	4,705,298	6,666,457	14,324,840	14,520,209
Employee portfolio							
Housing finance to employees	9.10	402,117	331,453	5,550	5,550	407,667	337,003
Car advance to employees	9.11	54,092	62,945	-	-	54,092	62,945
PC advance to employees		19	19	-	-	19	19
		456,228	394,417	5,550	5,550	461,778	399,967
Partners' death claims	9.12	611	(9)	-	-	611	(9)
Transitory district bank accounts - net	9.13	21,557	45,052	-	-	21,557	45,052
Advances - gross		10,097,739	8,293,213	4,710,848	6,672,007	14,808,586	14,965,220
Provision for non-performing							
- Specific							
Rental Sharing Schemes	9.1	38,340	-	1,458,419	1,509,898	1,496,759	1,509,898
Interest Bearing Schemes		-	-	99,968	103,714	99,968	103,714
Ghar Aasan Scheme		-	-	876,702	956,865	876,702	956,865
Gwadar Employees Co-operative		-	-	-	11,268	-	11,268
Shandar Ghar Scheme		-	-	141,592	159,915	141,592	159,915
Financing facility for Small Builders		-	-	5,720	5,720	5,720	5,720
Ghar Aasan Flexi Scheme		-	-	338,963	563,960	338,963	563,960
Bisma & Saima Projects		-	-	7,980	-	7,980	-
New Small Builders Scheme		-	-	689	-	689	-
Finance to employees		-	-	5,550	5,550	5,550	5,550
		38,340	-	2,935,584	3,316,890	2,973,924	3,316,890
- General	9.14	153,482	135,967	-	-	153,482	135,967
Advances - net of provision		9,905,916	8,157,246	1,775,264	3,355,117	11,681,180	11,512,363

9.1 This represents advances under Profit & Loss Sharing Scheme, Simplified Scheme, New Simplified Scheme (NSS), Gothabad Scheme and loan to Precast Industries (Pvt.) Limited. No additional disbursement of advance under these schemes has been made since 2000. Advances under NSS have been provided up to 98% (December 31, 2017: 93%) of the gross advance whereas advances under rest of the schemes are fully provided. These are provided on subjective basis.

9.2 No new disbursement has been made under this scheme since the year 1979. In pursuance to the decision of the Honorable Supreme Court of Pakistan, the Company has not accrued interest on these advances since July 01, 2000. All advances under this category have been classified as "Loss" and fully provided.

9.3 This scheme was based on Diminishing Musharaka for construction, purchase of houses and replacement of existing housing advance obtained by applicants from another financial institutions - Balance Transfer Facility (BTF) with maximum financing limit of Rs. 7.5 million. This advance is repayable by the partners in 36 to 240 monthly installments. The net annual rental income is 5% of the total assessed cost of the house, subject to upward revision of annual rent on cumulative basis at 25% after every 3 years. For disbursements after May 26, 2008, constant net annual rental income of 15.5% is charged on daily product basis on the value of outstanding units. In addition, the Company shares appreciation in the value of the house at rates ranging between 2.5% to 12.5% per annum assessed for various localities. New disbursement under this scheme has been discontinued from February 11, 2009. Provision has been made in accordance with the prudential regulations.

During 2017, management has introduced the Ghar Asaan Incentive Scheme after approval of the Board of Directors (BoD) in their meeting held on May 02, 2017. Under the scheme, appreciation rate, as explained above, was replaced with fixed rental charge at the rate of 10% with equal monthly instalments since inception of advance. Under the scheme, customers who have opted the facility may settle/regularize their advances after payment of due amounts based on revised terms. The scheme was initially offered up till 30 September 2017, which has been extended to June 30, 2019 by BoD. Total 5,625 customers have availed the scheme out of which 2,731 customers have settled their advances and 2,894 customers have regularized their advances.

9.4 In 2017, the entire amount of Rs. 11.268 million was received from Gwadar Employees Co-operative Housing Society

9.5 Advances under Shandar Ghar Scheme for renovation of houses only with maximum financing limit of Rs. 2.5 million are based on Murabaha approved by the Board of Directors on January 20, 2004 . The advance is repayable by the partners in 12 to 120 monthly installments. The Murahaba profit varies from 8% to 13.5% (2017: 8% to 13.5%) per annum. New disbursement under this scheme has been discontinued from February 11, 2009. Provision has been made in accordance with the prudential regulations.

	2018	2017
	Rupees in '000	
Shandar Ghar Scheme	440,904	480,286
Unearned income	(284,053)	(288,614)
	156,851	191,672

9.6 Advances under 'Finance facility for Small Builders' for construction of individual houses and apartments for sale to the general public with maximum financing limit of Rs. 7.5 million is based on Musharaka financing approved by the Board of Directors in August 2007. This advance is for a period of 12 to 18 months, extendable for further 3 months, to be repaid at the end of the tenure along with the profit ranging from 13% to 18% (2017 : 13% to 18%) per annum, or is transferable to the buyer of the house/apartment under Ghar Aasan Scheme. New disbursement under this scheme has been discontinued from November 17, 2009. Provision has been made in accordance with the prudential regulations.

9.7 Advances under Ghar Aasan Flexi Scheme for construction, renovation and purchase of house and replacement of existing housing facility – Balance Transfer Facilities (BTF) with maximum financing limit of Rs.25 million is based on Diminishing Musharaka. This advance is repayable by the partners in 36 to 240 monthly installments. The markup income for salaried person and business person is one year KIBOR with a spread of 3.25% and 3.5% (2017: 3.25% and 3.5%) respectively per annum.

There are two installment plans under this scheme; variable installment plan and fixed installment plan. New disbursement under variable installment plan has been discontinued effective from July 27, 2009. Provision has been made in accordance with the prudential regulations.

9.8 Advances under 'Bisma and Saima Project' for construction of individual houses and apartments with maximum financing limit of Rs. 10 million is based on Musharaka financing. This advance is for a period 12 to 18 months and profit is calculated on the basis of 2 years fixed KIBOR rate. The payment of installments is commenced from the next month of the completion of construction of houses and apartments. Provision has been made in accordance with the prudential regulations.

9.9 This Scheme was introduced to facilitate the small contractors / individuals who are in business of selling and / or building houses and / or flats. Maximum financing limit is Rs. 25 million with the tenure of 12 to 24 months. Provision has been made in accordance with the prudential regulations.

9.10 Housing advance is given to employees as per the terms of employment for purchase of land, renovation or construction of houses, at concessional rates. Provision has been made in accordance with the prudential regulations.

9.11 Car advance is given to employees as per the terms of employment for purchase of car at concessional rates. Provision has been made in accordance with the prudential regulations.

9.12 This represents the insurance claims received from State Life Insurance Corporation of Pakistan (SLICP) on behalf of the partners' passed away. Subsequently this will be paid to respective partners' heirs.

9.13 This net balance mainly includes unpresented cheques of disbursements and identified collections in bank accounts at district and zonal offices.

9.14 General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the State Bank of Pakistan on regular portfolio of consumer financing.

9.15 **Advances include Rs. 4,710 million (2017: Rs. 6,672 million) which have been placed under non-performing status as detailed below:-**

Category of Classification	2018 Non Performing Loans	2018 Provision	2017 Non Performing Loans	2017 Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	240,151	1,141	927,977	-
Substandard	267,883	27,084	909,105	179,232
Doubtful	499,126	72,564	1,068,254	235,552
Loss	3,703,688	2,834,794	3,766,671	2,902,106
Total	4,710,848	2,935,584	6,672,007	3,316,890

9.16 **Particulars of provision against advances**

	Note	2018 Specific	2018 General	2018 Total	2017 Specific	2017 General	2017 Total
		Rupees in '000					
Opening balance		3,316,890	135,967	3,452,857	3,959,470	148,889	4,108,359
Charge for the year		231,723	17,515	249,238	395,220	-	395,220
Reversals		(574,115)	-	(574,115)	(1,037,202)	(12,922)	(1,050,124)
		(342,392)	17,515	(324,877)	(641,982)	(12,922)	(654,904)
Amounts written off	9.17	(574)	-	(574)	(598)	-	(598)
Closing balance		2,973,924	153,482	3,127,406	3,316,890	135,967	3,452,857

9.16.1 The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of forced sales value of collaterals mortgaged with them while determining provisioning requirement against non-performing financing. Further, SBP vide BSD Circular no.1 of 2011 dated October 21, 2011 made certain amendments in the Prudential Regulations for Consumer Financing with respect to allowing additional benefit of forced sales value (FSV) of mortgage properties held as collateral against housing finances. According to the said circular, the impact on profitability due to availing FSV benefit shall not be available for payment of cash dividend or stock dividend. As at December 31, 2018, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, profit for the year before taxation would have been decreased by Rs. 1,047.77 million.

9.17 PARTICULARS OF WRITE OFFs:	Note	2018	2017
		Rupees in '000	
Against provisions	9.18	574	598
Directly charged to Profit & Loss account		-	-
		574	598

9.18 **DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1 (except where such disclosure is restricted by overseas regulatory authorities).

10. FIXED ASSETS	Note	2018	2017
		Rupees in '000	
Capital work-in-progress	10.1	12,860	4,579
Property and equipment	10.2	299,657	287,449
		312,517	292,028

10.1 **Capital work-in-progress**

Civil works	10.1.1	12,860	4,579
		12,860	4,579

10.1.1 This amount pertains to construction of building in Lahore and Qasimabad.

10.2 Property and Equipment

	Free hold land	Lease hold land	Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	2018						
	....	....	....	Rupees '000	....	....	....
At January 1, 2018							
Cost / Revalued amount	6,075	5,673	357,525	82,766	199,137	54,780	705,956
Accumulated depreciation	-	-	(113,390)	(73,252)	(181,569)	(50,296)	(418,507)
Net book value	6,075	5,673	244,135	9,514	17,568	4,484	287,449
Year ended December 31, 2018							
Opening net book value	6,075	5,673	244,135	9,514	17,568	4,484	287,449
Additions	-	-	1,683	1,297	45,909	65	48,954
Disposals							
- Cost	-	-	-	(5)	(289)	(11,383)	(11,678)
- Depreciation	-	-	-	5	289	8,642	8,936
	-	-	-	-	-	(2,741)	(2,741)
Depreciation charge	-	-	(15,480)	(5,645)	(12,466)	(755)	(34,346)
Other adjustments / transfers							
- Cost	-	-	43	(1)	(1,031)	(45)	(1,034)
Other adjustments in accumulated depreciation	-	-	(22)	1	1,352	45	1,376
Closing net book value	6,075	5,673	230,359	5,166	51,332	1,053	299,657
At December 31, 2018							
Cost	6,075	5,673	359,251	84,057	243,726	43,417	742,198
Accumulated depreciation	-	-	(128,892)	(78,891)	(192,394)	(42,364)	(442,541)
Net book value	6,075	5,673	230,359	5,166	51,332	1,053	299,657
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

	Free hold land	Lease hold land	Office premises	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	2017						
	....	....	....	Rupees '000	....	....	....
At January 1, 2017							
Cost / Revalued amount	6,075	5,673	355,647	82,793	202,423	58,221	710,832
Accumulated depreciation	-	-	(98,043)	(67,331)	(179,114)	(52,126)	(396,614)
Net book value	6,075	5,673	257,604	15,462	23,309	6,095	314,218
Year ended December 31, 2017							
Opening net book value	6,075	5,673	257,604	15,462	23,309	6,095	314,218
Additions	-	-	1,938	-	2,842	-	4,780
Disposals							
- Cost	-	-	(60)	(27)	(6,128)	(3,441)	(9,656)
- Depreciation	-	-	26	27	5,974	3,441	9,468
	-	-	(34)	-	(154)	-	(188)
Depreciation charge	-	-	(15,373)	(5,948)	(8,429)	(1,611)	(31,361)
Closing net book value	6,075	5,673	244,135	9,514	17,568	4,484	287,449
At December 31, 2017							
Cost	6,075	5,673	357,525	82,766	199,137	54,780	705,956
Accumulated depreciation	-	-	(113,390)	(73,252)	(181,569)	(50,296)	(418,507)
Net book value	6,075	5,673	244,135	9,514	17,568	4,484	287,449
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

10.2.1 Disposal of operating fixed assets

Particulars	Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of buyers
	——— Rupees in '000 ———					
Items having cost more than one million rupees or book value more than two hundred and fifty thousand rupees						
Furniture and fixtures	5	-	9	9	Auction	Various
Electrical, office and computer equipment	289	-	29	29	As per policy*	Various
Motor vehicles	11,383	2,741	4,269	1,528	Auction	Various
2018	**11,677**	**2,741**	**4,307**	**1,566**		
2017	9,656	188	221	33		

* As per Company's policy electrical, office and computer equipments can be disposed off after useful life of 3 years with the approval of Managing Director

10.2.2 Cost of fully depreciated asset still in use

2018							
Free hold land	**Lease hold land**	**Building on Free hold land**	**Building on Lease hold land**	**Furniture and fixture**	**Electrical, office and computer equipment**	**Vehicles**	**Total**
			.... Rupees '000				
-	-	-	**57,129**	**59,855**	**163,597**	**40,478**	**321,059**

11. INTANGIBLE ASSETS

	2018 Computer software & Licenses	2017 Computer software & Licenses
	Rupees '000	
At January 1		
Cost	8,716	8,716
Accumulated amortization and impairment	(8,029)	(7,698)
Net book value	687	1,018
Year ended December 31		
Opening net book value	687	1,018
Additions	1,266	-
Amortization charge	(443)	(331)
Adjustments		
Accumulated depreciation	(7)	-
Closing net book value	1,503	687
At December 31		
Cost	9,982	8,716
Accumulated amortization and impairment	(8,479)	(8,029)
Net book value	1,503	687
Rate of amortisation (percentage)	33%	33%
Useful life	3 years	3 years

12. Deferred Tax

Deferred tax asset amounting to Rs. 2.1 billion (2017: Rs. 2.035 billion) has not been recognized as management believes that it is not probable that taxable profit will be available in the foreseeable future against which these deductible temporary differences can be utilized.

13. OTHER ASSETS

	Note	2018	2017
		Rupees in '000	
Income/ mark-up accrued in local currency - net of provision			
Advances		27,666	39,889
Investments		8,065	9,593
Advances, deposits, advance rent and other prepayments		52,766	72,768
Advance taxation (payments less provisions)		122,902	219,350
Advance for purchase of land - housing projects	13.1	53,815	53,815
Other receivables against advances		7,535	17,228
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.2	-	-
		272,749	412,643
Less: Provision held against other assets	13.3	(53,815)	(53,815)
Other Assets (Net of Provision)		218,934	358,828

13.1 This represents an advance payment made in 2007 i.e. 32% and remaining 68% are shown as commitment for the purchase cost of two pieces of land measuring 163 acres situated in Gwadar. The Company intends to construct low cost houses on this land to promote affordable housing facilities to low income groups of the residents of Gwadar. The management on prudent basis, has made full provision against this amount.

13.2 As directed vide SRO 499(1)/80 dated May 13, 1980 by Finance Division - Government of Pakistan, the Company (formerly HBFC) took over assets and liabilities of PRRFC. Further, as per the directive of the Government of Pakistan all assets and liabilities are shown distinctively as below, however, the Company does not have any control over these assets and liabilities. Accordingly, these are not recorded in the books of account.

Pakistan Refugees Rehabilitation Finance Company assets	2018	2017
	Rupees in '000	
Assets		
Fixed assets	1	1
Cash and bank balances	518	518
Investments	253	253
Loans and advances	16,583	16,583
Inter-center adjustment	2,432	2,432
Other receivables	1,992	1,992
Sundry debtors	200	200
Advances, deposits and prepayments	227	227
	22,206	22,206
Provision for doubtful debts	(2,579)	(2,579)
	19,627	19,627
Liabilities		
Sundry creditors	93	93
Accrued expenses	38	38
Return on capital	7,371	7,371
Other liabilities	129	129
	7,631	7,631
Net assets	11,996	11,996

13.3 Provision held against other assets

	2018	2017
Advance for purchase of land - housing projects	53,815	53,815
	53,815	53,815

14. OTHER LIABILITIES

	Note	2018	(Restated) 2017
		Rupees in '000	
Retirement and other service benefits		3,531,640	3,422,777
Other obligation	14.1	36,118	27,221
Accrued expenses		174,699	38,501
Insurance premium payable	14.2	63,053	53,952
Advance rent received		45,080	5,600
Refundable to customers against advances		39,622	12,781
Security deposits		5,600	5,600
Application fee - Gawadar project		3,872	3,872
Retention money payable		602	596
Reimbursement of claims by Government of Pakistan		579	579
Agents' deposit money		185	185
Sindh Workers' Welfare Fund		66,618	41,016
Others		4,989	3,970
		3,972,657	3,616,650

14.1 Other obligation

	Note	2018	2017
Balance at beginning of the year		27,221	1,699,717
Transfer to equity-net of tax (already offered for tax in prior years)	14.1.1	-	1,679,085
Balance at beginning of the year-restated		27,221	20,632
Demand charges - net of recovery expenses		8,897	11,825
Transfer to income during the year		-	(5,236)
Balance at end of the year		36,118	27,221

14.1.1 As disclosed in note 4.1.1, The board of directors in its meeting number 06/2018 held on October 31, 2018 approved transfer of deferred credit amount pertaining to conventional schemes along with the mark up thereon as of September 30, 2018 amounting PKR 1,689,623,398/- to the retained earnings whereas the amount pertaining to Flexi Scheme shall be kept in the other obligation account. This amount has been recognized as prior year adjustment in these financial statements

14.2 Monthly insurance premium is payable to State Life Insurance Corporation of Pakistan (SLICP) against the insurance of outstanding dues from the partners in case of their death or total disablement and insurance premium payable to Takaful Pakistan Limited against insurance of mortgage property. The amount of these premiums are recoverable from partners in their monthly installments.

15. SHARE CAPITAL

15.1 Authorized Capital

2018	2017		Note	2018	2017
Number of shares				Rupees in '000	
2,000,000,000	2,000,000,000	Ordinary shares of Rs.10 each		20,000,000	20,000,000

15.2 Issued, subscribed and paid up

2018	2017		2018	2017
Number of shares				
		Ordinary shares of Rs. 10 each		
6	6	Fully paid in cash	-	-
1,936,400,000	1,936,400,000	Issued for consideration other than cash	19,364,000	19,364,000
100,000	100,000	Shares issued for consideration in cash	1,000	1,000
1,936,500,006	1,936,500,006		19,365,000	19,365,000
		Pattern of shareholding		
187,562,506	187,562,506	Federal Government	1,875,625	1,875,625
1,748,937,500	1,748,937,500	State Bank of Pakistan	17,489,375	17,489,375
1,936,500,006	1,936,500,006		19,365,000	19,365,000

16. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

	2018	2017
(Deficit) / Surplus on revaluation of		
- Available for sale securities	(20,845)	2,174

17. CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
-Commitments	17.1	623,398	540,096
-Other contingent liabilities	17.2	647,990	47,990
		1,271,388	588,086

17.1 Commitments:

	2018	2017
- Documentary credits and short-term trade-related transactions		
- Loans sanctioned but not disbursed	226,132	140,435
Equity investment to be made in		
- Pakistan Mortgage Refinance Company Limited	193,325	193,325
Land to be purchased for Gwadar Housing Projects	149,725	149,725
Land to be purchased for Gwadar Office	9,750	9,750
Model Town Lahore Project	27,840	29,490
Hyderabad Project	5,305	5,308
Peshawar Office Building Project	10,485	10,485
Other commitments	836	1,578
	623,398	540,096

		Note	2018	2017
			Rupees in '000	
17.2	**Other contingent liabilities**			
	Claims not acknowledged as debt			
	SMS Courier (Pvt) Limited (SMSCPL)	17.2.1	**39,890**	39,890
	Liaquat National Hospital	17.2.2	**8,100**	8,100
	Staff of HBFC	17.2.3	**600,000**	-
			647,990	47,990

17.2.1 In the year 1995, the Company entered into an agreement with SMS Courier (Pvt) Limited (SMSCPL), a courier service company. Subsequently, due to unsatisfactory service, the Company terminated the agreement with SMSCPL. SMSCPL claimed indemnity of loss for Rs. 39.89 million and filed a suit for recovery from the Company which is pending for adjudication in Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

17.2.2 In the year 2008, the Company entered into an agreement with Liaquat National Hospital (LNH) in Karachi for providing medical facilities/treatments to employees of the Company and their dependents. LNH lodged a claim of Rs. 8.1 million against the Company, which include bills of the individuals who were not referred by the Company to LNH, as these were neither the Company's employees nor their dependents. Currently, the case is pending for adjudication in Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected.

17.2.3 In 2016, the then Board and management of the Company, under the collective bargaining mechanism, allowed an increase of 18% in the gross salaries of the workmen/staff of the Company following decision by Honorable High Court of Sindh. However, considering certain business and other reasons the Board did not extend similar salary increase to the executives and officers grade. Aggrieved by this decision, some officers/executives of the Company challenged this decision in the High Court of respective jurisdictions.

The Hon'ble Division Bench of the High Court of Sindh at Karachi, vide its judgment dated November 26, 2018, held that the decision taken by the Company, whereby it restricted the increase in salary structure to workmen/staff only and excluded its executives and officers from such increase was erroneous and of no legal effect and remanded the case back to the Company "for fresh decision on the issue of inclusion of the aforesaid pay and allowances in the emoluments of the Petitioners in accordance with the law and dicta laid down by the Honorable Supreme Court of Pakistan within a period of two months, from the date of receipt of the Judgment" of the the High Court of Sindh.

In order to protect the legal interest of the Company and its shareholders, the management filed a Civil Appeal with the Honorable Supreme Court of Pakistan against the judgment of the High Court of Sindh. The Honorable Supreme Court while granting leave to appeal, suspended the operation of the judgment of the Sindh High Court. The legal advisor of the Company is of the view that the Company has a fair chance in prevailing its contention on this matter.

			2018	2017
			Rupees in '000	
18.	**MARK-UP/RETURN/INTEREST EARNED**			
	a)	Loans and advances		
		Customers	**1,631,325**	1,823,252
		Employees	**10,704**	25,536
	b)	Investments		
		Available-for-sale	**495,937**	391,944
	c)	Lendings to financial institutions		
		Letters of placements	**9,895**	5,573
		Repurchase agreement lending (Reverse Repo)	**71,899**	12,968
	d)	Balances with banks	**21,645**	22,664
			2,241,405	2,281,936

		2018	2017
		Rupees in '000	

19. LOSS ON SECURITIES

	2018	2017
Realized	1,838	487

20. OTHER INCOME

	Note	2018	(Restated) 2017
		Rupees in '000	
Profit Commission from insurance company		53,221	107,304
Rent on property		37,800	34,181
Gain on sale of fixed assets-net		1,566	33
Inspection and application fee		10,506	7,753
Advance Unit Purchase Charges		19,119	18,015
Balloon Payment charges of Flexi Scheme		220	698
Storage documentation		4,569	1,512
Penalty income on conventional schemes	4.1.1	8,715	5,236
Miscellaneous Income		4,063	2,965
Gain on sale of investment in associate	8.6.1.1	9,230	-
		149,009	177,697

21. OPERATING EXPENSES

	Note	2018	2017
Total compensation expense	21.1	1,129,502	762,933
Property expense			
Rent and taxes		27,802	30,532
Insurance		716	357
Utilities cost		10,686	10,407
Security (including guards)		7,440	5,691
Repair and maintenance (including janitorial charges)		23,415	21,293
Depreciation		15,480	15,373
Others		4,193	3,647
		89,731	87,300
Information technology expenses			
Hardware maintenance		3,893	2,999
Depreciation		7,739	4,323
Amortization	11	443	331
Network charges		6,634	6,824
		18,709	14,476
Other operating expenses			
Directors' fees and allowances		5,503	2,404
Legal and professional charges		19,584	31,623
Consultancy charges		29,985	11,902
Outsourced services costs	21.2 & 28.1	24,902	12,807
Travelling and conveyance		9,626	7,350
Depreciation		11,127	11,665
Training and development		6,459	1,174
Postage and courier charges		11,011	9,232
Communication		942	596
Stationery and printing		4,987	3,725
Marketing, advertisement and publicity		9,085	2,578
Commission against recovery		4,675	-
Auditors remuneration	21.3	3,163	2,750
Banking service charges		7,934	7,899
Entertainment		1,654	1,222
Vehicle expense		12,053	7,701
Subscription		224	265
Others		3,442	5,042
		166,354	119,935
		1,404,297	984,643

21.1 Total compensation expense

	Note	2018	2017
		Rupees in '000	
Managerial Remuneration			
i) Fixed	21.1.1	481,207	385,429
ii) Variable		-	-
a) Cash Bonus & Cash Awards	21.1.2	58,063	1,951
Charge for defined benefit plan	21.1.3	337,515	70,959
Rent & house maintenance		162,440	167,882
Utilities		19,310	19,215
Medical		16,242	16,152
Conveyance		48,537	41,016
Group Life Insurance		2,027	271
Overtime to staff		233	182
Contribution to Gratuity Fund		974	-
Contribution to Provident Fund		1,319	-
Contribution to Benevolent Fund		1,635	35,958
Sub-total		1,129,502	739,015
Severance Allowance		-	23,918
Grand Total		1,129,502	762,933

21.1.1 It includes Rs. 92 million (2017: Nil) approved for officers on Ad hoc basis based on approval of Board of Directors.

21.1.2 It includes Rs. 54.744 million (2017: Nil) related to Eid financial relief.

21.1.3 It includes Rs. 250.64 million (2017: Rs. 122.8 million) pertains to benefit plan related to pension Rs. 82.6 million (2017: Rs. 30.68 million) pertains to benefit plan related to medical and Rs. 4.26 million (2017: Rs. (82.5) million) pertains to benefit plan related to leave encashment.

21.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 24.9 million (2017: Rs 12.8 million). Total payment pertains to the payment to companies incorporated in Pakistan. Total cost of outsourced activities for the year given to related parties is Rs Nil (2017: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.Recovery and sales related staff has been engaged through third party outsourcing arrangement.

21.3 Auditors' remuneration

	Note	2018	2017
		Rupees in '000	
Audit fee		1,392	1,210
Half yearly review		488	424
Special certifications, Internal Controls over Financial Reporting and other reviews		1,283	1,116
		3,163	2,750

22. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	9,878	180
Penalties imposed by Securities & Exchange Commission of Pakistan	-	50
	9,878	230

23. PROVISIONS & WRITE OFFS - NET

Reversal of provision for diminution in value of investments		(6,492)	(24,844)
Reversal of provision for lendings		-	(1,114)
Reversal of provision against loans and advances	9.16	(324,877)	(655,501)
(Reversal) / Provision against doubtful receivable insurance premium from partners		(16,250)	2,488
Write off against advances		(574)	(598)
		(348,193)	(679,569)

	Note	2018	2017
		Rupees in '000	

24. RELIEF PACKAGE AND REPROCESSING CHARGES

GAS incentive		38,391	86,467
Reprocessing and closing adjustment		919	7,480
		39,310	93,947

25. TAXATION

Current	213,263	342,783
Prior years	-	51,003
Deferred	-	-
	213,263	393,786

26. EARNINGS PER SHARE BASIC AND DILUTED

Profit for the year	1,041,230	1,625,328
Weighted average number of ordinary shares	1,936,500,006	1,936,500,006
Earnings per share - basic and diluted	0.54	1.16

27. CASH AND CASH EQUIVALENTS

	Note		
Cash and Balance with Treasury Banks	5	34,387	53,531
Balance with other banks	6	412,020	771,582
		446,407	825,113

28. STAFF STRENGTH

	Number	
Permanent	489	451
On Company's contract	10	7
Company's own staff strength at the end of the year	499	458

28.1 In addition to the above, 49 (2017: 56) employees of outsourcing services companies were assigned to the Company as at the end of the year to perform services other than guarding and janitorial services.

29. DEFINED BENEFIT PLAN

29.1 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
- Pension fund	671	672
- Post retirement medical benefits	671	454
- Employees compensated absences	434	454

29.2 Principal actuarial assumptions

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

	2018	2017
	---- Per annum ----	
Discount rate	13.75%	9.5%
Expected rate of return on plan assets	13.75%	9.5%
Expected rate of salary increase	13.75%	9.5%
Expected rate of increase in pension	12.75%	8.5%
Expected rate of increase in medical benefit	6.75%	-

29.3 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2018 Pension fund	2018 Medical benefits	2017 Pension fund	2017 Medical benefits
		---- Rupees in '000 ----			
Present value of obligations		6,703,632	753,621	5,859,114	736,600
Fair value of plan assets		(4,232,681)	-	(3,484,698)	-
Payable		2,470,951	753,621	2,374,416	736,600

29.4 Movement in defined benefit obligations

Obligations at the beginning of the year		5,859,114	736,600	5,955,378	951,949
Current service cost		74,762	12,637	128,973	26,277
Interest cost		530,675	69,977	494,377	81,559
Benefits paid by the Company		(546,117)	-	(1,502,815)	(186,857)
Re-measurement loss / (gain)		785,198	(65,593)	982,173	(59,173)
Gain due to VSS		-	-	(198,972)	(77,155)
Obligations at the end of the year		6,703,632	753,621	5,859,114	736,600

29.5 Movement in fair value of plan assets

Fair value at the beginning of the year		3,484,698	-	3,174,054	-
Interest income on plan assets		354,796	-	301,535	-
Benefits paid by Company		546,117	-	-	-
Contribution by the Company - net		500,000	-	1,502,788	-
Re-measurements: Net return on plan assets		(546,117)	-	(1,502,788)	-
over interest income (loss) / gain /	29.7.2	(106,813)	-	9,109	-
Fair value at the end of the year		4,232,681	-	3,484,698	-

29.6 Movement in payable under defined benefit schemes

Opening balance		2,374,416	736,600	2,781,324	951,949
Charge / (reversal) for the year		250,641	-	122,843	-
Contribution by the Company - net		(500,000)	82,620	-	30,681
Re-measurement loss / (gain) recognized in OCI during the year	29.7.2	892,011	(65,599)	973,064	(59,173)
Benefits paid by the Company		(546,117)	-	(1,502,815)	(186,857)
Closing balance		2,470,951	753,621	2,374,416	736,600

29.7 Charge for defined benefit plans

29.7.1 Cost recognized in profit and loss

Current service cost		74,762	12,637	128,973	26,277
Net interest on defined benefit asset / liability		175,879	69,977	192,842	81,559
Gain due to VSS		-	-	(198,972)	(77,155)
		250,641	82,614	122,843	30,681

29.7.2 Re-measurements recognized in OCI during the year

Loss / (gain) on obligation					
- Demographic assumptions		-	-	-	-
- Financial assumptions		5,806	2,416	-	-
- Experience adjustment		779,392	(68,015)	982,173	(59,174)
Return on plan assets over interest income		106,813	-	(9,109)	-
Total re-measurements recognized in OCI		892,011	(65,599)	973,064	(59,174)

	2018 Pension fund	2017 Pension fund
	Rupees in '000	
29.8 Components of plan assets		
Bank balances	1,241	1,187
Government Securities	4,231,440	3,483,511
	4,232,681	3,484,698

29.8.1 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

29.9 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2018		
	Change in assumption	Pension fund	Post retirement medical benefit
		Rupees in '000	
Discount rate	1%	740,565	76,577
Salary increase	1%	128,200	-
Pension increase	1%	767,452	-
Medical benefit increase	1%	-	73,710

29.10 Expected contributions to be paid to the funds in the next financial year	500,000
29.11 Expected charge for the next financial year	528,942

29.12 Maturity profile

The weighted average duration of the obligation is 11.92 years

29.13 Risks associated with defined benefit plans

Investment risks The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risks The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

30. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30.1 Total Compensation Expense

2018

Items	Directors			President / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees in '000				
Fees and Allowances etc.	660	-	2,760	-	-
Managerial Remuneration					
i) Fixed	-	-	-	-	26,813
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	-	-	50
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	2,526
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	-	-	8,099
Utilities	-	-	-	-	1,817
Medical	-	-	-	-	771
Conveyance	-	-	-	-	3,069
Mobile Charges	-	-	-	-	81
Others	-	-	-	-	1,366
Total	660	-	2,760	-	44,592
Number of Persons	1	-	6	1	9

30.1.1 Approval of Syed Basit Aly, CEO remuneration is awaited from Ministry of Finance. Currently the salary is paid by State Bank of Pakistan.

30.1.2 Remuneration of Group Head - Human Resource is paid by State Bank of Pakistan. Therefore, it is not included in disclosure.

30.1.3 Key management personal includes employees as per BPRD circular no. 05 of 2015 issued by SBP.

2017

Items	Directors			President / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees in '000				
Directors Fees	150	-	570	-	-
Managerial Remuneration					
i) Fixed	-	-	-	7,335	26,805
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	-	3,421	10,282
Utilities	-	-	-	28	1,082
Medical	-	-	-	227	2,589
Convevance	-	-	-	9	2,767
Mobile Charges	-	-	-	-	131
Others	-	-	-	5,481	2,050
Total	150	-	570	16,501	45,706
Number of Persons	1	-	9	3	13

Approval of Syed Basit Aly, Managing Director remuneration is awaited from Ministry of Finance. Salary from October to December 2017 was paid by State Bank of Pakistan.

30.2 **Remuneration paid to Directors for participation in Board and Committee Meetings**

2018

Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	HR Committee	R.M. Committee	Credit & Ops Committee	Total Amount Paid
		Rs. in '000'					
1	Ali Mehdi	290	20	200	-	100	610
2	Arfa Waheed	290	110	30	-	150	580
3	Azhar Iqbal Kureshi	290	-	210	-	150	650
4	Mansur Ur Rehman Khan	290	20	200	-	150	660
5	Mian Asif Said	290	110	30	110	-	540
6	Munir Ahmad	190		-	100	-	290
7	Syed Muhammad Shabbar Zaidi	20	70	-	-	-	90
	Total Amount Paid	1,660	330	670	210	550	3,420

2017

Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	HR Committee	R.M. Committee	Credit & Ops Committee	Total Amount Paid
		Rs. in '000'					
1	Ali Mehdi	20	-	-	-	-	20
2	Arfa Waheed	20	-	-	-	-	20
3	Arif Hasan	40	-	20	-	10	70
4	Azhar Iqbal Kureshi	20	-	-	-	-	20
5	Munir Ahmad	80	-	-	-	-	80
6	Saeed Ahmad	20	-	-	-	-	20
7	Tasneem Ahmad Siddiqui	100	20	20	10	-	150
8	Zaigham Mahmood Rizvi	80	20	20	10	10	140
9	Syed Muhammad Shabbar Zaidi	60	10	-	-	-	70
10	Mian Asif Said	120	10	-	-	-	130
	Total Amount Paid	560	60	60	20	20	720

31. FAIR VALUE MEASUREMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Company's accounting policy as stated in note 4.5 to these financial statements.

The repricing profile, effective rates and maturities are stated in note 34.2.2 and 35.1.

The management is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances are frequently repriced.

31.1 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).

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			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	4,010,449	-	4,010,449

	2017			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities		6,489,513	-	6,489,513

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used	Input used
Market Treasury Bills	Market approach	PKRV Rates

32. RELATED PARTY TRANSACTIONS

Related parties comprise associated undertaking, retirement benefit plans, directors and key management personnel of the Company. These transactions were made on substantially the same commercial terms as those prevailing at the time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. There were no transactions with the key management personnel other than those under the terms of their employment. Details of transactions with the related parties other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2018			2017		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	.... Rupees in '000					
Opening balance	24,578	-	-	28,027	-	-
Addition during the year	12,407	-	-	652	-	-
Repaid during the year	(464)	-	-	(4,101)	-	-
Transfer in / (out) - net	(17,934)	-	-	-	-	-
Closing balance	18,587	-	-	24,578	-	-
Income						
Mark-up / return / interest earned	211	-	-	653	-	-

		2018	2017
		Rupees in '000	

33. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

	2018	2017
Paid-up capital (net of losses)	16,926,068	15,026,928

Capital Adequacy Ratio (CAR):

	2018	2017
Eligible Common Equity Tier 1 (CET 1) Capital	16,924,565	15,026,241
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	16,924,565	15,026,241
Eligible Tier 2 Capital	72,803	100,542
Total Eligible Capital (Tier 1 + Tier 2)	16,997,368	15,126,783
Risk Weighted Assets (RWAs):		
Credit risk	7,491,746	7,869,479
Market risk	243,259	180,230
Operational risk	4,121,584	3,544,188
Total	11,856,589	11,593,897
Common Equity Tier 1 Capital Adequacy ratio	142.74%	129.60%
Tier 1 Capital Adequacy Ratio	142.74%	129.60%
Total Capital Adequacy Ratio	143.36%	130.47%

In accordance with BSD Circular No.19 dated September 05, 2008 the minimum paid up capital requirement (net of losses) of the company at December 31, 2009 and onward would be Rs. 6 billion.

Under Basel III guidelines banks / DFIs are required to maintain the following ratios on an going basis:

S.No.	Ratio	2013	2014	2015	2016	2017	2018	2019
1	CET-1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	TIER-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

Leverage Ratio (LR):

	2018	2017
	Rupees in '000	
Eligible Tier-1 Capital	16,924,565	15,026,241
Total exposures	21,501,280	20,870,169
Leverage ratio	78.71%	72%

Liquidity Coverage Ratio (LCR):

	2018	2017
Total high quality liquid assets	3,973,430	6,480,610
Total net cash outflow	10,258	1,755
Liquidity coverage ratio	38735%	369173%

	2018	2017
	Rupees in '000	
Net Stable Funding Ratio (NSFR):		
Total available stable funding	**20,540,049**	19,854,285
Total required stable funding	**11,214,470**	9,122,965
Net stable funding ratio	**183%**	218%

33.1 Full disclosures of Capital Adequacy Ratio, Liquidity Coverage Ratio & Net Stable Funding Ratio will be available at http://hbfc.com.pk under the tab of Regulatory Disclosures

34. RISK MANAGEMENT

Financial Institutions are exposed to various risks in pursuit of their business objectives. The nature and complexity of these risks has rapidly changed over time. The failure to adequately manage these risks not only results in business losses but also places hurdles in achieving strategic objectives. Consequently, a solid and vigorous risk management framework in the organization is required.

The Company's risk Management Policy is in line with the Risk Management Guidelines of State Bank of Pakistan and Base III Accord. The Risk Management Policy is approved by the Board of Directors.

The risk management policies and procedures cover all activities of the Company including credit evaluation, treasury and investment operations. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Company's risk exposure is within the limits established by the Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Company.
- The expected payoffs compensate the risks taken by the Company.

Risk profile of the Company

The key risks are credit risk, liquidity risk, market risk and operational risk.

Risk Structures and Responsibilities

Organizational framework for Risk Management includes the following:

The Board of Directors is responsible for overall supervision of the risk management process. A Board Risk Management Committee has been formed to regularly review risk related activities of the organization. The Board Risk Management Committee is responsible to establish and implement risk management framework of the Company. Individual risks are reviewed and controlled by various committees at management level like Assets and Liabilities Committee and Credit Committee.

Risk Management Department is responsible for coordinating and implementing all the risk management activities of the Company. It ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits and work out remedial measures. The core function is to identify, measure, monitor and report key risks to which company may be exposed. It works in close coordination with all the functions and business units that are involved in risk taking.

Risk Management department undertakes the following activities on regular basis utilizing the overall risk framework:

- Formulate policies and guidelines for managing all risk categories.
- Develop systems and procedures. These systems and procedures should be capable of accurate measurement of the risks to identify deviation from approved risk parameters.
- Facilitate introduction and implementation of prudent practices for risk management.
- Facilitate management in business decisions by providing analytical risk reviews.
- Communicate and liaise with other functions and business units in carrying out risk reviews, analysis and mitigation activities.

34.1 Credit Risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Company.

Housing Finance is the core function of the Company and credit risk is the major risk faced by the Company. Credit risk is incurred mainly in the following two areas of its operations: -

- In its credit operations, where it provides housing finance to retail or wholesale clients; and

- In treasury operations where credit risk is incurred with counterparties in its investments in financial markets and instruments.

Overall credit risk is monitored by Credit Committee at Head Office, which reviews and recommends improvements in credit policies and monitors portfolio behavior. To further strengthen credit risk management and credit setup, proper delegation of credit decisions at committee level with appropriate approving limits has been made.

Following measures have been applied to govern credit policy of the Company: -

- Lending process and decision is based on a full appreciation of the risks inherent in the transaction.

Management monitors credit portfolio through MIS reports.

- Stress testing for individual credits and the overall credit portfolio under adverse changes in the conditions / environment in which the borrowers operate.

- The Company has instituted an effective system for monitoring servicing of its performing credit portfolio and collection of non performing portfolio.

- The Company creates loan loss provisions against non-performing advances in accordance with Prudential Regulations issued by SBP.

Credit Risk Mitigation

It is the Company's policy to reduce or mitigate credit risk on credit facilities or exposures, by securing these with collaterals. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method, documented and monitored.

In this regard following steps have been taken: -

- Outsourcing of property title verification.
- Outsourcing of borrower income verification.
- Outsourcing of property valuation.

Credit Risk is also mitigated through a set up of sub credit committee at Zonal and Regional level for credit approvals depending upon the level of risk assumed. Overall credit risk is monitored by central credit committee which reviews and recommends improvements in credit policies and monitors portfolio behavior.

To strengthen credit risk management and to fulfill SBP requirements, the company is working to develop and implement internal credit risk rating system for its entire credit portfolio.

Collateral & Security

Collateral is an important mitigate of credit risk. All the residential mortgages are collateralized. Valuation of the collateral is taken within agreed parameters. The legal mechanism by which collaterals is pledged and the company's procedures ensure that the Company has clear rights over the collaterals and may liquidate, retain or take legal possession of it in a timely manner in the event of default.

Insurance Cover

- Every borrower and guarantor is insured for life and disability for repayment of the balance amount of the loans.

- Every property taken as collateral is insured.

Credit Concentration Risk

Concentration of credit risk is the risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across borrower types and geographical regions. The concentration risk can arise in loan book as well as investment book.

34.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	Rs in '000					
Public/ Government	3,656,891	551,542	-	-	-	-
Private	605,683	362,175	55,683	62,175	(55,683)	(62,175)
	4,262,574	913,717	55,683	62,175	(55,683)	(62,175)

34.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rs in '000					
Construction	26,240	26,240	26,240	26,240	(26,240)	(26,240)

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rs in '000					
Public/ Government	3,939,043	6,429,253	-	-	-	-
Private	26,240	26,240	26,240	26,240	(26,240)	(26,240)
	3,965,283	6,455,493	26,240	26,240	(26,240)	(26,240)

34.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	Rs in '000					
Others	14,324,640	14,520,208	2,973,923	3,316,890	2,973,923	3,316,890
	14,324,640	14,520,208	2,973,923	3,316,890	2,973,923	3,316,890

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	Rs in '000					
Public/ Government	6,828	18,097	6,828	18,097	6,828	18,097
Private	14,317,812	14,502,111	2,967,095	3,298,793	2,967,095	3,298,793
	14,324,640	14,520,208	2,973,923	3,316,890	2,973,923	3,316,890

34.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in '000	
Individuals	226,132	140,435
Others	1,045,256	439,551
	1,271,388	579,986

34.1.5 Advances - Province/Region-wise Disbursement & Utilization

2018

Province/Region	Disbursements	Utilization: Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rs in '000						
Punjab	983,680	983,680	-	-	-	-	-
Sindh	580,113	-	580,113	-	-	-	-
KPK including FATA	229,478	-	-	229,478	-	-	-
Balochistan	14,220	-	-	-	14,220	-	-
Islamabad	100,334	-	-	-	-	100,334	-
AJK including Gilgit-Baltistan	131,213	-	-	-	-	-	131,213
Total	2,039,038	983,680	580,113	229,478	14,220	100,334	131,213

2017

Province/Region	Disbursements	Utilization: Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rs in '000						
Punjab	526,044	526,044	-	-	-	-	-
Sindh	437,758	-	437,758	-	-	-	-
KPK including FATA	105,358	-	-	105,358	-	-	-
Balochistan	7,542	-	-	-	7,542	-	-
Islamabad	71,150	-	-	-	-	71,150	-
AJK including Gilgit-Baltistan	82,445	-	-	-	-	-	82,445
Total	1,230,297	526,044	437,758	105,358	7,542	71,150	82,445

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

Yield / interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market yield / interest rates. Sensitivity to yield / interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through matching the repricing of assets and liabilities and off-balance sheet instruments. The Company is exposed to yield / interest risk in respect of the following:

34.2.2 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 in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		34,387	-	-	-	-	-	-	-	-	-	34,387
Balances with other banks	6.86%-8%	412,020	412,020	-	-	-	-	-	-	-	-	-
Lending to financial institutions	10.1%-10.9%	4,206,891	4,056,891	150,000	-	-	-	-	-	-	-	-
Investments	8.8%-9.32%	4,010,448	1,303,041	1,573,580	905,297	150,440	-	65,156	-	-	-	12,934
Advances		11,981,180	558,154	184,316	277,809	563,905	1,291,884	1,062,640	3,812,135	2,974,967	1,256,549	-
Other assets		218,934	-	-	-	-	-	-	-	-	-	218,934
		20,863,861	6,330,107	1,907,896	1,183,106	714,345	1,291,884	1,127,796	3,812,135	2,974,967	1,256,549	266,255
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		3,972,657	-	-	-	-	-	-	-	-	-	3,972,657
		3,972,657	-	-	-	-	-	-	-	-	-	3,972,657
On-balance sheet gap		16,891,204	6,330,107	1,907,896	1,183,106	714,345	1,291,884	1,127,796	3,812,135	2,974,967	1,256,549	(3,706,402)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Other commitments (to be specified)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			6,330,107	1,907,896	1,183,106	714,345	1,291,884	1,127,796	3,812,135	2,974,967	1,256,549	(3,706,402)
Cumulative Yield/Interest Risk Sensitivity Gap			6,330,107	1,907,896	1,183,106	714,345	1,291,884	1,127,796	3,812,135	2,974,967	1,256,549	(3,706,402)

	Effective Yield/ Interest rate	Total	2017 Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		53,531	-	-	-	-	-	-	-	-	-	53,531
Balances with other banks	3.75% - 5.80%	771,582	771,582	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3.75% - 5.80%	851,542	100,000	751,542	-	-	-	-	-	-	-	-
Investments	6.01%-6.15%	6,589,513	2,096,462	2,531,731	1,456,532	342,043	-	104,829	-	-	-	57,916
Advances	5.99%-6.25%	11,412,363	550,088	181,653	273,793	455,756	1,273,017	1,047,283	3,461,378	2,931,982	1,237,404	-
Other assets		358,828	-	-	-	-	-	-	-	-	-	358,828
		20,037,359	3,518,132	3,464,926	1,730,325	797,799	1,273,017	1,152,112	3,461,378	2,931,982	1,237,404	470,275
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		3,616,650	-	-	-	-	-	-	-	-	-	3,616,650
		3,616,650	-	-	-	-	-	-	-	-	-	3,616,650
On-balance sheet gap		16,420,709	3,518,132	3,464,926	1,730,325	797,799	1,273,017	1,152,112	3,461,378	2,931,982	1,237,404	(3,146,375)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			3,518,132	3,464,926	1,730,325	797,799	1,273,017	1,152,112	3,461,378	2,931,982	1,237,404	(3,146,375)
Cumulative Yield/Interest Risk Sensitivity Gap			3,518,132	3,464,926	1,730,325	797,799	1,273,017	1,152,112	3,461,378	2,931,982	1,237,404	(3,146,375)

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

	December 31, 2018	December 31, 2017
	------ (Rupees in '000) ------	
Total financial assets	20,563,861	20,037,358
Operating fixed assets and intangibles assets	314,020	292,715
Total assets as per balance sheet	20,877,881	20,330,073
Total financial liabilities	3,972,657	3,616,650

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

34.3 Operational Risk

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

35. Liquidity Risk

Liquidity risk is the risk caused, among others by the inability of the Company to settle liabilities at due date. Objectives of our liquidity management is to ensure that the Company is able to honor all its financial commitments on an ongoing basis without (i) effecting the Company's cost of funds (ii) adversely effecting ability to raise funds and (iii) resorting to sale of assets.

Asset and Liability Committee (ALCO), Treasury, Finance Division and Risk Management Department each have a role in management of liquidity risk.

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

2018 (Rupees in '000)

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury	34,387	34,387	-	-	-	-	-	-	-	-
Balances with other banks	412,020	412,020	-	-	-	-	-	-	-	-
Lending to financial institutions	4,206,891	494,032	3,712,859	-	-	-	-	-	-	-
Investments	4,010,448	1,295,591	1,564,582	900,121	149,590	-	64,763	-	-	35,791
Advances	11,681,180	558,154	184,316	277,808	563,906	1,291,684	1,062,640	3,512,135	2,974,987	1,255,549
Fixed assets	312,517	1,890	3,729	5,594	12,812	22,377	22,377	43,879	77,744	122,115
Intangible assets	1,803	9	18	27	62	106	106	211	374	887
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	218,934	2,765	29,200	2,647	6,635	71,774	84,364	6,872	14,757	1,685
	20,877,881	2,796,848	5,494,704	1,186,198	732,984	1,385,943	1,234,262	- 3,563,086	3,067,862	1,415,728
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,972,657	70,558	74,871	145,393	277,845	1,142,661	881,193	1,306,786	52,190	20,929
	3,972,657	70,558	74,871	145,393	277,845	1,142,661	881,193	1,306,786	52,190	20,929
Net assets	16,905,224	2,726,290	5,419,833	1,040,804	455,149	243,283	353,069	2,256,313	3,015,672	1,394,799
Share capital	19,365,000									
Reserves	1,246,074									
Unappropriated/ Unremitted loss	(3,685,005)									
Deficit on revaluation of assets	(20,845)									
	16,905,224									

2017 (Rupees in '000)

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	53,531	53,531	-	-	-	-	-	-	-	-
Balances with other banks	771,582	771,582	-	-	-	-	-	-	-	-
Lending to financial institutions	851,542	100,000	751,542	-	-	-	-	-	-	-
Investments	6,499,513	2,096,462	2,531,731	1,456,532	242,043	-	104,829	-	-	57,916
Advances	11,512,363	550,086	181,653	273,793	556,756	1,273,017	1,047,283	3,461,378	2,931,992	1,237,404
Operating Fixed assets	292,715	1,770	3,493	5,240	12,000	20,959	20,959	41,099	72,818	114,377
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	358,828	4,495	47,477	4,304	10,789	116,701	137,154	11,174	23,994	2,740
	20,330,074	3,577,926	3,515,896	1,739,870	820,587	1,410,677	1,310,225	3,513,651	3,028,804	1,412,437
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,616,650	64,236	68,165	132,372	252,961	1,040,323	802,272	1,189,749	47,515	19,054
	3,616,650	64,236	68,165	132,372	252,961	1,040,323	802,272	1,189,749	47,515	19,054
Net assets	16,713,424	3,513,689	3,447,730	1,607,498	567,626	370,354	507,953	2,323,902	2,981,288	1,393,383
Share capital	19,365,000									
Reserves	1,037,680									
Accumulated loss	(5,375,752)									
Surplus on revaluation of assets	2,174									
	15,029,102									

Information relating to above disclosure is not available through system, therefore is based on management best estimate.

36. **RECLASSIFICATION OF COMPARATIVE FIGURES**

Comparative figures have been reclassified and re-arranged where necessary for the purpose of better presentation.

37. **DATE OF AUTHORIZATION**

These financial statements were approved and authorized for issue on 21 MAR 2019 by the Board of Directors of the Company.

38. **GENERAL**

38.1 Figures have been rounded-off to the nearest thousand rupees except stated otherwise.

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

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED 2018

S. No	Account No	Name of the Borrower	Address of the Borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Interest/ Mark-up written-off/ waived	Other financial relief provided	Total (11+12+13)
						Principal	Interest/ Mark-up	Appreciation	Other than Interest/ Mark-up	Total				
1		2	3	4	5	6	7	8	9	10	11	12	13	
1	8050008765	Muhammad Akram Siddiqui	E-163 II SUKKUR TOWNSHIP SUKKUR	4550411210845	MOHAMMAD HUSSAIN SIDDIQUI	528,750	-	-	2,806	531,556	528,750	15,554	69,037	613,341
2	9580000199	Ghzala Irshad	74 LAHORE, A, STATE LIFE SOCIETY, LAHORE	3520249660634	Muhammad Irshad	361,365	39,634	-	15,471	416,470	-	50,771	-	50,771
3	9320000426	Moris Khan	TAKHT BHAI, 6, MAZDOOR ABAD,	1610215532431	Naseer Khan	349,282	78,859	-	-	428,141	2,679	-	38,949	41,628
4	9640003761	Mubashar Nazar	B-V 228, NASHTAR, MUSLIM TOWN, SHAKRIAL	3740506274933	Nazar Mohammad	954,214	63,424	-	3,981	1,021,619	27,896	-	10,029	37,925
5	7100335847	Saimeen Uzair	PLOT NO-50-51 FAISAL TOWN MALKANDHER NASIRBAGH RAOD PESHAWAR.	13562394680	Javaid Akhter	200,000	243,271	50,067	22,406	515,744	15,036	-	-	15,036
6	2217104	Munawar Sultana	P.48BLOCK.2.D.IQBA LKARACHI		Abdul Aziz Muslim	-	-	-	-	-	-	-	11,200	11,200
				TOTAL:		2,393,611	425,188	50,067	44,664	2,913,530	574,361	66,325	129,215	769,901

* Relief includes amounts which would be due to the Company under contractual arrangements whether or not accrued in the books.

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