

## Directors' Review

The Board of Directors (the Board) is pleased to present the condensed interim financial statements of Pak-Libya Holding Company (Pvt.) Limited (the Company) for the first quarter ended March 31, 2014 together with Directors' Review thereon.

### Performance review

During first quarter of FY-2014 (Year Ending December-2014), the Company earned a profit after tax of Rs. 61.647 million as against Rs. 19.803 million in the corresponding period last year. This remarkable increase in profitability for the quarter is attributable to prudent allocation of available resources towards profitable avenues as well as strong recovery efforts of the management from non-performing and troubled assets. Net mark-up income during the period improved to Rs. 62.478 million thereby showing an increase of approx 47% over same period last year. Moreover, fee based income and income from shares portfolio also improved thereby increasing the non-markup income to Rs. 48.066 million from Rs. 21.578 million in Q1-2013.

In line with the strategy, the Company continued its efforts towards recovery from non-performing and troubled assets. In this regard, the Company has entered in to an agreement for sale of non banking assets which were acquired in the past against satisfaction of claims. Therefore a reversal of provision held against those assets has been recognized during the quarter to the extent of Rs. 38.1 million which is reflective of this development. Resultantly, non mark up expenses for the quarter decreased to Rs. 37.905 million (Q1-2013: Rs. 70.799 million) making healthy contribution to the profit for the quarter.

The summarized financial results for the quarter are as follows:

Description	(Rs in '000)	
	March 31, 2014	March 31, 2013
Profit before taxation	71,262	32,624
Taxation	9,615	12,821
Profit after taxation	61,647	19,803
Earnings Per Share (Rs.)	100.37	32.24

Necessary efforts aiming to complete the capital injection transaction of Rs. 4 billion in FY-2014 are underway. As of March 31, 2014, the Company is short of statutory minimum paid-up capital requirement (free of losses) (MCR) of Rs. 6 billion. State Bank of Pakistan has allowed extension in exemption to the Company in meeting MCR till June 30, 2014.

The Company continued to follow the same basis for recognitions of deferred tax asset as were adopted in the annual audited financial statements of December 31, 2013. We are hopeful of a positive outcome on the capital increase transaction and therefore expecting that the recognized deferred tax assets will be realized in future.

### **Future prospects**

The Company is focusing on all possible avenues for profitable operations of the Company including recoveries from troubled and non-performing assets. During the quarter, in response to the winding up petition of KEL filed with the Honorable High Court of Sindh (Honorable Court), the Company gave its in-principal agreement for the winding up of KEL. Consequently, the winding order for KEL has been passed by the Honorable Court and the management is actively following up the matter with the official liquidator to protect the interest of the Company as a creditor and equity holder in KEL. Moreover, recent initiative of the Government of Pakistan to utilize existing RPPs as Short Term Independent Power Producers/Plants, once implemented, is expected to have a positive impact on marketability of KEL project.

### **Acknowledgments**

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

### **For and on behalf of the Board**

**Khalid S.T. Benrjoba**  
**Deputy Managing Director**

**Abid Aziz**  
**Managing Director**

**April 26, 2014**  
**Karachi**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2014

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	29,995	51,848
Balances with other banks	24,909	193,258
Lendings to financial institutions	100,000	350,000
Investments	6 7,566,803	6,356,193
Advances	7 4,396,072	4,352,981
Other assets	514,580	446,138
Operating fixed assets	8 81,782	86,956
Deferred tax assets	270,823	283,363
	<b>12,984,964</b>	<b>12,120,737</b>
<b>LIABILITIES</b>		
Bills payable	-	-
Borrowings from financial institutions	9 7,159,457	5,615,747
Deposits and other accounts	10 2,159,850	2,809,423
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	285,529	375,649
Deferred tax liabilities	-	-
	<b>9,604,836</b>	<b>8,800,819</b>
<b>NET ASSETS</b>	<b>3,380,128</b>	<b>3,319,918</b>
<b>REPRESENTED BY</b>		
Share capital	11 6,141,780	6,141,780
Reserves	48,648	36,319
Accumulated loss	(2,796,113)	(2,845,431)
	<b>3,394,315</b>	<b>3,332,668</b>
Deficit on revaluation of assets - net of tax	(14,187)	(12,750)
	<b>3,380,128</b>	<b>3,319,918</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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Chief Financial Officer

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Managing Director

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Director

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Managing Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	246,378	271,175
Mark-up / return / interest expensed	183,900	228,632
<b>Net mark-up / interest income</b>	<b>62,478</b>	<b>42,543</b>
Reversal of provision against non-performing loans and advances - net	7.2 (382)	(22,954)
Provision / (Reversal) of provision for diminution in value of investments - net	1,759	(16,348)
Bad debts written off directly	-	-
	1,377	(39,302)
<b>Net mark-up / interest income after provisions</b>	<b>61,101</b>	<b>81,845</b>
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	12,563	-
Dividend income	9,865	20,127
Gain / (Loss) from trading in securities - net	13 25,538	(593)
Income from dealing in foreign currencies	-	-
Unrealised gain on revaluation of investments classified as held-for-trading	-	1,375
Other income	100	669
<b>Total non mark-up / interest income</b>	<b>48,066</b>	<b>21,578</b>
	<b>109,167</b>	<b>103,423</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	82,062	70,886
Other (Reversals) / provisions / write offs - net	14 (45,078)	(14,602)
Other charges	921	14,515
<b>Total non mark-up / interest expenses</b>	<b>37,905</b>	<b>70,799</b>
	<b>71,262</b>	<b>32,624</b>
Extra Ordinary / unusual items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>71,262</b>	<b>32,624</b>
Taxation - current	8,057	1,462
- prior years	-	-
- deferred	1,558	11,359
	15 9,615	12,821
<b>PROFIT AFTER TAXATION</b>	<b>61,647</b>	<b>19,803</b>
<b>Basic and diluted earnings per share (Rupees)</b>	<b>16 100.37</b>	<b>32.24</b>

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PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	<b>Quarter ended March 31, 2014</b>	<b>Quarter ended March 31, 2013</b>
	----- (Rupees in '000) -----	
<b>Profit after taxation</b>	<b>61,647</b>	19,803
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	<u><u><b>61,647</b></u></u>	<u><u><b>19,803</b></u></u>

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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**Chief Financial Officer**

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**Managing Director**

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**Director**

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**Managing Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
Note	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	71,262	32,624
Less: Dividend income	(9,865)	(20,127)
	61,397	12,497
Adjustments for non-cash charges:		
Depreciation	5,752	5,007
Amortisation	140	4
Reversal of provision against non-performing loans and advances - net	(382)	(22,954)
Unrealised gain on revaluation of investments classified as held-for-trading	-	(1,375)
Provision/(Reversal) of provision for diminution in the value of investments - net	1,759	(16,348)
Reversal of other provisions - net	(45,078)	(14,602)
Gain on sale of operating fixed assets	(2)	(526)
	(37,811)	(50,794)
	23,586	(38,297)
(Increase) / decrease in operating assets:		
Lendings to financial institutions	-	(803,469)
Investments classified as held-for-trading	496,626	9,180
Advances	(42,709)	184,514
Other assets (excluding advance taxation)	(17,379)	34,977
	436,538	(574,798)
Increase / (decrease) in operating liabilities:		
Borrowings from financial institutions	1,543,710	707,599
Deposits and other accounts	(649,573)	725,500
Other liabilities	(90,120)	(56,762)
	804,017	1,376,337
	1,264,141	763,242
Income tax paid	(9,514)	(3,682)
Net cash inflow from operating activities	1,254,627	759,560
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Investments	(1,699,451)	(627,811)
Dividends received	5,340	3,229
Operating fixed assets purchased	(1,073)	(928)
Sale proceeds of property and equipment disposed-off	355	589
Net cash outflow from investing activities	(1,694,829)	(624,921)
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>(440,202)</b>	<b>134,639</b>
Cash and cash equivalents at beginning of the period	595,106	102,023
<b>Cash and cash equivalents at end of the period</b>	<b>154,904</b>	<b>236,662</b>

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Managing Director

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Director

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Managing Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	Issued, subscribed and paid-up capital	Capital reserve Statutory reserve	Revenue reserve Unappropriated profit / (loss)	Total
	----- (Rupees in '000) -----			
<b>Balance as at January 01, 2013</b>	6,141,780	-	(2,989,420)	3,152,360
<b>Total comprehensive income / (loss) for the first quarter ended March 31, 2013</b>				
Profit for the period	-	-	19,803	19,803
Other comprehensive income for the period	-	-	-	-
	-	-	19,803	19,803
Transfer to statutory reserve	-	3,961	(3,961)	-
<b>Balance as at March 31, 2013</b>	6,141,780	3,961	(2,973,578)	3,172,163
<b>Total comprehensive income (loss) for the three quarters ended December 31, 2013</b>				
Profit after taxation for the period	-	-	161,792	161,792
Other comprehensive loss for the period	-	-	(1,287)	(1,287)
	-	-	160,505	160,505
Transfer to statutory reserve	-	32,358	(32,358)	-
<b>Balance as at December 31, 2013</b>	6,141,780	36,319	(2,845,431)	3,332,668
<b>Total comprehensive income / (loss) for the first quarter ended March 31, 2014</b>				
Profit for the period	-	-	61,647	61,647
Other comprehensive income for the period	-	-	-	-
	-	-	61,647	61,647
Transfer to statutory reserve	-	12,329	(12,329)	-
<b>Balance as at March 31, 2014</b>	<b>6,141,780</b>	<b>48,648</b>	<b>(2,796,113)</b>	<b>3,394,315</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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Managing Director

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Director

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Managing Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

## 1. STATUS AND NATURE OF BUSINESS

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

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

**1.2** The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated September 05, 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs.6 billion. The paid-up capital of the Company (free of losses) as of March 31, 2014 amounted to Rs.3.346 billion (December 31, 2013: Rs.3.296 billion). The Company had utilized available statutory capital reserves during FY-2012 pursuant to the relaxation allowed by SBP vide its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012.

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

In light of the Board's recommendation, the agenda for approval of increase in authorised and paid-up capital of the Company was considered in the Annual General Meeting (AGM) of the shareholders held on April 29, 2013. The meeting deliberated upon various points with respect to this matter, including the correspondence with Ministry of Finance (MoF) and Libyan Foreign Investment Company (LAFICO) on the same. The meeting also discussed upon the brief given about the initial reply received from MoF which showed its inability to inject further capital due to financial constraints. The MoF's reply further stated that the SBP will be requested for exemptions in respect of Minimum Capital Requirement for the Company beyond December 31, 2013, when necessary. The meeting was also apprised about subsequent letter written by the Company to MoF requesting reconsideration of request for capital injection - which was under consideration of the MoF at the time of that AGM.

After detailed deliberations on the matter in above AGM, the shareholders concluded by recognizing the importance of the Company as joint venture between the two countries and assured continued support for its success. The representatives of both the governments who attended the AGM agreed, in principle, to inject additional capital of Rs. 4 billion by way of rights issue and approved the increase in the authorized capital of the Company from Rs. 8 billion to Rs.12 billion. The meeting also advised the management to follow up the matter with MoF / LAFICO.



Based on the above explained decisions, the management continues its efforts and follow up with MOF and LAFICO for the earliest completion of the capital injection transaction. In the board meeting of the Company held in October 2013, the Chairman of the Board (LAFICO Nominee) has apprised the board that LAFICO is willing to subscribe its share of capital increase however GoP has to show its willingness to contribute its portion of capital increase. He further apprised that LAFICO recognizes the contributions of PLHC in fostering the relationship between Pakistan and Libya.

The MoF in its reply to the Company dated November 05, 2013 has not acceded to the request for equity injection of Rs. 2 billion and advised the Company to take necessary corrective measures for meeting the shortfall of equity.

In the BoD meeting dated December 16, 2013, the Deputy Managing Director of the Company (Libyan Nominee) apprised the Board about his discussions with LAFICO and said that Libyan shareholder is willing to subscribe its portion of equity whereby the timeline for the subscription of capital will be finalized with mutual consent, however, the Company has been waiting for a formal commitment from LAFICO. He also apprised about the planned visit of Managing Director LAFICO (MD LAFICO) to Pakistan in first quarter of the year 2014. It was stated that he will meet with the officials of MOF and SBP etc. to discuss the matter of capital injection and other areas of mutual interest.

In light of the above status, the Board approved a fresh set of projections for a period of five years which includes the revised timeline for completion of the capital injection transaction in FY-2014. Further SBP vide its letter no. BPRD/BA&CP/657/614/2014 dated January 10, 2014, has granted extension in the exemption for meeting the MCR till June 30, 2014 and has advised the Company to take immediate steps to complete the process of capital injection of Rs.4 billion.

Keeping in view the above explained decisions and timelines, necessary work and follow up by the management is currently underway with a target to complete the capital injection process in FY-2014. Moreover, the shareholders meeting for formal call of additional capital is expected to be held as soon as the capital injection and its timeline will be confirmed by both the shareholders. Moreover, LAFICO vide its letter dated December 11, 2013 has stated its support for PLHC and its management. During the current quarter, MD LAFICO along with Chairman PLHC visited Pakistan and met with the Acting Governor SBP and the Finance Minister. These meetings are expected to have positive impact on the capital injection transaction as well as relationship between the two brotherly countries. Hence the Company is expecting a positive outcome on the capital injection transaction.

## **2. STATEMENT OF COMPLIANCE**

- 2.1** These condensed interim financial statements of the Company for the first quarter ended March 31, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Non-Banking Financial Institutions (NBFIs) till further instructions. Further, according to the notification of the SECP dated April 28, 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to NBFIs. Accordingly, the requirements of these standards have not been considered in the preparation of the condensed interim financial statements.
- 2.3** The disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013.

**3. BASIS OF MEASUREMENT**

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

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

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

In preparing these condensed interim financial statements, the estimates / judgments and associated assumptions made by management in applying the Company's accounting policies and reported amounts of assets, liabilities, income and expenses are the same as those applied in the annual audited financial statements as at and for the year ended December 31, 2013, except as disclosed in note 5 below:

**5. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2013 other than those disclosed below:

**New standards, interpretations and amendments thereof adopted by the Company**

The Company has adopted the following amended IFRS which became effective during the period:

**Standard or interpretation**

IAS 32 – Offsetting Financial Assets and  
Financial liabilities – (Amendment)

IAS 36 – Recoverable Amount for  
Non-Financial Assets – (Amendment)

IFRIC 21 – Levies

The adoption of the above revision, amendments and interpretation of the standards has no impact on the Company's condensed interim financial statements.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for the accounting periods beginning on or after January 01, 2014. Such improvements to the standards do not have impact on the Company's condensed interim financial statements.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after January 01, 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of the condensed interim financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2013.

	Note	Held by Company -----	Given as collateral * (Rupees in '000)	Total -----
<b>6. INVESTMENTS</b>				
<b>Balance as at March 31, 2014 (Un-audited)</b>	6.1 & 6.2	<b>2,318,896</b>	<b>5,247,907</b>	<b>7,566,803</b>
Balance as at December 31, 2013 (Audited)		3,064,306	3,291,887	6,356,193
Balance as at March 31, 2013 (Un-audited)		4,796,352	3,531,017	8,327,369

	Held by Company	Given as collateral *	Total
	----- (Rupees in '000) -----		
<b>6.1 Investments by types</b>			
Held-for-trading securities	-	-	-
Available-for-sale securities	3,455,101	5,224,341	8,679,442
Held-to-maturity securities	7,913	-	7,913
Strategic investment in a joint venture Kamoki Energy Limited - net	404,867	-	404,867
	3,867,881	5,224,341	9,092,222
Less: Provision for diminution in value of investments	(1,515,618)	-	(1,515,618)
<b>Investments (net of provisions)</b>	2,352,263	5,224,341	7,576,604
Less: Surplus / (Deficit) on revaluation of investments classified as			
- held-for-trading securities	-	-	-
- available-for-sale securities	(33,367)	23,566	(9,801)
<b>Balance as at March 31, 2014</b>	<b>2,318,896</b>	<b>5,247,907</b>	<b>7,566,803</b>

\* Given as a collateral under the repo transactions.

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		----- (Rupees in '000) -----	
<b>6.2 Investments by segments</b>			
<b>Federal government securities</b>			
Market treasury bills		2,975,773	3,447,290
Pakistan investment bonds		1,881,608	453,861
<b>Fully paid-up Ordinary shares / certificates</b>			
Listed		985,539	899,462
Unlisted		93,341	93,341
<b>Fully paid-up preference shares</b>			
Listed		50,000	50,000
Unlisted - Kamoki Energy Limited (KEL)	6.2.1	300,000	300,000
<b>Term Finance Certificates (TFCs)</b>			
Listed		373,518	323,454
Unlisted	6.2.2	1,743,239	1,591,762
<b>Participation term certificates</b>		7,913	7,913
<b>Strategic Investment in joint venture - Kamoki Energy Limited</b>			
Unlisted Ordinary shares - net	6.2.1	404,867	404,867
<b>Other investments</b>			
Mutual fund units - listed		19,230	19,230
Sukuks-unlisted		257,194	267,390
Commercial paper-unlisted		-	36,636
<b>Total investments at cost</b>		<b>9,092,222</b>	<b>7,895,206</b>
Less: Provision for diminution in value of investments	6.2.1	(1,515,618)	(1,519,550)
<b>Investments (net of provisions)</b>		<b>7,576,604</b>	<b>6,375,656</b>
Less: Unrealized loss on revaluation of 'held-for-trading' securities		-	(119)
Deficit on revaluation of 'available-for-sale' securities		(9,801)	(19,344)
<b>Total investments at market value</b>		<b>7,566,803</b>	<b>6,356,193</b>

**6.2.1** As at March 31, 2014, the Company has below detailed investments / exposures in KEL which is a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental electric power generation plant. KEL could not commence its commercial operations.

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

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

The Company also carried out impairment test in respect of equity investments (including preference shares) held by the Company in accordance with the requirement of International Accounting Standard (IAS) 36 - "Impairment of Assets" and full provision was made for equity investments in FY-2012 which continues to be held as of March 31, 2014. Further, the provisioning against the term loans and mark-up accrued thereon has also been determined in accordance with the requirements of Prudential Regulations issued by the SBP. Accordingly, as at March 31, 2014, the Company holds provisions against diminution in the value of equity investments (ordinary and preference shares), non-performing term loans and against other receivables as detailed below.

Further, during the current quarter, Ameerjee Valejee & Sons (Private) Limited along with certain shareholders of KEL from Tapal Family filed a winding up petition for KEL with the Honorable High Court of Sindh (Court). PLHC, through its legal advisor responded to the said petition and gave its in-principal agreement for the winding up of KEL. Consequently, Honorable Court allowed the winding up of KEL and appointed official assignee as liquidator to conclude the winding up process. The management is following up the matter with the official liquidator to safeguard the interest of the Company. Moreover, recent initiative of the Government of Pakistan to utilize existing RPPs as Short Term Independent Power Producers/Plants, once implemented, is expected to have a positive impact on marketability of the KEL project.

The details of investments/assets/exposures of the Company in KEL as at March 31, 2014 are as follows:

Nature of assets / exposures	Note	Book value	Book value
		before provision	after provision
		-----	-----
		(Rupees in '000)	
Preference shares	6.2.1.1	300,000	-
Ordinary shares	6.2.1.2	404,867	-
Long term loan	6.2.1.3	1,250,000	266,188
Short term loan	6.2.1.4	34,690	-
Other assets - accrued income	6.2.1.5	205,690	-
Other assets - other receivables	6.2.1.6	10,045	-
<b>Total funded exposure</b>		<b>2,205,292</b>	<b>266,188</b>
As at December 31, 2013 (Audited)		2,200,481	266,188

- 6.2.1.1** These are unlisted preference shares issued by KEL. The entire issue (100%) of these preference shares was subscribed by the Company during FY-2011.
- 6.2.1.2** This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL. The book value represents cost of investment amounting to Rs.500 million less share of loss of interest in joint venture amounting to Rs.95.133 million upto June 30, 2012. This investment is designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.
- 6.2.1.3** This represents term loan extended to KEL against which 100% provisioning has been made after taking a Forced Sale Value (FSV) benefit of Rs.266.188 million (December 31,2013: Rs. 266.188 million) as allowed under the Prudential Regulations for Corporate/Commercial Banking (Also refer note 7.2.1).
- 6.2.1.4** This represents that portion of other receivable from KEL which was converted to a short term loan to KEL in FY-2013. 100% provisioning is held against this loan as was earlier held against the other receivable from KEL. Further, suspended mark-up up to March 31, 2014 amounts to Rs.1.144 million (December 31, 2013: Rs. 0.025 million) which has not been recognised by the Company.
- 6.2.1.5** An amount of Rs.205.69 million represents mark-up receivable upto December 31, 2011 on long term loan extended to KEL. Further, remaining suspended mark-up from January 01,2012 to March 31, 2014 amounts to Rs.375.699 million (December 31, 2013: Rs. 335.607 million), which has not been recognised by the Company.
- 6.2.1.6** This represents receivable on account of certain payments made by the Company on behalf of KEL, against which 100% provision is being-made/held.
- 6.2.2** This includes investment in PPTFC issue of Pakistan International Airline amounting to Rs. 176.933 million (December 31, 2013: Rs. 176.933 million). No provision has been made against this investment which has been classified due to overdue installments. SBP vide its letter no.BPRD/BRD(Policy)/2014-5785 dated April 11,2014 has allowed relaxation to the investors of this PPTFC issue from the requirements of Prudential Regulation no. 8 of Corporate/Commercial Banking upto June 30, 2014.

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
<b>7. ADVANCES</b>			
<b>In Pakistan</b>			
Loans		6,393,544	6,349,083
Net investment in finance lease		239,535	234,777
Consumer loans and advances		190,229	203,473
Staff loans		104,523	97,789
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility (LTFF)		83,220	83,220
<b>Advances - gross</b>	7.1	<b>7,071,230</b>	<b>7,028,521</b>
<b>Less: Provision against:</b>			
- Non-performing advances - specific provision	7.2	2,673,776	2,674,018
- Consumer loans and advances - general provision	7.2	1,382	1,522
		<b>2,675,158</b>	<b>2,675,540</b>
<b>Advances - net of provision</b>		<b>4,396,072</b>	<b>4,352,981</b>

7.1 Advances include amounts aggregating to Rs.3,248.294 million (December 31, 2013: Rs.3,246.848) million which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Substandard	4,296	-	4,296	-	-
Doubtful	460,217	-	460,217	225,314	225,314
Loss	2,783,781	-	2,783,781	2,448,462	2,448,462
	<u>3,248,294</u>	<u>-</u>	<u>3,248,294</u>	<u>2,673,776</u>	<u>2,673,776</u>

7.2 Particulars of provision against non-performing advances:

	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	2,674,018	1,522	2,675,540	2,714,680	2,393	2,717,073
Charge for the period	19	-	19	14,697	-	14,697
Reversals	(261)	(140)	(401)	(90,049)	(871)	(90,920)
Net charge / (reversals)	(242)	(140)	(382)	(75,352)	(871)	(76,223)
Add: Transfer of provision*				34,690	-	34,690
Less: Amount written off	-	-	-	-	-	-
Closing balance	<u>2,673,776</u>	<u>1,382</u>	<u>2,675,158</u>	<u>2,674,018</u>	<u>1,522</u>	<u>2,675,540</u>

\* This represents provision transferred from other receivable to short term loan on account of conversion of a portion of 'other receivable' from KEL to a 'short term loan' amounting to Rs. 34.690 million in FY-2013.

7.2.1 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. 24.484 million (December 31, 2013 : Rs. 22.650 million) in respect of consumer financing and Rs. 324.720 million (December 31, 2013: Rs. 324.720 million) in respect of corporate financing which includes Rs.266.188 million (December 31, 2013: Rs.266.188 million) being the FSV benefit availed by the Company against the term loan of Kamoki Energy Limited (classified as loss) and security deposit amounting to Rs.58.532 million (December 31, 2013: Rs.58.532 million) in respect of lease financing pursuant to respective applicable Prudential Regulations for Consumer Financing and for Corporate/Commercial Banking. The FSV benefit recognised under these Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 had also stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

	Note	(Un-audited)	(Audited)
		March 31, 2014	December 31, 2013
		(Rupees in '000)	
<b>8. OPERATING FIXED ASSETS</b>			
Capital work-in-progress (CWIP)		-	603
Property and equipment	8.1	79,231	83,661
Intangible assets		2,551	2,692
		<u>81,782</u>	<u>86,956</u>
<b>8.1 Additions (including transfers from CWIP) during the quarter ended March 31, 2014</b>			
		amounted to Rs. 1,675.850 thousands,	
		while disposal had a cost of Rs. 368.395 thousands (net book value of Rs. 353.046 million) which was a sale of asset to a key management personnel under the Company's HR policy (at a gain of Rs. 1.98 thousands).	
<b>9. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>	9.1	<u>7,159,457</u>	<u>5,615,747</u>

9.1 This includes an amount of Rs.499.60 million (December 31, 2013: Rs.624.500 million) being the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.750 million raised by the Company in February 2011. The issue is secured by first fixed charge by way of hypothecation on all the present and future loans and lease receivables of the Company ranking pari passu with prior charges. This issue is rated and carries a mark-up rate of six months' KIBOR plus 1.6% percent p.a. payable on semi-annual basis. The PPTFC issue is repayable in installments by February 2016 and is held by both financial and non-financial institutions.

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
<b>10. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Certificates of investment - (in local currency)	1,059,850	2,809,423
<b>Financial institutions</b>		
Certificates of investment - (in local currency)	1,100,000	-
	<u>2,159,850</u>	<u>2,809,423</u>

**11. SHARE CAPITAL AND RESERVES**

As at March 31, 2014, the Company has a shortfall of Rs.2.654 billion (December 31, 2013 : Rs. 2.704 billion) in meeting the Minimum Paid-up Capital Requirement (free of losses) as stipulated by the State Bank of Pakistan (SBP). SBP has granted exemption to the Company from meeting the MCR till June 30, 2014 and advised the Company to take immediate steps to complete the process of capital injection of Rs. 4 billion (Refer note 1.2).

**12. CONTINGENCIES AND COMMITMENTS****Contingencies**

For the tax years 2004, 2005, 2006, 2008, 2009 & 2010, Inland Revenue Appellate Tribunal (IRAT) - Karachi vide its order dated February 20, 2013 against various appeals filed by the Company had decided certain matters in favour of the Company. For the said IRAT order, the Company received the appeal effect orders dated January 21, 2014 issued by the Additional Commissioner Inland Revenue. These appeal effect orders contain certain discrepancies for which applications have been filed with the tax department on April 14, 2014 seeking necessary rectifications therein. Moreover, in light of the same IRAT order, the matter of admissibility of provisions against loans and advances for tax years 2009 & 2010 has been remanded back to the Commissioner Inland Revenue (CIR) – Appeals (A), against which no hearing has been held during the quarter.

Earlier, for tax year (TY) - 2011, CIR had selected the case for audit under section 177 of ITO. Accordingly, Deputy Commissioner Inland Revenue (DCIR) vide order dated August 30, 2013 issued the amended assessment order for TY-2011 and raised a demand of Rs. 84.392 million based on the revised tax return filed by the Company. During calendar / financial year 2012, refund claim of Rs.70.53 million was filed by the Company for TY- 2011 through a revised tax return. However, the benefit of said additional refund is/was not recognized following a prudent stance. The tax demand for TY-2011 mainly pertained to additions made for apportionment of expenses to dividend income / capital gains / (losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. Moreover, no provision has been made for this demand as the Company has filed an appeal with CIR (A) and hopeful of an overall favorable outcome on this matter considering the appellate history. Moreover, no hearing has been held for this appeal to date.

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
<b>Commitments</b>		
<b>12.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	-	-
Others	12.1.1 859,212	860,561
	<u>859,212</u>	<u>860,561</u>

**12.1.1** This represents the guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture. During FY-2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on March 30, 2012, in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Company under the same. Moreover, the process of winding up of KEL is underway (Refer note 6.2.1).

**12.2 Trade - related contingent liabilities**

Contingent liabilities in respect of letters of credit favouring:		
Government	-	-
Others	310,341	270,341
	<u>310,341</u>	<u>270,341</u>

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
Note	----- (Rupees in '000) -----	
<b>12.3 Commitments to extend credit</b>	<b>465,069</b>	<b>771,983</b>
<b>12.4 Unsettled investment transactions for:</b>		
Sale of market treasury bills	-	496,945
Sale and purchase of listed ordinary shares	<b>10,667</b>	84,255
	<b>10,667</b>	<b>581,200</b>
<b>12.5 Commitments for acquisition of fixed assets</b>	<b>-</b>	<b>561</b>

### 13. GAIN / (LOSS) FROM TRADING IN SECURITIES - NET

This includes gain from trading in government securities amounting to Rs. 0.164 million (March 2013: Loss of Rs. 0.887 million).

	(Un-audited) Quarter ended March 31, 2014	(Un-audited) Quarter ended March 31, 2013
	----- (Rupees in '000) -----	
<b>14. OTHER (REVERSALS) / PROVISIONS / WRITE OFFS - NET</b>		
Reversal of provision against mark-up accrued	<b>(11,789)</b>	(19,300)
Reversal of provision against non-banking assets acquired in satisfaction of claims	<b>(38,100)</b>	-
Provision against other receivables - Kamoki Energy Limited	<b>4,811</b>	4,698
	<b>(45,078)</b>	<b>(14,602)</b>

**14.1** This reversal has been recognized in view of the agreement for sale of these assets signed by the Company during the quarter ended March 31, 2014. Reversal has been made to the extent of the prevailing/market value of these assets as of March 31, 2014 which has been assessed by the independent evaluator equal to Rs. 184.5 million. The assessed value also approximates to the agreed sale price of Rs. 185 million. The Company has so far received Rs. 46.250 million out of the agreed consideration for sale of these assets which is included in 'other liabilities', pending execution of sale transaction (partly or completely) and receipt of balance amount(s) - to be received in future as per the agreed terms and payment timeline(s).

### 15. TAXATION

#### 15.1 Current taxation

The Company has availed the benefit of unrecognized brought forward tax losses against the taxable income for the quarter ended March 31, 2014. Therefore, minimum tax provision has been made in these condensed interim financial statements along with the applicable provisions for fixed and final taxation, as applicable.

#### 15.2 Deferred taxation

The basis for recognition of deferred tax amounts in these condensed interim financial statements are the same as those followed for recognition of deferred tax amounts in the annual audited financial statements as at December 31, 2013.

	(Un-audited) Quarter ended March 31, 2014	(Un-audited) Quarter ended March 31, 2013
	----- (Rupees in '000) -----	
<b>16. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation	<b>61,647</b>	19,803
Weighted average number of Ordinary shares	----- (Number of shares) -----	
	<b>614,178</b>	614,178
Earnings per share	----- (Rupees) -----	
	<b>100.37</b>	32.24



**17. RELATED PARTY TRANSACTIONS**

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

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

Transactions and balances with related parties are as follows:

	(Un-audited) March 31, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
<b>17.1 Balances</b>										
<b>Bank balance</b>	-	-	-	29,941	-	-	-	-	51,789	-
<b>Lendings to financial institutions</b>										
Opening balance	-	-	-	350,000	-	-	-	-	-	-
Placements / reverse repo made during the period	-	-	-	1,631,995	-	-	-	-	3,700,858	-
Placements / reverse repo matured during the period	-	-	-	(1,881,995)	-	-	-	-	(3,350,858)	-
Closing balance	-	-	-	100,000	-	-	-	-	350,000	-
<b>Investments</b>										
Opening balance	-	-	704,867	4,249,933	500	-	-	704,867	5,417,738	54,500
Investment made during the period	-	-	-	3,224,335	-	-	-	-	13,223,124	-
Investment redeemed / disposed off during the period	-	-	-	(2,167,923)	-	-	-	-	(14,390,929)	(54,000)
Closing balance	-	-	704,867	5,306,345	500	-	-	704,867	4,249,933	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Surplus/(Deficit) on revaluation of investments	-	-	-	8,663	-	-	-	-	(23,968)	-

	(Un-audited) March 31, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture**	State controlled entities	Other related parties
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
<b>Advances</b>										
Opening balance	-	41,066	1,284,690	945,170	-	-	39,147	1,250,000	945,170	-
Addition/Rollover during the period	-	947	-	-	-	-	8,674	34,690	945,170	-
Repaid/Adjusted during the period	-	(2,378)	-	-	-	-	(6,755)	-	(945,170)	-
Closing balance	-	39,635	1,284,690	945,170	-	-	41,066	1,284,690	945,170	-
<b>Provision held against advances</b>	-	-	1,018,502	-	-	-	-	1,018,502	-	-
<b>Other assets</b>										
Mark-up receivable										
- Gross	-	128	582,533	111,784	-	-	122	541,321	81,513	-
- Suspended / provided	-	-	(582,533)	(41,470)	-	-	-	(541,321)	(36,932)	-
Closing balance	-	128	-	70,314	-	-	122	-	44,581	-
Amount receivable from defined Contribution plan	-	-	-	-	4	-	-	-	-	50
Other receivables	-	-	10,045	-	-	-	-	5,234	-	-
Advance taxation	-	-	-	145,569	-	-	-	-	144,112	-
Other advances										
Opening	-	1,275	-	-	860	-	3,752	-	-	-
Additions during the period	-	-	-	-	757	-	8,494	-	-	1,290
Repaid during the period	-	(638)	-	-	(645)	-	(10,971)	-	-	(430)
Closing balance	-	637	-	-	972	-	1,275	-	-	860
<b>Provision against other assets</b>	-	-	10,045	-	-	-	-	5,234	-	-
<b>Borrowings from financial Institutions</b>										
Opening	-	-	-	2,431,215	-	-	-	-	1,827,344	-
Borrowings during the period	-	-	-	10,737,065	-	-	-	-	84,534,228	-
Settled during the period	-	-	-	(9,387,190)	-	-	-	-	(83,930,357)	-
Closing balance	-	-	-	3,781,090	-	-	-	-	2,431,215	-
<b>Deposits and other accounts</b>										
Opening balance	-	2,500	-	2,724,000	50,000	-	-	-	3,978,501	110,000
Additions during the period	-	1,511	-	750,000	130,000	-	2,500	-	4,074,000	420,000
Repayments during the period	-	(2,500)	-	(2,270,500)	(50,000)	-	-	-	(5,328,500)	(480,000)
Closing balance	-	1,511	-	1,203,500	130,000	-	2,500	-	2,724,000	50,000

	(Un-audited) March 31, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	----- (Rupees in '000) -----									
<b>Other liabilities</b>										
Mark-up payable	-	20	-	85,093	1,752	-	30	-	222,461	260
Amount payable to retirement benefit funds	-	-	-	-	12,356	-	-	-	-	12,356
Others	-	-	-	2,041	-	-	-	1,008	440	-
	-	20	-	87,134	14,108	-	30	1,008	222,901	12,616
<b>Contingencies and commitments</b>										
Letter of guarantee	-	-	859,212	-	-	-	-	860,561	-	-
Commitment to extend credit	-	4,250	-	-	-	-	-	-	-	-
Unsettled sale/purchase of investment transactions	-	-	-	-	-	-	-	-	551,523	-
	-	4,250	859,212	-	-	-	-	860,561	551,523	-

	(Un-audited) March 31, 2014					(Un-audited) March 31, 2013				
	<b>17.2 Transactions, income and expenses</b>									
Mark-up / return / interest earned -net	-	218	-	102,645	-	-	156	-	123,644	-
Mark-up / return / interest expensed	-	48	-	127,372	2,725	-	-	-	163,894	2,906
Gain/(loss) on sale of securities - Net	-	-	-	2,556	-	-	-	-	(4,169)	-
Dividend Income	-	-	-	4,000	-	-	-	-	8,763	-
Contribution paid to defined contribution plan	-	-	-	-	1,602	-	-	-	-	1,024
Contribution paid to defined benefit plan	-	-	-	-	2,433	-	-	-	-	2,646
Non-executive directors' remuneration	1,122	-	-	-	-	1,338	-	-	-	-
Remunerations	-	30,808	-	-	1,451	-	25,862	-	-	-

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

\*\* Fee based income to be recorded on cash receipt basis. Moreover, winding up process for KEL is underway (Refer no. 6.2.1).

**18. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES**

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

	(Un-audited) March 31, 2014			(Un-audited) March 31, 2013		
	Corporate finance	Retail banking	Total	Corporate finance	Retail banking	Total
	----- (Rupees in '000) -----					
Total income	288,180	4,887	293,067	318,569	13,486	332,055
Total expenses	217,591	4,214	221,805	293,984	5,447	299,431
Net income	70,589	673	71,262	24,585	8,039	32,624
Segment assets (gross)	17,302,778	198,267	17,501,045	19,325,645	241,048	19,566,693
Segment non-performing loans	3,174,191	74,103	3,248,294	3,203,956	72,371	3,276,327
Segment provision required	4,465,395	50,686	4,516,081	4,678,555	39,882	4,718,437
Segment liabilities	9,463,940	140,896	9,604,836	11,512,074	185,861	11,697,935
Net assets	3,373,443	6,685	3,380,128	3,135,016	15,305	3,150,321
Segment return on net assets	8.37%	0.06%	8.43%	3.14%	1.02%	4.14%
Segment cost of funds (%)	8.74%	1.40%	10.14%	8.38%	1.56%	9.94%

**19. CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks  
Balances with other banks  
Placements with financial institutions

(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
----- (Rupees in '000) -----	

29,995	82,630
24,909	54,032
<b>100,000</b>	100,000
<b>154,904</b>	<b>236,662</b>

**20. CREDIT RATING**

In its latest rating announcement (May 2013), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA- (Double A Minus) in the long term and A1+(A One Plus) in the short term (with negative outlook assigned to ratings). Further, PACRA has maintained the rating of AA (Double A) assigned to the secured Privately Placed Term Finance Certificates issued by the Company (with negative outlook assigned to rating).

These ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

**21. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 26, 2014 by the Board of Directors of the Company.

**22. GENERAL**

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Managing Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Managing Director